

# COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018

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## COUNTY OF KING & QUEEN, VIRGINIA

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### BOARD OF SUPERVISORS

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Sherrin Alsop	R. F. Bailey, Jr., Chairperson	Doris H. Morris
James “Jim” Burns, Vice Chairperson		J. Lawrence Simpkins

### COUNTY SCHOOL BOARD

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

### SOCIAL SERVICES BOARD

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Angela Alley	Kelly Bailey, Chairperson	Bette Albert
Celestine Gaines, Vice Chairperson		Doris Morris

### OTHER OFFICIALS

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

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of June 30, 2018, 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 19 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 19 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 106, and 107-123 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of King and Queen, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* 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.

*Supplementary and Other Information (Continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of County of King and Queen, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of King and Queen, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
November 15, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. Please read it in conjunction with the County's basic financial statements, which follow this section.

### **Financial Highlights**

#### **Government-wide Financial Statements**

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$29,870,526 (net position).

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$1,584,023 (Exhibit 5) after making contributions totaling \$3,763,440 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$25,423,238, an increase of \$4,120,747 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,497,803, or 66% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$739,175 during the current fiscal year.

### **Overview of the Financial Statements**

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

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

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

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

## **Overview of the Financial Statements (Continued)**

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

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

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

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

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

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

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

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

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



## **Overview of the Financial Statements (Continued)**

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

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

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

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,870,526 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of King and Queen, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 26,472,720	\$ 24,924,982	\$ 167,279	\$ 173,962	\$ 26,639,999	\$ 25,098,944
Capital assets	6,534,082	5,915,888	347,476	352,652	6,881,558	6,268,540
Total assets	\$ 33,006,802	\$ 30,840,870	\$ 514,755	\$ 526,614	\$ 33,521,557	\$ 31,367,484
Deferred outflows of resources	\$ 195,909	\$ 425,378	\$ -	\$ -	\$ 195,909	\$ 425,378
Current liabilities	\$ 446,336	\$ 513,962	\$ 17,537	\$ 17,890	\$ 463,873	\$ 531,852
Long-term liabilities outstanding	2,868,900	3,162,901	-	-	2,868,900	3,162,901
Total liabilities	\$ 3,315,236	\$ 3,676,863	\$ 17,537	\$ 17,890	\$ 3,332,773	\$ 3,694,753
Deferred inflows of resources	\$ 514,167	\$ 174,285	\$ -	\$ -	\$ 514,167	\$ 174,285
Net position:						
Investment in capital assets	\$ 6,534,082	\$ 5,915,888	\$ 347,476	\$ 352,652	\$ 6,881,558	\$ 6,268,540
Restricted	210,062	216,387	-	-	210,062	216,387
Unrestricted	22,629,164	21,282,825	149,742	156,072	22,778,906	21,438,897
Total net position	\$ 29,373,308	\$ 27,415,100	\$ 497,218	\$ 508,724	\$ 29,870,526	\$ 27,923,824

## **Government-wide Financial Analysis (Continued)**

The County's net position increased \$2,379,659 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of King and Queen, Virginia's Changes in Net Position						
	Governmental	Activities	Business-type	Activities	Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,059,886	\$ 2,419,741	\$ 183,168	\$ 194,265	\$ 3,243,054	\$ 2,614,006
Operating grants and contributions	2,428,003	2,379,986	-	-	2,428,003	2,379,986
Capital grants and contributions	378,263	-	-	-	378,263	-
General revenues:						
General property taxes	7,088,719	7,092,765	-	-	7,088,719	7,092,765
Other local taxes	681,774	626,359	-	-	681,774	626,359
Grants and other contributions not restricted	1,285,109	1,061,913	-	-	1,285,109	1,061,913
Other general revenues	520,301	548,638	86	106	520,387	548,744
Total revenues	\$ 15,442,055	\$ 14,129,402	\$ 183,254	\$ 194,371	\$ 15,625,309	\$ 14,323,773
Expenses:						
General government administration	\$ 1,282,392	\$ 1,425,004	\$ -	\$ -	\$ 1,282,392	\$ 1,425,004
Judicial administration	607,044	649,427	-	-	607,044	649,427
Public safety	3,822,281	2,959,753	-	-	3,822,281	2,959,753
Public works	664,226	595,720	-	-	664,226	595,720
Health and welfare	1,518,721	1,545,003	-	-	1,518,721	1,545,003
Education	4,557,794	3,923,334	-	-	4,557,794	3,923,334
Parks, recreation, and cultural	180,484	166,173	-	-	180,484	166,173
Community development	417,948	321,750	-	-	417,948	321,750
Interest and other fiscal charges	-	-	-	-	-	-
Wireless service authority	-	-	194,760	194,391	194,760	194,391
Total expenses	\$ 13,050,890	\$ 11,586,164	\$ 194,760	\$ 194,391	\$ 13,245,650	\$ 11,780,555
Change in net position	\$ 2,391,165	\$ 2,543,238	\$ (11,506)	\$ (20)	\$ 2,379,659	\$ 2,543,218
Beginning of year, as restated	26,982,143	24,871,862	508,724	508,744	27,490,867	25,380,606
End of year	\$ 29,373,308	\$ 27,415,100	\$ 497,218	\$ 508,724	\$ 29,870,526	\$ 27,923,824

## **Financial Analysis of the County's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$25,423,238, an increase of \$1,584,023 in comparison with the prior year. Approximately 37% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

**Proprietary Funds** - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$149,742. The total decrease in net position was \$11,506. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## **General Fund Budgetary Highlights**

During the year, revenues and other sources were greater than budgetary estimates by \$1,621,408. Expenditures and other uses were less than budgetary estimates by \$1,806,351, resulting in a positive variance of \$3,427,759.

## **Capital Asset and Debt Administration**

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounts to \$6,534,082 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

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

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

## **Economic Factors and Next Year's Budgets and Rates**

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

The fiscal year 2019 budget increased approximately 8.2%. All tax rates remained the same as in 2018.

### **Requests for Information**

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

## *BASIC FINANCIAL STATEMENTS*

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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Statement of Net Position  
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,676,425	\$ 118,775	\$ 3,795,200	\$ 845,984	\$ 138,095
Investments	21,209,279	-	21,209,279	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	634,609	-	634,609	-	-
Accounts receivable	73,537	48,504	122,041	281	-
Due from other governmental units	834,892	-	834,892	280,354	-
Prepaid items	33,417	-	33,417	180,164	-
Net pension asset	10,561	-	10,561	780,329	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	251,293	-	251,293	39,639	516,019
Buildings and improvements	2,802,747	-	2,802,747	4,275,912	23,924
Machinery and equipment	2,292,536	25,559	2,318,095	683,032	-
Infrastructure	166,099	307,277	473,376	-	-
Construction in progress	1,021,407	14,640	1,036,047	212,862	-
Total assets	\$ 33,006,802	\$ 514,755	\$ 33,521,557	\$ 7,298,557	\$ 678,038
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
OPEB related items	\$ 12,860	\$ -	\$ 12,860	\$ 91,242	\$ -
Pension related items	183,049	-	183,049	876,908	-
Total deferred outflows of resources	\$ 195,909	\$ -	\$ 195,909	\$ 968,150	\$ -
<b>LIABILITIES</b>					
Accounts payable	\$ 281,430	\$ 17,537	\$ 298,967	\$ 172,813	\$ -
Accrued liabilities	80,203	-	80,203	927,699	-
Retainage payable	4,333	-	4,333	-	-
Accrued interest payable	-	-	-	14,958	-
Due to other governmental units	-	-	-	140,147	-
Unearned revenue	80,370	-	80,370	1,251	-
Long-term liabilities:					
Due within one year	21,944	-	21,944	78,668	-
Due in more than one year	2,846,956	-	2,846,956	9,641,105	-
Total liabilities	\$ 3,315,236	\$ 17,537	\$ 3,332,773	\$ 10,976,641	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 74,051	\$ -	\$ 74,051	\$ -	\$ -
OPEB related items	21,000	-	21,000	59,600	-
Pension related items	419,116	-	419,116	1,615,184	-
Total deferred inflows of resources	\$ 514,167	\$ -	\$ 514,167	\$ 1,674,784	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 6,534,082	\$ 347,476	\$ 6,881,558	\$ 3,903,602	\$ 539,943
Restricted for:					
Asset forfeiture	10,242	-	10,242	-	-
Court security	95,626	-	95,626	-	-
Dare	200	-	200	-	-
Sheriff	2,317	-	2,317	-	-
CDBG	101,677	-	101,677	-	-
Unrestricted (deficit)	22,629,164	149,742	22,778,906	(8,288,320)	138,095
Total net position	\$ 29,373,308	\$ 497,218	\$ 29,870,526	\$ (4,384,718)	\$ 678,038

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

County of King and Queen, Virginia  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ 1,282,392	\$ -	\$ 177,395	\$ -	
Judicial administration	607,044	139,615	300,728	-	
Public safety	3,822,281	163,474	798,614	378,263	
Public works	664,226	-	-	-	
Health and welfare	1,518,721	-	1,136,830	-	
Education	4,557,794	-	-	-	
Parks, recreation, and cultural	180,484	-	1,000	-	
Community development	417,948	2,756,797	13,436	-	
Total governmental activities	\$ 13,050,890	\$ 3,059,886	\$ 2,428,003	\$ 378,263	
Business-type activities:					
Wireless Service Authority	\$ 194,760	\$ 183,168	\$ -	\$ -	
Total business-type activities	\$ 194,760	\$ 183,168	\$ -	\$ -	
Total primary government	\$ 13,245,650	\$ 3,243,054	\$ 2,428,003	\$ 378,263	
COMPONENT UNITS:					
School Board	\$ 10,255,944	\$ 79,930	\$ 6,417,748	\$ -	
Industrial Development Authority	23,244	31,994	-	-	
Total component units	\$ 10,279,188	\$ 111,924	\$ 6,417,748	\$ -	
General revenues:					
General property taxes					
Other local taxes:					
Local sales and use taxes					
Consumers' utility taxes					
Motor vehicle licenses					
Other local taxes					
Unrestricted revenues from use of money and property					
Miscellaneous					
Payments from King and Queen County					
Grants and contributions not restricted to specific programs					
Total general revenues					
Change in net position					
Net position - beginning, as restated					
Net position - ending					

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (1,104,997)	\$ -	\$ (1,104,997)	\$ -	\$ -	
(166,701)	-	(166,701)	-	-	
(2,481,930)	-	(2,481,930)	-	-	
(664,226)	-	(664,226)	-	-	
(381,891)	-	(381,891)	-	-	
(4,557,794)	-	(4,557,794)	-	-	
(179,484)	-	(179,484)	-	-	
2,352,285	-	2,352,285	-	-	
\$ (7,184,738)	\$ -	\$ (7,184,738)	\$ -	\$ -	
\$ -	\$ (11,592)	\$ (11,592)	\$ -	\$ -	
\$ -	\$ (11,592)	\$ (11,592)	\$ -	\$ -	
\$ (7,184,738)	\$ (11,592)	\$ (7,196,330)	\$ -	\$ -	
			\$ (3,758,266)	\$ -	
			-	8,750	
			\$ (3,758,266)	\$ 8,750	
\$ 7,088,719	\$ -	\$ 7,088,719	\$ -	\$ -	
192,968	-	192,968	-	-	
189,943	-	189,943	-	-	
221,552	-	221,552	-	-	
77,311	-	77,311	-	-	
407,817	86	407,903	6	67	
112,484	-	112,484	122,515	-	
-	-	-	4,429,125	-	
1,285,109	-	1,285,109	-	-	
\$ 9,575,903	\$ 86	\$ 9,575,989	\$ 4,551,646	\$ 67	
\$ 2,391,165	\$ (11,506)	\$ 2,379,659	\$ 793,380	\$ 8,817	
26,982,143	508,724	27,490,867	(5,178,098)	669,221	
\$ 29,373,308	\$ 497,218	\$ 29,870,526	\$ (4,384,718)	\$ 678,038	

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## *FUND FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,487,466	\$ 80,000	\$ 108,959	\$ 3,676,425
Investments	17,856,504	662,251	2,690,524	21,209,279
Receivables (net of allowance for uncollectibles):				
Taxes receivable	634,609	-	-	634,609
Accounts receivable	70,537	-	3,000	73,537
Due from other funds	32,608	-	-	32,608
Due from other governmental units	778,849	-	56,043	834,892
Prepaid items	33,417	-	-	33,417
Total assets	<u>\$ 22,893,990</u>	<u>\$ 742,251</u>	<u>\$ 2,858,526</u>	<u>\$ 26,494,767</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 226,819	\$ 28,933	\$ 25,678	\$ 281,430
Accrued liabilities	76,164	-	4,039	80,203
Retainage payable	4,333	-	-	4,333
Due to other funds	-	-	32,608	32,608
Unearned revenue	80,370	-	-	80,370
Total liabilities	<u>\$ 387,686</u>	<u>\$ 28,933</u>	<u>\$ 62,325</u>	<u>\$ 478,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 592,585	\$ -	\$ -	\$ 592,585
Total deferred inflows of resources	<u>\$ 592,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,585</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 33,417	\$ -	\$ -	\$ 33,417
Restricted	101,677	-	108,385	210,062
Committed	9,936,755	713,318	2,690,524	13,340,597
Assigned	2,344,067	-	-	2,344,067
Unassigned	9,497,803	-	(2,708)	9,495,095
Total fund balances	<u>\$ 21,913,719</u>	<u>\$ 713,318</u>	<u>\$ 2,796,201</u>	<u>\$ 25,423,238</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,893,990</u>	<u>\$ 742,251</u>	<u>\$ 2,858,526</u>	<u>\$ 26,494,767</u>

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

County of King and Queen, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 25,423,238
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 12,070,262	
Accumulated depreciation	<u>(5,536,180)</u>	6,534,082
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Unavailable revenue - property taxes	\$ 518,534	
Net pension asset	<u>10,561</u>	529,095
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
OPEB related items	\$ 12,860	
Pension related items	<u>183,049</u>	195,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Net OPEB liabilities	\$ (649,458)	
Landfill post closure liability	(2,000,000)	
Compensated absences	<u>(219,442)</u>	(2,868,900)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB related items	\$ (419,116)	
Pension related items	<u>(21,000)</u>	(440,116)
Net Position of governmental activities		<u><u>\$ 29,373,308</u></u>

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



County of King and Queen, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 7,100,602	\$ -	\$ -	\$ 7,100,602
Other local taxes	681,774	-	-	681,774
Permits, privilege fees, and regulatory licenses	40,256	-	-	40,256
Fines and forfeitures	129,866	-	-	129,866
Revenue from the use of money and property	360,656	15,981	31,180	407,817
Charges for services	2,857,913	-	31,851	2,889,764
Miscellaneous	109,300	2,980	204	112,484
Recovered costs	14,412	-	-	14,412
Intergovernmental:				
Commonwealth	3,109,462	-	241,706	3,351,168
Federal	740,207	-	-	740,207
Total revenues	<u>\$ 15,144,448</u>	<u>\$ 18,961</u>	<u>\$ 304,941</u>	<u>\$ 15,468,350</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,253,741	\$ -	\$ -	\$ 1,253,741
Judicial administration	505,564	-	-	505,564
Public safety	3,705,995	-	59,217	3,765,212
Public works	670,234	-	871	671,105
Health and welfare	1,191,970	-	352,361	1,544,331
Education	4,126,797	-	-	4,126,797
Parks, recreation, and cultural	175,984	-	-	175,984
Community development	326,122	-	-	326,122
Nondepartmental	42,030	-	-	42,030
Capital projects	673,086	800,355	-	1,473,441
Total expenditures	<u>\$ 12,671,523</u>	<u>\$ 800,355</u>	<u>\$ 412,449</u>	<u>\$ 13,884,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,472,925</u>	<u>\$ (781,394)</u>	<u>\$ (107,508)</u>	<u>\$ 1,584,023</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 58,718	\$ 498,224	\$ 1,210,556	\$ 1,767,498
Transfers out	(1,708,780)	(58,718)	-	(1,767,498)
Total other financing sources (uses)	<u>\$ (1,650,062)</u>	<u>\$ 439,506</u>	<u>\$ 1,210,556</u>	<u>\$ -</u>
Net change in fund balances	\$ 822,863	\$ (341,888)	\$ 1,103,048	\$ 1,584,023
Fund balances - beginning	21,090,856	1,055,206	1,693,153	23,839,215
Fund balances - ending	<u>\$ 21,913,719</u>	<u>\$ 713,318</u>	<u>\$ 2,796,201</u>	<u>\$ 25,423,238</u>

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

County of King and Queen, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	1,584,023
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 1,205,667		
Depreciation expense	<u>(587,473)</u>		618,194

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

Property taxes	\$	<u>(11,883)</u>	(11,883)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

OPEB expense	\$ (35,956)		
Pension expense	272,600		
Decrease (increase) in compensated absences	<u>(35,813)</u>		200,831

Change in net position of governmental activities	\$	<u><u>2,391,165</u></u>
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2018

	Enterprise Fund Wireless Service Authority
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 118,775
Accounts receivable	48,504
Total current assets	<u>\$ 167,279</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	14,640
Machinery and equipment	\$ 120,107
Infrastructure	353,226
Accumulated depreciation	(140,497)
Total net capital assets	<u>\$ 347,476</u>
Total noncurrent assets	<u>\$ 347,476</u>
Total assets	<u><u>\$ 514,755</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 17,537
Total liabilities	<u>\$ 17,537</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 347,476
Unrestricted	149,742
Total net position	<u><u>\$ 497,218</u></u>

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

County of King and Queen, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2018

	Enterprise Fund Wireless Service Authority
OPERATING REVENUES	
Charges for services:	
Internet subscriber revenues	\$ 183,168
Total operating revenues	<u>\$ 183,168</u>
OPERATING EXPENSES	
Management services	\$ 93,500
Telecommunications	39,100
Other charges	33,413
Depreciation	28,747
Total operating expenses	<u>\$ 194,760</u>
Operating income (loss)	<u>\$ (11,592)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 86
Change in net position	<u>\$ (11,506)</u>
Total net position - beginning	508,724
Total net position - ending	<u><u>\$ 497,218</u></u>

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

County of King and Queen, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2018

	Enterprise Fund <u>Wireless Service Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 183,452
Payments to suppliers	(132,953)
Payments for operating activities	(33,413)
Net cash provided by (used for) operating activities	<u>\$ 17,086</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	\$ (23,571)
Net cash provided by (used for) capital and related financing activities	<u>\$ (23,571)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 86
Net cash provided by (used for) investing activities	<u>\$ 86</u>
Net increase (decrease) in cash and cash equivalents	\$ (6,399)
Cash and cash equivalents - beginning	125,174
Cash and cash equivalents - ending	<u><u>\$ 118,775</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (11,592)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 28,747
(Increase) decrease in accounts receivable	284
Increase (decrease) in accounts payable	(353)
Total adjustments	<u>\$ 28,678</u>
Net cash provided by (used for) operating activities	<u><u>\$ 17,086</u></u>

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

County of King and Queen, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2018

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Agency  
Fund

ASSETS

Cash and cash equivalents

\$ 3,454

LIABILITIES

Amounts held for social services clients

\$ 3,454

Total liabilities

\$ 3,454

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2018

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#### ***Note 1—Summary of Significant Accounting Policies:***

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

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

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

#### Government-wide and Fund Financial Statements

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

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

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

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

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

**A. Financial Reporting Entity**

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



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2018.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry and developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Authority does not issue a separate financial report.

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

None

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

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

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

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

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

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

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

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

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

**Governmental Funds**

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

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

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

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

Additionally, the County also reports the following fund types:

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$53,564 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

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H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2018.

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

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

I. Compensated Absences

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

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

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**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 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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board'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.

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

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N. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the VRS Teacher Employee HIC Programs; and the additions to/deductions from the VRS Teacher Employee HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's and School Board's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the County and School Board's OPEB Plan's net fiduciary position have been determined in accordance with GASB 75 based on key assumptions to include: turnover and retirement rates, healthcare trend and claim costs, mortality and discount rate. 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)***

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**O. Long-term Obligations**

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

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

**P. Fund Equity**

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

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

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

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

The County Board of Supervisors adopted a minimum required unassigned fund balance of \$3,000,000 on June 10, 2016.



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

**P. Fund Equity (Continued)**

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

	General Fund	Capital Projects Fund	Other Governmental Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 33,417	\$ -	\$ -	\$ 33,417
Total Nonspendable Fund Balance	\$ 33,417	\$ -	\$ -	\$ 33,417
Restricted:				
Asset forfeiture	\$ -	\$ -	\$ 10,242	\$ 10,242
Court security	-	-	95,626	95,626
Dare	-	-	200	200
Sheriff K-9 and auxiliary funds	-	-	2,317	2,317
CDBG	101,677	-	-	101,677
Total Restricted Fund Balance	\$ 101,677	\$ -	\$ 108,385	\$ 210,062
Committed:				
Capital projects - school	\$ 276,620	\$ 662,251	\$ -	\$ 938,871
Landfill contingency	2,787,615	-	2,690,524	5,478,139
Budgeted use of fund balance	2,433,977	-	-	2,433,977
Rescue squads	206,562	-	-	206,562
EDA projects:				
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	100,000	-	-	100,000
Broadband	500,000	-	-	500,000
Rescue services	381,981	-	-	381,981
County capital projects	2,000,000	51,067	-	2,051,067
School construction projects	1,000,000	-	-	1,000,000
Total Committed Fund Balance	\$ 9,936,755	\$ 713,318	\$ 2,690,524	\$ 13,340,597
Assigned:				
Future expenditures	\$ 2,344,067	\$ -	\$ -	\$ 2,344,067
Total Assigned Fund Balance	\$ 2,344,067	\$ -	\$ -	\$ 2,344,067
Unassigned	\$ 9,497,803	\$ -	\$ (2,708)	\$ 9,495,095
Total Fund Balances	\$ 21,913,719	\$ 713,318	\$ 2,796,201	\$ 25,423,238

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

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

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

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 multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

***Note 2—Stewardship, Compliance, and Accounting:***

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

1. On or before March 30<sup>th</sup>, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2018.

***Note 3—Deposits and Investments:***

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2018 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 19,209,279
Virginia Investment Pool	<u>2,000,000</u>
Total	<u>\$ 21,209,279</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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*Note 3—Deposits and Investments: (Continued)*

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Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 19,209,279	\$ 19,209,279
Virginia Investment Pool	2,000,000	2,000,000
Total	<u>\$ 21,209,279</u>	<u>\$ 21,209,279</u>

External Investment Pool

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above Virginia Investment Pool Investment at the net asset value (NAV).

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 4—Due to/from Other Governments:**

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King and Queen School Board	\$ 140,147	\$ -
Commonwealth of Virginia:		
Local sales tax	-	122,075
Welfare	26,703	-
Rolling stock tax	396	-
Communications tax	25,784	-
State Sales Tax	34,835	-
Constitutional officer reimbursements	76,562	-
Recordation tax	3,688	-
Mobile home titling tax	5,179	-
Forestry payment	58,943	-
Wireless grant	3,755	-
Regional 911 grant	94,500	-
Emergency services grant	173,207	-
Comprehensive Services Act	56,043	-
Federal Government:		
School fund grants	-	158,279
Courthouse Green infrastructure improvement grant	82,324	-
Sheriff's DMV grant	3,142	-
Welfare	49,684	-
Total due from other governments	<u>\$ 834,892</u>	<u>\$ 280,354</u>

At June 30, 2018, amounts due to other local governments are as follows:

Other Local Governments:		
County of King and Queen	\$ <u>-</u>	\$ <u>140,147</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 151,653	\$ 99,640	\$ -	\$ 251,293
Construction in progress	408,387	613,020	-	1,021,407
Total capital assets not subject to depreciation	\$ 560,040	\$ 712,660	\$ -	\$ 1,272,700
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,528,818	\$ 53,778	\$ -	\$ 5,582,596
Machinery and equipment	4,617,292	439,229	78,838	4,977,683
Infrastructure	237,283	-	-	237,283
Total capital assets subject to depreciation	\$ 10,383,393	\$ 493,007	\$ 78,838	\$ 10,797,562
Accumulated depreciation:				
Buildings and improvements	\$ 2,631,208	\$ 148,641	\$ -	\$ 2,779,849
Machinery and equipment	2,337,017	426,968	78,838	2,685,147
Infrastructure	59,320	11,864	-	71,184
Total accumulated depreciation	\$ 5,027,545	\$ 587,473	\$ 78,838	\$ 5,536,180
Total capital assets subject to depreciation, net	\$ 5,355,848	\$ (94,466)	\$ -	\$ 5,261,382
Governmental activities capital assets, net	\$ 5,915,888	\$ 618,194	\$ -	\$ 6,534,082

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 5—Capital Assets: (Continued)**

A summary of proprietary fund property, plant and equipment at June 30, 2018 follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ -	\$ 14,640	\$ -	\$ 14,640
Capital assets subject to depreciation:				
Machinery and equipment	\$ 120,107	\$ -	\$ -	\$ 120,107
Infrastructure	344,295	8,931	-	353,226
Total capital assets subject to depreciation	\$ 464,402	\$ 8,931	\$ -	\$ 473,333
Accumulated depreciation:				
Machinery and equipment	\$ 82,589	\$ 11,959	\$ -	\$ 94,548
Infrastructure	29,161	16,788	-	45,949
Total accumulated depreciation	\$ 111,750	\$ 28,747	\$ -	\$ 140,497
Total capital assets subject to depreciation, net	\$ 352,652	\$ (19,816)	\$ -	\$ 332,836
Business-type activities capital assets, net	\$ 352,652	\$ (5,176)	\$ -	\$ 347,476

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 50,423
Judicial administration	116,830
Public safety	410,926
Public works	2,212
Health and welfare	7,082
Total Governmental activities	\$ 587,473
Business-type Activities	\$ 28,747
Component Unit School Board	\$ 372,971

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 5—Capital Assets: (Continued)**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Construction in progress	-	212,862	-	212,862
Total capital assets not subject to depreciation	\$ 39,639	\$ 212,862	\$ -	\$ 252,501
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,255,840	\$ -	\$ -	\$ 10,255,840
Machinery and equipment	2,027,164	246,975	81,792	2,192,347
Total capital assets subject to depreciation	\$ 12,283,004	\$ 246,975	\$ 81,792	\$ 12,448,187
Accumulated depreciation:				
Buildings and improvements	\$ 5,739,918	\$ 240,010	\$ -	\$ 5,979,928
Machinery and equipment	1,458,146	132,961	81,792	1,509,315
Total accumulated depreciation	\$ 7,198,064	\$ 372,971	\$ 81,792	\$ 7,489,243
Total capital assets subject to depreciation, net	\$ 5,084,940	\$ (125,996)	\$ -	\$ 4,958,944
Component Unit School Board capital assets, net	\$ 5,124,579	\$ 86,866	\$ -	\$ 5,211,445

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 5—Capital Assets: (Continued)**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Component Unit-Industrial Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 516,019	\$ -	\$ -	\$ 516,019
Capital assets subject to depreciation:				
Buildings and improvements	\$ 39,872	\$ -	\$ -	\$ 39,872
Total capital assets subject to depreciation	\$ 39,872	\$ -	\$ -	\$ 39,872
Accumulated depreciation:				
Buildings and improvements	\$ 11,961	\$ 3,987	\$ -	\$ 15,948
Total accumulated depreciation	\$ 11,961	\$ 3,987	\$ -	\$ 15,948
Total capital assets subject to depreciation, net	\$ 27,911	\$ (3,987)	\$ -	\$ 23,924
Component Unit Industrial Development Authority capital assets, net	\$ 543,930	\$ (3,987)	\$ -	\$ 539,943

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 6—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 58,718	\$ 1,708,780
Capital projects fund	498,224	58,718
Special Revenue Fund	1,210,556	-
Total Primary Government	<u>\$ 1,767,498</u>	<u>\$ 1,767,498</u>

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

**Note 7—Long-Term Obligations:**

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2018:

	<u>Restated Balance July 1, 2017</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurring by County:					
Compensated absences	\$ 183,629	\$ 55,089	\$ 19,276	\$ 219,442	\$ 21,944
Net OPEB liabilities	633,859	47,599	32,000	649,458	-
Landfill post closure care	2,000,000	-	-	2,000,000	-
Total Governmental Activities Obligations	<u>\$ 2,817,488</u>	<u>\$ 102,688</u>	<u>\$ 51,276</u>	<u>\$ 2,868,900</u>	<u>\$ 21,944</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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***Note 7—Long-Term Obligations: (Continued)***

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*Primary Government: (Continued)*

Details of long-term indebtedness are as follows:

*Long-Term Obligations:*

	<u>Total Amount</u>
<u><i>Incurring by County:</i></u>	
Net OPEB liabilities (payable from the General Fund)	\$ 649,458
Landfill postclosure care (payable from the General Fund)	2,000,000
Compensated absences (payable from the General Fund)	<u>219,442</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 2,868,900</u></u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 7—Long-Term Obligations: (Continued)**

Component Unit - School Board:

	Restated Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 109,807	\$ 32,940	\$ 25,520	\$ 117,227	\$ 11,723
Net pension liability	7,838,000	1,560,000	2,474,000	6,924,000	-
Capital lease	1,370,067	-	62,224	1,307,843	66,945
Net OPEB liabilities	1,429,928	97,836	157,061	1,370,703	-
Total Component Unit-School Board	<u>\$ 10,747,802</u>	<u>\$ 1,690,776</u>	<u>\$ 2,718,805</u>	<u>\$ 9,719,773</u>	<u>\$ 78,668</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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***Note 7—Long-Term Obligations: (Continued)***

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*Component Unit - School Board: (Continued)*

Year Ending June 30	Component Unit-School Board	
	Capital Lease	
	Principal	Interest
2019	\$ 66,945	\$ 39,889
2020	71,895	37,847
2021	77,083	35,654
2022	82,550	33,304
2023	88,247	30,786
2024	94,180	28,094
2025	100,424	25,222
2026	106,958	22,159
2027	108,913	18,897
2028	116,073	15,575
2029	123,565	12,034
2030	131,405	8,266
2031	139,605	4,258
Total	<u>\$ 1,307,843</u>	<u>\$ 311,985</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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**Note 7—Long-Term Obligations: (Continued)**

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Long-Term Obligations:

	<u>Total Amount</u>
<u>Incurred by Component Unit-School Board:</u>	
Net OPEB liabilities (payable from the School Operating Fund)	\$ 1,370,703
\$1,420,781 capital lease issued December 15, 2015, secured by HVAC equipment, due in combined annual installments of principal and interest varying from \$101,270 to \$143,863 through February 15, 2031, including interest at 3.05%.	1,307,843
Net pension liability (payable from the School Operating Fund)	6,924,000
Compensated absences (payable from the School Operating Fund)	<u>117,227</u>
Total Long-Term Obligations, Component Unit-School Board	<u><u>\$ 9,719,773</u></u>

**Note 8—Landfill Postclosure Costs:**

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The County closed its two landfills and is liable for postclosure monitoring for a period of five years. The amount reported as landfill postclosure liability at June 30, 2018, represents the estimated liability for postclosure monitoring, of \$2,000,000 as required by the Virginia Department of Environmental Quality. The liability consists of an estimate for corrective action as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

*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. Under the accrual basis of accounting, assessments for future periods are deferred. Unearned and deferred/unavailable is comprised of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 518,534
Prepaid property taxes due in December 2018 but paid in advance by taxpayers	74,051	74,051
	\$ <u>74,051</u>	\$ <u>592,585</u>

Unearned revenue consisted of \$80,370 of PPTRA reimbursements.

*Note 10—Commitments and Contingencies:*

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

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

The County had one construction contract outstanding at June 30, 2018. The County contracted with J. Sanders Construction Company for courthouse green infrastructure improvements. The total contract was for \$478,385 with \$391,728 outstanding at June 30, 2018.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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***Note 11—Litigation:***

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At June 30, 2018, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

***Note 12—Risk Management:***

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

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**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 a 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><b>About Plan 1</b> 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.</p>	<p><b>About Plan 2</b> 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.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**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"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 13—Pension Plan: (Continued)****Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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><b>*Non-Eligible Members (Cont.)</b> 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b> 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><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contribution Component:</b></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><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <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 Contribution 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> <p>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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

**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.)</p> <p><u>Defined Contribution Component:</u> (Cont.)</p> <ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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>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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p>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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**Note 13—Pension Plan: (Continued)****Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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>

**Note 13—Pension Plan: (Continued)****Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>



**Note 13—Pension Plan: (Continued)****Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b></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><u><b>Exceptions to COLA Effective Dates:</b></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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b>Eligibility:</b></u> Same as Plan 1.</p> <p><u><b>Exceptions to COLA Effective Dates:</b></u> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1 and Plan 2.</p> <p><u><b>Exceptions to COLA Effective Dates:</b></u> Same as Plan 1 and Plan 2.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**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: (Cont.)</u></p> <ul style="list-style-type: none"> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.)  Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <u>Defined Contribution Component:</u> Not applicable.

**Pension Plan Data**

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

**Employees Covered by Benefit Terms**

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	37	17
Inactive members:		
Vested inactive members	10	7
Non-vested inactive members	17	12
Inactive members active elsewhere in VRS	39	7
Total inactive members	66	26
Active members	53	34
Total covered employees	156	77

**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 employer contribution rate for the year ended June 30, 2018 was 7.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$183,049 and \$178,428 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 0.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

**Note 13—Pension Plan: (Continued)****Contributions (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were (\$1,642) and \$957 for the years ended June 30, 2018 and June 30, 2017, 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, 2017. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

**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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**Note 13—Pension Plan: (Continued)**

**Actuarial Assumptions - General Employees (Continued)**

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

**Largest 10 - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Note 13—Pension Plan: (Continued)****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

**Largest 10 - Hazardous Duty:** 70% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**All Others (Non 10 Largest) - Hazardous Duty:** 45% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Note 13—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees Employees with Hazardous Duty Benefits (Continued)**

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

**Largest 10 - Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%



**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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**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, 2019, 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

**Changes in Net Pension Liability (Asset)**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 10,154,524	\$ 9,363,937	\$ 790,587
Changes for the year:			
Service cost	\$ 268,433	\$ -	\$ 268,433
Interest	693,483	-	693,483
Difference between expected and actual experience	(297,323)	-	(297,323)
Assumption changes	(56,188)		(56,188)
Contributions - employer	-	173,073	(173,073)
Contributions - employee	-	112,839	(112,839)
Net investment income	-	1,131,245	(1,131,245)
Benefit payments, including refunds			
Refunds of employee contributions	(495,260)	(495,260)	-
Administrative expenses	-	(6,600)	6,600
Other changes	-	(1,004)	1,004
Net changes	\$ 113,145	\$ 914,293	\$ (801,148)
Balances at June 30, 2017	\$ 10,267,669	\$ 10,278,230	\$ (10,561)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**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, 2016	\$ 2,523,643	\$ 2,972,304	\$ (448,661)
Changes for the year:			
Service cost	\$ 71,749	\$ -	\$ 71,749
Interest	168,841	-	168,841
Difference between expected and actual experience	(139,423)	-	(139,423)
Assumption changes	(57,474)	-	(57,474)
Contributions - employer	-	726	(726)
Contributions - employee	-	32,518	(32,518)
Net investment income	-	344,536	(344,536)
Benefit payments, including refunds			
Refunds of employee contributions	(223,268)	(223,268)	-
Administrative expenses	-	(2,114)	2,114
Other changes	-	(305)	305
Net changes	\$ (179,575)	\$ 152,093	\$ (331,668)
Balances at June 30, 2017	\$ 2,344,068	\$ 3,124,397	\$ (780,329)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's			
Net Pension Liability (Asset)	\$ 1,281,954	\$ (10,561)	\$ (1,085,066)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ (484,177)	\$ (780,329)	\$ (1,031,158)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

**Component Unit School Board (professional)**

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$94,906) and (\$159,810) respectively. At June 30, 2018, 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	\$ -	\$ 240,295	\$ -	\$ 156,670
Change in assumptions	-	34,824	-	37,165
Net difference between projected and actual earnings on pension plan investments	-	143,997	-	37,349
Employer contributions subsequent to the measurement date	183,049	-	(1,642)	-
Total	\$ 183,049	\$ 419,116	\$ (1,642)	\$ 231,184

\$183,049 and (\$1,642) 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (282,855)	\$ (157,759)
2020	(40,471)	(47,031)
2021	884	2,249
2022	(96,674)	(28,643)
2023	-	-
Thereafter	-	-

***Note 13—Pension Plan: (Continued)***

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**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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$735,550 and \$652,301 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$6,924,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.05630% as compared to 0.05593% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$270,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 489,000
Change in assumptions	101,000	-
Net difference between projected and actual earnings on pension plan investments	-	252,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,000	643,000
Employer contributions subsequent to the measurement date	735,550	-
Total	\$ 878,550	\$ 1,384,000

\$735,550 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	\$ (512,000)
2020	(230,000)
2021	(218,000)
2022	(262,000)
2023	(19,000)

**Note 13—Pension Plan: (Continued)**

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**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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, 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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 13—Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

***Net Pension Liability***

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

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

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



**Note 13—Pension Plan: (Continued)****Component Unit School Board (professional) (Continued)****Long-Term Expected Rate of Return**

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

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

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**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, 2019, 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, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	10,340,000	\$ 6,924,000	\$ 4,099,000

**Pension Plan Fiduciary Net Position**

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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**Note 14—Surety Bonds:**

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

*The remainder of this page left blank intentionally.*

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan):**

**Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****Plan Description (Continued)**

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.</li> <li>• <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

**Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$12,860 and \$12,217 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Contributions (Continued)**

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$24,025 and \$23,180 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$3,803 and \$3,564 for the years ended June 30, 2018 and June 30, 2017, respectively.

**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the County reported a liability of \$192,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$364,000 and \$56,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .01274% as compared to .01254% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .02417% and .00372%, respectively as compared to .02373% and .00382% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,000	\$ -	\$ 7,000	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	7,000	-	14,000	-	2,000
Change in assumptions	-	10,000	-	19,000	-	3,000
Changes in proportion	-	-	7,000	-	-	-
Employer contributions subsequent to the measurement	12,860	-	24,025	-	3,803	-
Total	\$ 12,860	\$ 21,000	\$ 31,025	\$ 40,000	\$ 3,803	\$ 6,000

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)***

\$12,860, \$24,025 and \$3,803, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (4,000)	\$ (7,000)	\$ (1,000)
2020	(4,000)	(7,000)	(1,000)
2021	(4,000)	(7,000)	(1,000)
2022	(4,000)	(7,000)	(1,000)
2023	(3,000)	(4,000)	(1,000)
Thereafter	(2,000)	(1,000)	(1,000)

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - General State Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%



**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - Teachers**

**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

***Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***

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***Actuarial Assumptions: (Continued)***

**Mortality Rates - SPORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

***Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***

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***Actuarial Assumptions: (Continued)***

**Mortality Rates - VaLORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - JRS Employees**

- Pre-Retirement:  
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:  
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
- Post-Disablement:  
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

***Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***

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***Actuarial Assumptions: (Continued)***

**Mortality Rates - Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

- Pre-Retirement:  
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:  
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:  
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and Retirement Rates)	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	Decreased rate from 60% to 45%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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



**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate**

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

**Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 248,000	\$ 192,000	\$ 146,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 471,000	\$ 364,000	\$ 278,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 73,000	\$ 56,000	\$ 43,000

***Group Life Insurance Program Fiduciary Net Position***

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

**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):****Plan Description**

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

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

***Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***

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***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$56,414 and \$49,218 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB***

At June 30, 2018, the school division reported a liability of \$713,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .05618% as compared to .05593% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$61,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)**

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	8,000
Change in proportion	-	-
Employer contributions subsequent to the measurement date	56,414	-
Total	\$ 56,414	\$ 9,000

\$56,414 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
Thereafter	(4,000)

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**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

**Mortality Rates - Teachers****Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Actuarial Assumptions: (Continued)****Mortality Rates - Teachers: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**Net Teacher Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on the VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.



**Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 795,000	\$ 713,000	\$ 642,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

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

**Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan):****County and School Board*****Plan Description***

In addition to the pension benefits described in Note 13, the County administers a single-employer defined benefit healthcare plan, The County of King and Queen Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 13, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The King and Queen County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits that are provided to eligible retirees include medical, dental and disability insurance. The benefits that are provided for active employees are the same for eligible retirees and spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses. The retiree pays 100% of the medical and dental premiums unless certain conditions are met to include a minimum 30 years of service and minimum age of 50. If these requirements are met, the County pays up to \$63.94 for Family Dental coverage per month and up to \$1,025.38 for Family Medical coverage per month.

Postemployment benefits that are provided to eligible retirees include medical, dental and disability insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the King and Queen County Public School's retiree healthcare plan. The retiree pays 100% of the medical or dental insurance premium for both the retiree and the spouse/dependent coverage.

***Plan Membership***

At June 30, 2017 (measurement date for primary government) and at June 30, 2018 (measurement date for School Board), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	43	133
Total active employees without coverage	-	-
Total retirees with coverage	-	5
Total retirees without coverage	-	-
Total	43	138

**Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)**

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County and School Board: (Continued)

**Contributions**

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$0 and \$21,541.

**Total OPEB Liability**

The County’s total OPEB liability was measured as of June 30, 2017 and the School Board’s total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date for the County. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017 for the School Board.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation for the County was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Salary Increases	The salary increase rate was 3.00% per annum
Discount Rate	5.140% based on the 20-year tax exempt municipal bond yield
Investment Rate of Return	N/A
Mortality Rate	The mortality rates for active and healthy retirees was calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

***Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)***

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County and School Board: (Continued)

***Actuarial Assumptions (Continued)***

The total OPEB liability in the January 1, 2017 actuarial valuation for the School Board was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	The salary increase rate was 5.35% per annum for Service Years 1 and 2 and declining thereafter to 3.50% for 20 or more years of service.
Discount Rate	3.50% as of June 30, 2017 and 3.87% as of June 30, 2018 based on the Bond Buyer 20-Year Bond GO Index
Investment Rate of Return	N/A
Mortality Rate	The mortality rates for pre-retirement was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. The mortality rates for post-retirement was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year.

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20-year tax-exempt municipal bond yield for the County and the Bond Buyer 20-year Bond Go Index for the School Board.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)**

County and School Board: (Continued)

**Changes in Total OPEB Liability**

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 414,859	\$ 238,928
Changes for the year:		
Service cost	18,536	17,244
Interest	24,063	8,592
Difference between expected and actual experience	-	-
Changes in assumptions	-	(5,520)
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	(21,541)
Net changes	\$ 42,599	\$ (1,225)
Balances at June 30, 2018	\$ 457,458	\$ 237,703

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Rate		
	1% Decrease (4.140%)	Current Discount Rate (5.140%)	1% Increase (6.140%)
Primary Government:			
Total OPEB liability	\$ 525,686	\$ 457,458	\$ 400,672
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Component Unit School Board:			
Total OPEB liability	\$ 252,724	\$ 237,703	\$ 223,138

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)**

County and School Board: (Continued)

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

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	Healthcare Cost Trend		
	1% Decrease Rate	Current Rate	1% Increase Rate
Primary Government:			
Total OPEB liability	\$ 394,697	\$ 457,458	\$ 533,938

The healthcare trend rate baseline used in Year 1 was Medical at 4.600%, Pharmacy at 7.600%, Dental at 3.500% and Vision at 3.00%.

	Rates		
	Healthcare Cost Trend		
	1% Decrease Rate	Current Rate	1% Increase Rate
Component Unit School Board:			
Total OPEB liability	\$ 210,439	\$ 237,703	\$ 269,758

The healthcare trend rates used in the valuation were based on the long-term healthcare trend rates generated by the Getzen Model. Period 2017 trend rate was 8.80%.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

County and School Board: (Continued)

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of \$0 and \$24,916. At June 30, 2018, the County reported no deferred inflows or outflows of resources related to OPEB. The School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Component Unit Deferred Outflows of Resources	School Board Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	4,600
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 4,600</u>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Medical, Dental and Disability Pay-As-You Go (OPEB Plan) will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2019	\$ -	\$ (920)
2020	-	(920)
2021	-	(920)
2022	-	(920)
2023	-	(920)
Thereafter	-	-

Additional disclosures on changes in net OPEB liability, related ratios and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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***Note 18—Line of Duty Act (LODA) (OPEB Benefits):***

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The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$15,860.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

**Note 19—Adoption of Accounting Principles:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Govern- mental Activities	Component Unit - School Board
Net position, July 1, 2017, as previously stated	\$ 27,415,100	\$ (3,980,503)
Implementation of GASB 75:		
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(219,000)	(482,000)
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	12,217	26,744
Adjustment to record OPEB HIC liability as reported by VRS at the beginning of the year	-	(709,000)
Adjustment to record deferred outflow of resources related to OPEB HIC liability at the beginning of the year	-	49,218
Adjustment to remove OPEB healthcare insurance liability as reported under GASB 45	188,685	156,371
Adjustment to record OPEB healthcare insurance liability as reported under GASB 75	(414,859)	(238,928)
Net position, July 1, 2017, as restated	\$ <u>26,982,143</u>	\$ <u>(5,178,098)</u>

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2018

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#### **Note 20—Regional PSAP Grant:**

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The County of King and Queen is the fiscal agent for a regional PSAP grant to build a virtual storage area for multi-jurisdictional public safety information. The other participating localities include the Counties of Essex, Gloucester, King William, Lancaster, Mathews, Middlesex and Richmond. The total estimated project cost per the FY18 PSAP Grant Application is \$645,370, which is all funded by the reimbursable state grant. The goal of the project is to create a regional GIS depository and establish a new database for regional data sharing. \$449,405 was expended on this project during FY18.

#### **Note 21—Upcoming Pronouncements:**

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Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2018

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***Note 21—Upcoming Pronouncements: (Continued)***

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pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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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County of King and Queen, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 6,737,991	\$ 6,737,991	\$ 7,100,602	\$ 362,611
Other local taxes	605,000	605,000	681,774	76,774
Permits, privilege fees, and regulatory licenses	49,000	49,000	40,256	(8,744)
Fines and forfeitures	153,800	153,800	129,866	(23,934)
Revenue from the use of money and property	88,890	88,890	360,656	271,766
Charges for services	1,665,250	1,665,250	2,857,913	1,192,663
Miscellaneous	40,000	85,575	109,310	23,735
Recovered costs	11,500	11,500	14,412	2,912
Intergovernmental:				
Commonwealth	2,219,327	3,331,102	3,109,452	(221,650)
Federal	832,800	853,650	740,207	(113,443)
Total revenues	<u>\$ 12,403,558</u>	<u>\$ 13,581,758</u>	<u>\$ 15,144,448</u>	<u>\$ 1,562,690</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,359,123	\$ 1,382,269	\$ 1,253,741	\$ 128,528
Judicial administration	579,714	585,193	505,564	79,629
Public safety	3,188,234	4,118,476	3,705,995	412,481
Public works	699,184	699,184	670,234	28,950
Health and welfare	1,564,798	1,565,798	1,191,970	373,828
Education	3,997,238	4,266,944	4,126,797	140,147
Parks, recreation, and cultural	173,349	173,349	175,984	(2,635)
Community development	378,792	390,143	326,122	64,021
Nondepartmental	88,000	88,000	42,030	45,970
Capital projects	620,000	1,388,910	673,086	715,824
Total expenditures	<u>\$ 12,648,432</u>	<u>\$ 14,658,266</u>	<u>\$ 12,671,523</u>	<u>\$ 1,986,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (244,874)</u>	<u>\$ (1,076,508)</u>	<u>\$ 2,472,925</u>	<u>\$ 3,549,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 58,718	\$ 58,718
Transfers out	(725,149)	(1,528,388)	(1,708,780)	(180,392)
Total other financing sources (uses)	<u>\$ (725,149)</u>	<u>\$ (1,528,388)</u>	<u>\$ (1,650,062)</u>	<u>\$ (121,674)</u>
Net change in fund balances	\$ (970,023)	\$ (2,604,896)	\$ 822,863	\$ 3,427,759
Fund balances - beginning	970,023	2,604,896	21,090,856	18,485,960
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,913,719</u>	<u>\$ 21,913,719</u>

County of King and Queen, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Primary Government  
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 268,433	\$ 272,024	\$ 272,591	\$ 273,272
Interest	693,483	673,052	643,099	608,529
Difference between expected and actual experience	(297,323)	(179,149)	(50,915)	-
Changes in assumptions	(56,188)	-	-	-
Benefit payments, including refunds of employee contributions	(495,260)	(452,877)	(420,871)	(355,006)
Net change in total pension liability	\$ 113,145	313,050	\$ 443,904	\$ 526,795
Total pension liability - beginning	10,154,524	9,841,474	9,397,570	8,870,775
Total pension liability - ending (a)	<u>\$ 10,267,669</u>	<u>\$ 10,154,524</u>	<u>\$ 9,841,474</u>	<u>\$ 9,397,570</u>
Plan fiduciary net position				
Contributions - employer	\$ 173,073	\$ 219,632	\$ 226,362	\$ 277,164
Contributions - employee	112,839	111,772	115,782	116,205
Net investment income	1,131,245	160,893	410,701	1,226,442
Benefit payments, including refunds of employee contributions	(495,260)	(452,877)	(420,871)	(355,006)
Administrative expense	(6,600)	(5,793)	(5,614)	(6,516)
Other	(1,004)	(68)	(87)	65
Net change in plan fiduciary net position	\$ 914,293	\$ 33,559	\$ 326,273	\$ 1,258,354
Plan fiduciary net position - beginning	9,363,937	9,330,378	9,004,105	7,745,751
Plan fiduciary net position - ending (b)	<u>\$ 10,278,230</u>	<u>\$ 9,363,937</u>	<u>\$ 9,330,378</u>	<u>\$ 9,004,105</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (10,561)	\$ 790,587	\$ 511,096	\$ 393,465
Plan fiduciary net position as a percentage of the total pension liability	100.10%	92.21%	94.81%	95.81%
Covered payroll	\$ 2,335,442	\$ 2,282,652	\$ 2,331,298	\$ 2,324,553
County's net pension liability (asset) as a percentage of covered payroll	-0.45%	34.63%	21.92%	16.93%

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



County of King and Queen, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Component Unit School Board (nonprofessional)  
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 71,749	\$ 67,233	\$ 78,636	\$ 83,825
Interest	168,841	173,499	168,533	155,717
Differences between expected and actual experience	(139,423)	(142,957)	(95,608)	-
Changes in assumptions	(57,474)	-	-	-
Benefit payments, including refunds of employee contributions	(223,268)	(105,376)	(55,859)	(57,070)
Net change in total pension liability	\$ (179,575)	\$ (7,601)	\$ 95,702	\$ 182,472
Total pension liability - beginning	2,523,643	2,531,244	2,435,542	2,253,070
Total pension liability - ending (a)	<u>\$ 2,344,068</u>	<u>\$ 2,523,643</u>	<u>\$ 2,531,244</u>	<u>\$ 2,435,542</u>
Plan fiduciary net position				
Contributions - employer	\$ 726	\$ 37,702	\$ 38,613	\$ 38,354
Contributions - employee	32,518	33,316	34,218	36,252
Net investment income	344,536	51,284	129,766	382,078
Benefit payments, including refunds of employee contributions	(223,268)	(105,376)	(55,859)	(57,070)
Administrative expense	(2,114)	(1,828)	(1,734)	(2,021)
Other	(305)	(22)	(25)	20
Net change in plan fiduciary net position	\$ 152,093	\$ 15,076	\$ 144,979	\$ 397,613
Plan fiduciary net position - beginning	2,972,304	2,957,228	2,812,249	2,414,636
Plan fiduciary net position - ending (b)	<u>\$ 3,124,397</u>	<u>\$ 2,972,304</u>	<u>\$ 2,957,228</u>	<u>\$ 2,812,249</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (780,329)	\$ (448,661)	\$ (425,984)	\$ (376,707)
Plan fiduciary net position as a percentage of the total pension liability	133.29%	117.78%	116.83%	115.47%
Covered payroll	\$ 683,420	\$ 685,441	\$ 686,083	\$ 732,850
School Division's net pension liability (asset) as a percentage of covered payroll	-114.18%	-65.46%	-62.09%	-51.40%

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

County of King and Queen, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.05630%	0.05593%	0.05960%	0.06336%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,924,000	\$ 7,838,000	\$ 7,502,000	\$ 7,657,000
Employer's Covered Payroll	4,449,529	4,543,421	4,400,310	4,613,774
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.61%	172.51%	170.49%	165.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

County of King and Queen, Virginia  
Schedule of Employer Contributions  
Pension Plan

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 183,049	\$ 183,049	- \$	2,469,470	7.41%
2017	178,428	178,428	-	2,335,442	7.64%
2016	219,632	219,632	-	2,282,652	9.62%
2015	227,068	227,068	-	2,331,298	9.74%
2014	275,696	275,696	-	2,324,583	11.86%
2013	275,443	275,443	-	2,322,458	11.86%
2012	198,307	198,307	-	2,228,174	8.90%
2011	206,196	206,196	-	2,316,807	8.90%
2010	206,884	206,884	-	2,442,547	8.47%
2009	203,631	203,631	-	2,404,147	8.47%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ (1,642)	\$ (1,642)	- \$	706,967	-0.23%
2017	957	957	-	683,420	0.14%
2016	37,702	37,702	-	685,441	5.50%
2015	38,695	38,695	-	686,083	5.64%
2014	55,330	38,768	16,562	732,850	5.29%
2013	55,135	38,631	16,504	730,262	5.29%
2012	37,477	37,477	-	712,487	5.26%
2011	37,596	37,596	-	714,745	5.26%
2010	59,492	59,492	-	883,981	6.73%
2009	61,912	61,912	-	919,934	6.73%
<b>Component Unit School Board (professional)</b>					
2018	\$ 735,550	\$ 735,550	- \$	4,507,047	16.32%
2017	652,301	652,301	-	4,449,529	14.66%
2016	638,805	638,805	-	4,543,421	14.06%
2015	638,045	638,045	-	4,400,310	14.50%
2014	537,966	537,966	-	4,613,774	11.66%
2013	543,843	543,843	-	4,664,177	11.66%
2012	284,876	284,876	-	4,500,411	6.33%
2011	180,463	180,463	-	4,591,934	3.93%
2010	314,729	314,729	-	3,572,406	8.81%
2009	447,207	447,207	-	5,076,129	8.81%

County of King and Queen, Virginia  
Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2018

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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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

County of King and Queen, Virginia  
Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2018

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All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of County's Share of Net OPEB Liability  
 Group Life Insurance Program  
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.01274%	\$ 192,000	\$ 2,349,450	8.17%	48.86%
Component Unit School Board (professional):					
2017	0.02417%	\$ 364,000	\$ 4,457,709	8.17%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00372%	\$ 56,000	\$ 685,313	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

## Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 12,860	\$ 12,860	\$ -	\$ 2,473,042	0.52%
2017	12,217	12,217	-	2,349,450	0.52%
2016	10,818	10,818	-	2,253,828	0.48%
2015	10,866	10,866	-	2,263,650	0.48%
2014	10,833	10,833	-	2,256,935	0.48%
2013	10,823	10,823	-	2,254,810	0.48%
2012	6,060	6,060	-	2,164,355	0.28%
2011	6,308	6,308	-	2,252,988	0.28%
2010	4,838	4,838	-	2,378,728	0.20%
2009	6,319	6,319	-	2,340,328	0.27%
Component Unit School Board (professional):					
2018	\$ 24,025	\$ 24,025	\$ -	\$ 4,620,280	0.52%
2017	23,180	23,180	-	4,457,709	0.52%
2016	20,469	20,469	-	4,264,474	0.48%
2015	21,269	21,269	-	4,431,041	0.48%
2014	22,242	22,242	-	4,633,732	0.48%
2013	22,688	22,688	-	4,726,659	0.48%
2012	12,655	12,655	-	4,519,737	0.28%
2011	12,915	12,915	-	4,612,502	0.28%
2010	9,645	9,645	-	5,042,841	0.19%
2009	13,753	13,753	-	5,093,815	0.27%
Component Unit School Board (nonprofessional):					
2018	\$ 3,803	\$ 3,803	\$ -	\$ 731,402	0.52%
2017	3,564	3,564	-	685,313	0.52%
2016	3,296	3,296	-	686,708	0.48%
2015	3,293	3,293	-	686,083	0.48%
2014	3,518	3,518	-	732,850	0.48%
2013	3,505	3,505	-	730,262	0.48%
2012	1,995	1,995	-	712,487	0.28%
2011	2,009	2,009	-	717,322	0.28%
2010	1,743	1,743	-	883,981	0.20%
2009	2,484	2,484	-	919,934	0.27%

Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**VaLORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%



Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018 (Continued)**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of School Board's Share of Net OPEB Liability  
Teacher Health Insurance Credit Program (HIC)  
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.05618% \$	\$ 713,000	\$ 4,434,033	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

## Teacher Health Insurance Credit Program (HIC)

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 56,414	\$ 56,414	\$ -	\$ 4,586,510	1.23%
2017	49,218	49,218	-	4,434,033	1.11%
2016	45,203	45,203	-	4,264,474	1.06%
2015	46,969	46,969	-	4,431,041	1.06%
2014	51,434	51,434	-	4,633,732	1.11%
2013	51,772	51,772	-	4,664,173	1.11%
2012	27,003	27,003	-	4,500,418	0.60%
2011	27,553	27,553	-	4,592,210	0.60%
2010	37,153	37,153	-	5,042,841	1.04%
2009	54,973	54,973	-	5,090,053	1.08%

Notes to Required Supplementary Information  
Teacher Health Insurance Credit Program (HIC)  
For the Year Ended June 30, 2018

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

## Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Primary Government

For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 18,536
Interest	24,063
Benefit payments	-
Net change in total OPEB liability	\$ 42,599
Total OPEB liability - beginning	414,859
Total OPEB liability - ending	\$ <u>457,458</u>
 Covered payroll	 \$ 2,469,470
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	  18.52%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
 Component Unit School Board  
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 17,244
Interest	8,592
Changes in assumptions	(5,520)
Differences between expected and actual experience	-
Benefit payments	(21,541)
Net change in total OPEB liability	\$ (1,225)
Total OPEB liability - beginning	238,928
Total OPEB liability - ending	\$ <u>237,703</u>
 Covered payroll	 \$ 5,213,200
 School Board's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	  4.56%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - County OPEB  
For the Year Ended June 30, 2018

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Valuation Date: 6/30/2017  
Measurement Date: 6/30/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Normal
Discount Rate	5.140% based on the 20-year tax exempt municipal bond yield
Inflation	N/A
Healthcare Trend Rate	Year 1 health care trend rates as follows: Medical 4.600%, Pharmacy 7.600%, Dental 3.500% and Vision 3.000%.
Salary Increase Rates	The salary increase rate was 3.00% per annum
Retirement Age	The average age of retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

Notes to Required Supplementary Information - Component Unit School Board  
For the Year Ended June 30, 2018

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Valuation Date: 1/1/2017  
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Discount Rate	3.50% as of June 30, 2017 and 3.87% as of June 30, 2018 based on the Bond Buyer 20-Year Bond GO Index
Inflation	2.50%
Healthcare Trend Rate	6.30% for fiscal year end 2018, decreasing over time based on the Getzen Trend Model, Milliman's <i>Health Cost Guidelines</i> and actuarial judgement. Dental costs are assumed to increase at an annual rate of 4.30%.
Salary Increase Rates	The salary increase rate was 5.35% per annum for Service Years 1 and 2 and declining thereafter to 3.50% for 20 or more years of service.
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for pre-retirement was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. The mortality rates for post-retirement was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year.



*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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County of King and Queen, Virginia  
 Capital Projects Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 15,981	\$ 15,981
Miscellaneous	-	-	2,980	2,980
Total revenues	\$ -	\$ -	\$ 18,961	\$ 18,961
<b>EXPENDITURES</b>				
Capital projects	\$ 380,000	\$ 1,183,239	\$ 800,355	\$ 382,884
Total expenditures	\$ 380,000	\$ 1,183,239	\$ 800,355	\$ 382,884
Excess (deficiency) of revenues over (under) expenditures	\$ (380,000)	\$ (1,183,239)	\$ (781,394)	\$ 401,845
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 380,000	\$ 1,183,239	\$ 498,224	\$ (685,015)
Transfers out	-	-	(58,718)	(58,718)
Total other financing sources (uses)	\$ 380,000	\$ 1,183,239	\$ 439,506	\$ (743,733)
Net change in fund balances	\$ -	\$ -	\$ (341,888)	\$ (341,888)
Fund balances - beginning	-	-	1,055,206	1,055,206
Fund balances - ending	\$ -	\$ -	\$ 713,318	\$ 713,318

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund  
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 31,180	\$ 31,180
Charges for services	30,000	30,000	31,851	1,851
Miscellaneous	-	-	204	204
Intergovernmental:				
Commonwealth	526,378	526,378	241,706	(284,672)
Total revenues	<u>\$ 556,378</u>	<u>\$ 556,378</u>	<u>\$ 304,941</u>	<u>\$ (251,437)</u>
EXPENDITURES				
Current:				
Public safety	\$ 32,295	\$ 50,895	\$ 59,217	\$ (8,322)
Public works	100,000	100,000	871	99,129
Health and welfare	771,527	771,527	352,361	419,166
Total expenditures	<u>\$ 903,822</u>	<u>\$ 922,422</u>	<u>\$ 412,449</u>	<u>\$ 509,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (347,444)</u>	<u>\$ (366,044)</u>	<u>\$ (107,508)</u>	<u>\$ 258,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 345,149	\$ 348,749	\$ 1,210,556	\$ 861,807
Transfers out	-	(3,600)	-	3,600
Total other financing sources (uses)	<u>\$ 345,149</u>	<u>\$ 345,149</u>	<u>\$ 1,210,556</u>	<u>\$ 865,407</u>
Net change in fund balances	\$ (2,295)	\$ (20,895)	\$ 1,103,048	\$ 1,123,943
Fund balances - beginning	2,295	20,895	1,693,153	1,672,258
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,201</u>	<u>\$ 2,796,201</u>

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County of King and Queen, Virginia  
Statement of Changes in Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 4,324	\$ 1,778	\$ 2,648	\$ 3,454
Liabilities:				
Amounts held for social services clients	\$ 4,324	\$ 1,778	\$ 2,648	\$ 3,454



*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of King and Queen, Virginia  
Combining Balance Sheet - Governmental Funds  
Discretely Presented Component Unit - School Board  
June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 778,753	\$ 67,231	\$ 845,984
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	281	281
Due from other governmental units	265,267	15,087	280,354
Prepaid items	175,976	4,188	180,164
Total assets	<u>\$ 1,219,996</u>	<u>\$ 86,787</u>	<u>\$ 1,306,783</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 172,092	\$ 721	\$ 172,813
Accrued liabilities	906,506	21,193	927,699
Due to other governmental units	140,147	-	140,147
Unearned revenue	1,251	-	1,251
Total liabilities	<u>\$ 1,219,996</u>	<u>\$ 21,914</u>	<u>\$ 1,241,910</u>
<b>FUND BALANCES</b>			
Nonspendable	\$ 175,976	\$ 4,188	\$ 180,164
Restricted	-	60,685	60,685
Unassigned	(175,976)	-	(175,976)
Total fund balances	<u>\$ -</u>	<u>\$ 64,873</u>	<u>\$ 64,873</u>
Total liabilities and fund balances	<u>\$ 1,219,996</u>	<u>\$ 86,787</u>	<u>\$ 1,306,783</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above		\$	64,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,211,445
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Net pension asset			780,329
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.			
Pension related items		\$ 876,908	
OPEB related items		<u>91,242</u>	968,150
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (117,227)	
Net pension liability		(6,924,000)	
Capital lease		(1,307,843)	
Accrued interest payable		(14,958)	
Net OPEB liabilities		<u>(1,370,703)</u>	(9,734,731)
Deferred inflows of resources are not due and payable in the current period and therefore, are not reported in the funds.			
Pension related items		\$ (1,615,184)	
OPEB related items		<u>(59,600)</u>	(1,674,784)
Net position of governmental activities			<u><u>\$ (4,384,718)</u></u>

County of King and Queen, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 6	\$ 6
Charges for services	-	79,930	79,930
Miscellaneous	122,515	-	122,515
Intergovernmental:			
Local government	4,120,747	-	4,120,747
Commonwealth	5,461,740	3,133	5,464,873
Federal	675,749	277,126	952,875
Total revenues	<u>\$ 10,380,751</u>	<u>\$ 360,195</u>	<u>\$ 10,740,946</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 10,269,484	\$ 347,991	\$ 10,617,475
Debt service:			
Principal retirement	62,224	-	62,224
Interest and other fiscal charges	41,629	-	41,629
Total expenditures	<u>\$ 10,373,337</u>	<u>\$ 347,991</u>	<u>\$ 10,721,328</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,414</u>	<u>\$ 12,204</u>	<u>\$ 19,618</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 7,414	\$ 7,414
Transfers out	(7,414)	-	(7,414)
Total other financing sources and (uses)	<u>\$ (7,414)</u>	<u>\$ 7,414</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 19,618	\$ 19,618
Fund balances - beginning	-	45,255	45,255
Fund balances - ending	<u>\$ -</u>	<u>\$ 64,873</u>	<u>\$ 64,873</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 \$ 19,618

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 459,837	
Depreciation expense	(372,971)	86,866

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (7,420)	
Pension expense	613,821	
(Increase) decrease in capital lease	62,224	
OPEB expense	14,270	
Decrease (increase) in accrued interest payable	4,001	686,896

Change in net position of governmental activities		<u>\$ 793,380</u>
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County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 54,720	\$ 108,706	\$ 122,515	\$ 13,809
Intergovernmental:				
Local government	3,991,188	4,260,894	4,120,747	(140,147)
Commonwealth	5,550,076	5,560,429	5,461,740	(98,689)
Federal	788,928	565,351	675,749	110,398
Total revenues	\$ 10,384,912	\$ 10,495,380	\$ 10,380,751	\$ (114,629)
EXPENDITURES				
Current:				
Education	\$ 10,265,451	\$ 10,375,919	\$ 10,269,484	\$ 106,435
Debt service:				
Principal retirement	62,224	62,224	62,224	-
Interest and other fiscal charges	41,788	41,788	41,629	159
Total expenditures	\$ 10,369,463	\$ 10,479,931	\$ 10,373,337	\$ 106,594
Excess (deficiency) of revenues over (under) expenditures	\$ 15,449	\$ 15,449	\$ 7,414	\$ (8,035)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (15,449)	\$ (15,449)	\$ (7,414)	\$ 8,035
Total other financing sources (uses)	\$ (15,449)	\$ (15,449)	\$ (7,414)	\$ 8,035
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2018

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 6	\$ 6
Charges for services	98,388	98,388	79,930	(18,458)
Intergovernmental:				
Commonwealth	3,262	3,262	3,133	(129)
Federal	252,469	252,469	277,126	24,657
Total revenues	<u>\$ 354,119</u>	<u>\$ 354,119</u>	<u>\$ 360,195</u>	<u>\$ 6,076</u>
EXPENDITURES				
Current:				
Education	\$ 369,568	\$ 369,568	\$ 347,991	\$ 21,577
Total expenditures	<u>\$ 369,568</u>	<u>\$ 369,568</u>	<u>\$ 347,991</u>	<u>\$ 21,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (15,449)</u>	<u>\$ (15,449)</u>	<u>\$ 12,204</u>	<u>\$ 27,653</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 15,449	\$ 15,449	\$ 7,414	\$ (8,035)
Total other financing sources (uses)	<u>\$ 15,449</u>	<u>\$ 15,449</u>	<u>\$ 7,414</u>	<u>\$ (8,035)</u>
Net change in fund balances	\$ -	\$ -	\$ 19,618	\$ 19,618
Fund balances - beginning	-	-	45,255	45,255
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,873</u>	<u>\$ 64,873</u>

*DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of King and Queen, Virginia  
Statement of Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
June 30, 2018

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**ASSETS**

## Current assets:

Cash	\$ 138,095
Total current assets	\$ <u>138,095</u>

## Noncurrent assets:

## Capital assets (net of accumulated depreciation):

Land and land improvements	\$ 516,019
Buildings and improvements	23,924
Total net capital assets	\$ <u>539,943</u>
Total noncurrent assets	\$ <u>539,943</u>
Total assets	\$ <u><u>678,038</u></u>

**NET POSITION**

Investment in capital assets	\$ 539,943
Unrestricted	138,095
Total net position	\$ <u><u>678,038</u></u>

County of King and Queen, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2018

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## OPERATING REVENUES

## Charges for services:

Rent	\$ 31,994
Total operating revenues	<u>\$ 31,994</u>

## OPERATING EXPENSES

Rent	\$ 14,678
Website development	1,488
Insurance	2,303
Promotional items	556
Other charges	232
Depreciation	3,987
Total operating expenses	<u>\$ 23,244</u>
Operating income (loss)	<u>\$ 8,750</u>

## NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 67
Total nonoperating revenues (expenses)	<u>\$ 67</u>
Change in net position	<u>\$ 8,817</u>

Total net position - beginning	669,221
Total net position - ending	<u><u>\$ 678,038</u></u>

County of King and Queen, Virginia  
Statement of Cash Flows  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2018

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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 31,994
Payments to suppliers	(20,257)
Net cash provided by (used for) operating activities	<u>\$ 11,737</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 67
Net cash provided by (used for) investing activities	<u>\$ 67</u>

Net increase (decrease) in cash and cash equivalents \$ 11,804

Cash and cash equivalents - beginning 126,291

Cash and cash equivalents - ending \$ 138,095

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

Operating income (loss) \$ 8,750

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

Depreciation \$ 3,987

Increase (decrease) in accounts payable (1,000)

Total adjustments \$ 2,987

Net cash provided by (used for) operating activities \$ 11,737

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## *SUPPORTING SCHEDULES*

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County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,500,000	\$ 4,500,000	\$ 4,696,728	\$ 196,728
Real and personal public service corporation taxes	155,000	155,000	166,959	11,959
Personal property taxes	1,697,995	1,697,995	1,725,431	27,436
Mobile home taxes	30,018	30,018	25,710	(4,308)
Machinery and tools taxes	246,978	246,978	281,679	34,701
Merchant's capital taxes	38,000	38,000	48,182	10,182
Unclaimed tax sale funds	-	-	40,332	40,332
Penalties	40,000	40,000	74,626	34,626
Interest	30,000	30,000	40,955	10,955
Total general property taxes	\$ 6,737,991	\$ 6,737,991	\$ 7,100,602	\$ 362,611
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 192,968	\$ 17,968
Consumers' utility taxes	175,000	175,000	189,943	14,943
Business license taxes	20,000	20,000	21,225	1,225
Motor vehicle licenses	175,000	175,000	221,552	46,552
Bank stock taxes	5,000	5,000	7,637	2,637
Taxes on recordation and wills	55,000	55,000	48,449	(6,551)
Total other local taxes	\$ 605,000	\$ 605,000	\$ 681,774	\$ 76,774
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 5,000	\$ 5,000	\$ 5,300	\$ 300
Land use application fees	5,000	5,000	3,430	(1,570)
Transfer fees	350	350	345	(5)
Permits and other licenses	38,650	38,650	31,181	(7,469)
Total permits, privilege fees, and regulatory licenses	\$ 49,000	\$ 49,000	\$ 40,256	\$ (8,744)
Fines and forfeitures:				
Court fines and forfeitures	\$ 153,800	\$ 153,800	\$ 129,866	\$ (23,934)
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 304,438	\$ 269,438
Revenue from use of property	53,890	53,890	56,218	2,328
Total revenue from use of money and property	\$ 88,890	\$ 88,890	\$ 360,656	\$ 271,766
Charges for services:				
Sheriff's fees	\$ 500	\$ 500	\$ 432	\$ (68)
Court costs	5,000	5,000	2,623	(2,377)
Courthouse maintenance fees	5,000	5,000	6,277	1,277
Charges for Commonwealth's Attorney	850	850	849	(1)
Charges for EMS support	30,000	30,000	89,724	59,724
Landfill host fees	1,523,000	1,523,000	2,756,797	1,233,797
BFI host/tonnage fees	100,000	100,000	-	(100,000)
Charges for correction and detention	900	900	1,211	311
Total charges for services	\$ 1,665,250	\$ 1,665,250	\$ 2,857,913	\$ 1,192,663

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 40,000	\$ 85,575	\$ 109,300	\$ 23,725
Recovered costs:				
Health department	\$ -	\$ -	\$ 6,367	\$ 6,367
Drug enforcement restitution	-	-	4,244	4,244
Circuit court	-	-	3,801	3,801
School resource officer	11,500	11,500	-	(11,500)
Total recovered costs	\$ 11,500	\$ 11,500	\$ 14,412	\$ 2,912
Total revenue from local sources	\$ 9,351,431	\$ 9,397,006	\$ 11,294,779	\$ 1,897,773
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 6,000	\$ 6,000	\$ 13,971	\$ 7,971
Communications tax	175,000	175,000	160,560	(14,440)
Rolling stock tax	-	-	396	396
Additional tax on deeds	10,000	10,000	14,671	4,671
State recordation tax	-	-	16,058	16,058
Personal property tax relief funds	800,000	800,000	953,672	153,672
Total noncategorical aid	\$ 991,000	\$ 991,000	\$ 1,159,328	\$ 168,328
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 145,076	\$ 145,076	\$ 147,694	\$ 2,618
Sheriff	471,756	472,615	472,823	208
Commissioner of revenue	68,885	69,600	70,882	1,282
Treasurer	71,193	71,193	71,467	274
Registrar/electoral board	30,000	30,531	35,015	4,484
Clerk of the Circuit Court	125,484	127,280	153,034	25,754
Total shared expenses	\$ 912,394	\$ 916,295	\$ 950,915	\$ 34,620
Other categorical aid:				
Public assistance and welfare administration	\$ 273,433	\$ 273,433	\$ 295,871	\$ 22,438
Emergency services grant	-	878,118	173,905	(704,213)
E-911 wireless grant	42,000	42,000	45,035	3,035
Arts grant	-	1,000	1,000	-
Litter control	500	6,038	6,038	-
Forest reserve funds	-	-	58,944	58,944
Animal friendly plates	-	-	31	31



County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ -	\$ 23,218	\$ 23,218	\$ -
Drainage and parking grant	-	200,000	-	(200,000)
VITA PSAP equipment grant	-	-	378,263	378,263
VA RSAF rescue squad assistance grant	-	-	16,914	16,914
Total other categorical aid	\$ 315,933	\$ 1,423,807	\$ 999,219	\$ (424,588)
Total categorical aid	\$ 1,228,327	\$ 2,340,102	\$ 1,950,134	\$ (389,968)
Total revenue from the Commonwealth	\$ 2,219,327	\$ 3,331,102	\$ 3,109,462	\$ (221,640)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 820,300	\$ 820,300	\$ 599,253	\$ (221,047)
Transportation safety	12,500	33,350	23,131	(10,219)
Bulletproof vest grant	-	-	1,558	1,558
NFWF drainage project grant	-	-	108,867	108,867
Emergency management planning grant	-	-	7,398	7,398
Total categorical aid	\$ 832,800	\$ 853,650	\$ 740,207	\$ (113,443)
Total revenue from the federal government	\$ 832,800	\$ 853,650	\$ 740,207	\$ (113,443)
Total General Fund	\$ 12,403,558	\$ 13,581,758	\$ 15,144,448	\$ 1,562,690
Special Revenue Funds:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 31,180	\$ 31,180
Charges for services:				
Court security fees	\$ 30,000	\$ 30,000	\$ 31,851	\$ 1,851
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 204	\$ 204
Total revenue from local sources	\$ 30,000	\$ 30,000	\$ 63,235	\$ 33,235
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 526,378	\$ 526,378	\$ 241,706	\$ (284,672)
Total revenue from the Commonwealth	\$ 526,378	\$ 526,378	\$ 241,706	\$ (284,672)
Total Special Revenue Funds	\$ 556,378	\$ 556,378	\$ 304,941	\$ (251,437)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15,981	\$ 15,981
Total revenue from use of money and property	\$ -	\$ -	\$ 15,981	\$ 15,981
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,980	\$ 2,980
Total miscellaneous	\$ -	\$ -	\$ 2,980	\$ 2,980
Total Capital Projects Fund	\$ -	\$ -	\$ 18,961	\$ 18,961
Total Primary Government	\$ 12,959,936	\$ 14,138,136	\$ 15,468,350	\$ 1,330,214
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 54,720	\$ 108,706	\$ 122,515	\$ 13,809
Total revenue from local sources	\$ 54,720	\$ 108,706	\$ 122,515	\$ 13,809
Intergovernmental:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 3,991,188	\$ 4,260,894	\$ 4,120,747	\$ (140,147)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,058,072	\$ 996,554	\$ 995,038	\$ (1,516)
Basic school aid	2,423,429	2,302,138	2,291,074	(11,064)
Remedial summer education	17,866	12,922	16,402	3,480
At risk payments	159,498	153,145	163,093	9,948
At risk four-year olds	107,420	114,582	114,582	-
Early reading intervention	7,635	26,724	26,724	-
ESL	9,961	8,428	9,546	1,118
Gifted and talented	22,589	21,697	21,697	-
Lottery	106,003	125,490	124,019	(1,471)
Homebound	7,278	3,738	3,737	(1)
Career and technical education	2,500	4,258	4,258	-
SOL Algebra readiness	11,660	14,316	11,584	(2,732)
Mentor teacher program	632	1,034	1,034	-
Remedial education	116,239	93,003	111,647	18,644
Special education - foster children	-	1,623	1,623	-

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:(Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Career switcher mentor grant	\$ -	\$ -	\$ 1,000	\$ 1,000
School fringes	525,193	504,446	504,446	-
Primary class size reduction	165,888	189,408	189,408	-
Special education	451,779	301,375	433,932	132,557
Compensation supplement	44,386	24,743	24,743	-
Industry certification	-	473	473	-
Project graduation	6,706	22,692	3,353	(19,339)
Technology initiative	151,200	327,689	150,640	(177,049)
Textbook payment	51,663	49,622	49,622	-
School security grant	-	128,090	64,045	(64,045)
Medicaid	26,712	59,465	71,246	11,781
Vocational education	75,767	72,774	72,774	-
Total categorical aid	\$ 5,550,076	\$ 5,560,429	\$ 5,461,740	\$ (98,689)
Total revenue from the Commonwealth	\$ 5,550,076	\$ 5,560,429	\$ 5,461,740	\$ (98,689)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 239,417	\$ 157,472	\$ 199,291	\$ 41,819
Vocational education	16,330	8,133	16,927	8,794
21st century learning center	99,193	37,811	44,904	7,093
Title IV - Part A	-	1,888	3,951	2,063
Title VIB	245,626	169,935	247,754	77,819
Preschool grant	21,023	37,997	16,194	(21,803)
Title II - Part A	66,120	47,553	48,893	1,340
Title III	1,796	851	1,027	176
Gear up	48,973	48,639	53,739	5,100
JROTC grant	50,450	43,068	43,069	1
Other federal aid	-	12,004	-	(12,004)
Total categorical aid	\$ 788,928	\$ 565,351	\$ 675,749	\$ 110,398
Total revenue from the federal government	\$ 788,928	\$ 565,351	\$ 675,749	\$ 110,398
Total School Operating Fund	\$ 10,384,912	\$ 10,495,380	\$ 10,380,751	\$ (114,629)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6	\$ 6
Charges for services:				
Cafeteria sales	\$ 98,388	\$ 98,388	\$ 79,930	\$ (18,458)
Total revenue from local sources	\$ 98,388	\$ 98,388	\$ 79,936	\$ (18,452)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 3,262	\$ 3,262	\$ 3,133	\$ (129)
Total revenue from the Commonwealth	\$ 3,262	\$ 3,262	\$ 3,133	\$ (129)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 244,908	\$ 244,908	\$ 250,161	\$ 5,253
Summer food program	5,300	5,300	6,183	883
21st century learning center	2,261	2,261	1,693	(568)
Commodities	-	-	19,089	19,089
Total categorical aid	\$ 252,469	\$ 252,469	\$ 277,126	\$ 24,657
Total revenue from the federal government	\$ 252,469	\$ 252,469	\$ 277,126	\$ 24,657
Total School Cafeteria Fund	\$ 354,119	\$ 354,119	\$ 360,195	\$ 6,076
Total Discretely Presented Component Unit - School Board	\$ 10,739,031	\$ 10,849,499	\$ 10,740,946	\$ (108,553)

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 2  
Page 1 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 93,280	\$ 93,280	\$ 57,126	\$ 36,154
General and financial administration:				
County administrator	\$ 230,918	\$ 230,918	\$ 214,909	\$ 16,009
County attorney	122,596	122,596	116,351	6,245
Commissioner of revenue	198,581	202,000	195,679	6,321
Treasurer	229,958	229,958	196,725	33,233
General reassessment	-	-	4,980	(4,980)
Management information systems	99,467	99,467	72,068	27,399
Other general and financial administration	279,746	283,960	275,600	8,360
Total general and financial administration	\$ 1,161,266	\$ 1,168,899	\$ 1,076,312	\$ 92,587
Board of elections:				
Electoral board and officials	\$ 35,186	\$ 35,998	\$ 29,636	\$ 6,362
Registrar	69,391	84,092	90,667	(6,575)
Total board of elections	\$ 104,577	\$ 120,090	\$ 120,303	\$ (213)
Total general government administration	\$ 1,359,123	\$ 1,382,269	\$ 1,253,741	\$ 128,528
Judicial administration:				
Courts:				
Circuit court	\$ 1,840	\$ 1,840	\$ 2,419	\$ (579)
General district court	14,585	14,585	5,932	8,653
Special Magistrates	500	500	-	500
Juvenile and domestic relations court	7,721	7,721	-	7,721
Ninth District Court services unit	100,959	100,959	44,545	56,414
Victim witness assistance	3,503	3,503	3,503	-
Clerk of the circuit court	234,971	239,041	232,980	6,061
Total courts	\$ 364,079	\$ 368,149	\$ 289,379	\$ 78,770
Commonwealth's attorney:				
Commonwealth's attorney	\$ 215,635	\$ 217,044	\$ 216,185	\$ 859
Total judicial administration	\$ 579,714	\$ 585,193	\$ 505,564	\$ 79,629
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,463,485	\$ 1,494,493	\$ 1,387,476	\$ 107,017
E-911	235,444	957,847	801,628	156,219
Total law enforcement and traffic control	\$ 1,698,929	\$ 2,452,340	\$ 2,189,104	\$ 263,236
Fire and rescue services:				
Fire department	\$ 88,000	\$ 111,218	\$ 111,259	\$ (41)
Ambulance and rescue services	66,200	66,200	45,147	21,053
Rescue services	339,695	470,267	400,723	69,544
Radio communications	284,599	284,599	266,434	18,165
Emergency medical services	935	935	935	-
Forestry services	11,677	11,677	11,677	-
Total fire and rescue services	\$ 791,106	\$ 944,896	\$ 836,175	\$ 108,721

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 2  
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Probation and pretrial services	\$ 4,900	\$ 4,900	\$ 4,900	\$ -
Payments to Regional Jail	425,000	425,000	403,140	21,860
Total correction and detention	<u>\$ 429,900</u>	<u>\$ 429,900</u>	<u>\$ 408,040</u>	<u>\$ 21,860</u>
Inspections:				
Building	<u>\$ 74,178</u>	<u>\$ 89,719</u>	<u>\$ 74,347</u>	<u>\$ 15,372</u>
Other protection:				
Animal control and shelter	\$ 145,846	\$ 145,846	\$ 144,976	\$ 870
Emergency services	48,075	55,575	53,273	2,302
Medical examiner	200	200	80	120
Total other protection	<u>\$ 194,121</u>	<u>\$ 201,621</u>	<u>\$ 198,329</u>	<u>\$ 3,292</u>
Total public safety	<u>\$ 3,188,234</u>	<u>\$ 4,118,476</u>	<u>\$ 3,705,995</u>	<u>\$ 412,481</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	<u>\$ 462,717</u>	<u>\$ 462,717</u>	<u>\$ 435,695</u>	<u>\$ 27,022</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 236,467</u>	<u>\$ 236,467</u>	<u>\$ 234,539</u>	<u>\$ 1,928</u>
Total public works	<u>\$ 699,184</u>	<u>\$ 699,184</u>	<u>\$ 670,234</u>	<u>\$ 28,950</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 55,708</u>	<u>\$ 55,708</u>	<u>\$ 55,708</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 26,378</u>	<u>\$ 26,378</u>	<u>\$ 26,378</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,428,754	\$ 1,428,754	\$ 1,054,926	\$ 373,828
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Bay Aging	30,798	30,798	30,798	-
Contributions	13,212	14,212	14,212	-
Total welfare	<u>\$ 1,482,712</u>	<u>\$ 1,483,712</u>	<u>\$ 1,109,884</u>	<u>\$ 373,828</u>
Total health and welfare	<u>\$ 1,564,798</u>	<u>\$ 1,565,798</u>	<u>\$ 1,191,970</u>	<u>\$ 373,828</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 6,050	\$ 6,050	\$ 6,050	\$ -
Contribution to County School Board	3,991,188	4,260,894	4,120,747	140,147
Total education	<u>\$ 3,997,238</u>	<u>\$ 4,266,944</u>	<u>\$ 4,126,797</u>	<u>\$ 140,147</u>

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Mattaponi pier	\$ 3,000	\$ 3,000	\$ 4,152	\$ (1,152)
Library:				
Contribution to County library	\$ 170,349	\$ 170,349	\$ 171,832	\$ (1,483)
Total parks, recreation, and cultural	\$ 173,349	\$ 173,349	\$ 175,984	\$ (2,635)
Community development:				
Planning and community development:				
Planning and zoning	\$ 207,183	\$ 210,856	\$ 193,677	\$ 17,179
Wetlands board	3,138	3,138	990	2,148
Board of zoning appeals	4,038	4,038	811	3,227
Industrial Development Authority	3,492	3,492	2,700	792
Airport authority	60,000	60,000	62,184	(2,184)
Economic development	31,963	31,963	13,975	17,988
Planning commission	23,400	25,540	25,543	(3)
Total planning and community development	\$ 333,214	\$ 339,027	\$ 299,880	\$ 39,147
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	6,038	-	6,038
Total environmental management	\$ 10,174	\$ 15,712	\$ 9,674	\$ 6,038
Cooperative extension program:				
Extension office	\$ 35,404	\$ 35,404	\$ 16,568	\$ 18,836
Total community development	\$ 378,792	\$ 390,143	\$ 326,122	\$ 64,021
Nondepartmental:				
Contingencies	\$ 88,000	\$ 88,000	\$ 42,030	\$ 45,970
Capital projects:				
Capital projects	\$ 620,000	\$ 1,388,910	\$ 673,086	\$ 715,824
Total capital projects	\$ 620,000	\$ 1,388,910	\$ 673,086	\$ 715,824
Total General Fund	\$ 12,648,432	\$ 14,658,266	\$ 12,671,523	\$ 1,986,743
Special Revenue Fund:				
Public Safety:				
Other protection:				
Court security	\$ 32,295	\$ 47,295	\$ 55,901	(8,606)
K-9 unit	-	3,600	3,316	284
Total public safety	\$ 32,295	\$ 50,895	\$ 59,217	\$ (8,322)

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
Landfill contingency	\$ 100,000	\$ 100,000	\$ 871	\$ 99,129
Total public works	\$ 100,000	\$ 100,000	\$ 871	\$ 99,129
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 771,527	\$ 771,527	\$ 352,361	\$ 419,166
Total Health and Welfare	\$ 771,527	\$ 771,527	\$ 352,361	\$ 419,166
Total Special Revenue Fund	\$ 903,822	\$ 922,422	\$ 412,449	\$ 509,973
Capital Projects Fund:				
Capital projects:				
General government	\$ -	\$ 512,391	\$ 369,358	\$ 143,033
School capital projects	380,000	670,848	430,997	239,851
Total Capital Projects Fund	\$ 380,000	\$ 1,183,239	\$ 800,355	\$ 382,884
Total Primary Government	\$ 13,932,254	\$ 16,763,927	\$ 13,884,327	\$ 2,879,600
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs	\$ 7,760,763	\$ 7,568,553	\$ 7,518,442	\$ 50,111
Administration, health and attendance	724,600	769,470	770,648	(1,178)
Pupil transportation	1,005,857	1,023,829	985,395	38,434
Operation and maintenance of school plant	774,231	1,014,067	994,999	19,068
Total education	\$ 10,265,451	\$ 10,375,919	\$ 10,269,484	\$ 106,435
Debt service:				
Principal retirement	\$ 62,224	\$ 62,224	\$ 62,224	\$ -
Interest and other fiscal charges	41,788	41,788	41,629	159
Total debt service	\$ 104,012	\$ 104,012	\$ 103,853	\$ 159
Total School Operating Fund	\$ 10,369,463	\$ 10,479,931	\$ 10,373,337	\$ 106,594
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 369,568	\$ 369,568	\$ 347,991	\$ 21,577
Total School Cafeteria Fund	\$ 369,568	\$ 369,568	\$ 347,991	\$ 21,577
Total Discretely Presented Component Unit - School Board	\$ 10,739,031	\$ 10,849,499	\$ 10,721,328	\$ 128,171



## *STATISTICAL INFORMATION*

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education
2009	\$ 1,260,537	\$ 601,917	\$ 2,201,455	\$ 2,948,485	\$ 2,072,942	\$ 4,321,829
2010	1,174,459	610,178	2,399,846	681,508	1,909,365	4,122,668
2011	1,267,906	591,782	1,979,131	606,615	1,789,941	4,117,502
2012	1,226,149	613,685	2,751,138	554,107	2,078,523	4,156,243
2013	1,203,043	616,327	2,919,101	626,842	1,935,820	4,439,670
2014	1,290,245	629,013	2,842,676	642,818	1,593,694	4,655,236
2015	1,221,463	624,839	2,701,437	567,403	1,872,983	3,710,080
2016	1,246,630	612,550	2,986,517	629,972	1,851,649	3,920,447
2017	1,425,004	649,427	2,959,753	595,720	1,545,003	3,923,334
2018	1,282,392	607,044	3,822,281	664,226	1,518,721	4,557,794

Table 1

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	Parks, Recreation, and Cultural		Community Development		Interest on Long- Term Debt		Service Authority		Total
\$	214,630	\$	456,491	\$	201,368	\$	-	\$	14,279,654
	207,000		571,849		171,635		-		11,848,508
	171,151		332,854		137,552		-		10,994,434
	248,605		485,371		106,139		-		12,219,960
	181,060		537,440		80,972		94,618		12,634,893
	182,296		298,958		57,134		256,794		12,448,864
	165,790		744,192		14,080		213,425		11,835,692
	318,082		316,566		23,472		191,944		12,097,829
	166,173		321,750		-		194,391		11,780,555
	180,484		417,948		-		194,760		13,245,650

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes
2009	\$ 4,157,409	\$ 2,429,879	\$ 103,073	\$ 5,450,427	\$ 762,763
2010	3,809,129	2,321,552	122,783	5,488,787	639,854
2011	3,360,983	2,265,979	147,075	5,578,955	594,612
2012	3,216,698	2,539,732	-	5,671,926	620,996
2013	2,896,267	2,719,685	-	6,376,738	656,466
2014	2,475,864	2,466,019	14,700	6,532,057	655,146
2015	1,496,483	2,622,086	-	6,792,526	645,179
2016	1,847,583	2,551,365	107,362	6,870,777	555,889
2017	2,614,006	2,379,986	-	7,092,765	626,359
2018	3,243,054	2,428,003	378,263	7,088,719	681,774

Table 2

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		Grants and Contributions Not Restricted to Specific Programs		Total
Unrestricted Investment Earnings	Miscellaneous			
\$ 306,619	\$ 448,295	\$ 905,252	\$	14,563,717
80,345	128,569	1,078,190		13,669,209
160,529	119,343	1,045,800		13,273,276
71,039	121,403	1,049,684		13,291,478
77,878	125,138	1,038,100		13,890,272
98,527	128,806	907,582		13,278,701
112,107	146,769	945,964		12,761,114
149,616	134,151	1,000,757		13,217,500
364,614	184,024	1,061,913		14,323,667
407,903	112,484	1,285,109		15,625,309

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

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Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)
2009	\$ 1,258,270	\$ 493,137	\$ 2,125,239	\$ 747,643	\$ 2,042,172	\$ 11,228,294
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194
2013	1,167,386	503,509	2,758,906	602,076	1,923,722	11,681,192
2014	1,224,648	510,798	2,644,137	659,260	1,590,812	10,556,133
2015	1,194,338	516,483	2,342,193	651,611	1,891,822	9,732,140
2016	1,263,888	517,169	2,646,102	627,584	1,878,226	9,915,432
2017	1,244,354	587,171	2,707,378	594,972	1,555,901	10,183,846
2018	1,253,741	505,564	3,765,212	671,105	1,544,331	10,623,525

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

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

(3) Excludes Capital Projects expenditures.

Table 3

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	Parks, Recreation, and Cultural		Community Development		Non- departmental		Debt Service		Total
\$	205,937	\$	456,520	\$	-	\$	714,627	\$	19,271,839
	198,307		554,621		-		696,343		18,086,194
	178,911		327,900		3,700		670,734		17,856,995
	248,605		475,388		7,495		646,481		19,272,401
	181,060		770,018		28,373		531,778		20,148,020
	182,296		296,148		17,133		499,048		18,180,413
	165,790		751,644		18,393		901,381		18,165,795
	318,082		319,760		30,166		-		17,516,409
	166,173		322,366		31,401		101,270		17,494,832
	175,984		326,122		42,030		103,853		19,011,467

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2009	\$ 5,477,519	\$ 762,763	\$ 63,144	\$ 133,051	\$ 306,633	\$ 4,110,956
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700
2013	6,320,017	656,466	67,785	128,578	76,630	2,685,995
2014	6,560,390	655,146	75,948	137,889	97,590	2,274,719
2015	6,839,256	645,179	32,467	174,516	111,066	1,238,497
2016	6,738,931	555,889	46,465	115,251	146,225	1,584,546
2017	7,039,695	626,359	75,492	126,345	226,906	2,311,083
2018	7,100,602	681,774	40,256	129,866	407,823	2,969,694

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

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



Table 4

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Miscellaneous		Recovered Costs	Inter- governmental (2)		Total
\$	659,419	\$ 26,630	\$	10,300,393	\$ 21,840,508
	329,555	85,994		9,683,574	20,443,564
	331,891	76,398		9,663,040	19,949,796
	121,403	25,839		10,658,460	20,260,755
	114,768	11,082		11,081,156	21,142,477
	241,343	27,162		9,411,401	19,481,588
	195,198	25,871		9,592,652	18,854,702
	282,055	14,684		9,567,814	19,051,860
	301,999	17,520		9,767,231	20,492,630
	234,999	14,412		10,509,123	22,088,549

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009	\$ 6,303,965	\$ 6,078,961	96.43%	\$ 182,195	\$ 6,261,156	99.32%	\$ 390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	318,242	5.00%
2013	7,154,945	6,928,385	96.83%	152,813	7,081,198	98.97%	337,926	4.72%
2014	7,346,800	7,142,854	97.22%	162,645	7,305,499	99.44%	344,648	4.69%
2015	7,462,951	7,261,520	97.30%	196,812	7,458,332	99.94%	339,885	4.55%
2016	7,538,777	7,248,757	96.15%	182,224	7,430,981	98.57%	483,608	6.41%
2017	7,773,000	7,489,813	96.36%	274,044	7,763,857	99.88%	520,914	6.70%
2018	7,940,634	7,673,480	96.64%	265,213	7,938,693	99.98%	510,367	6.43%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2) Real Estate	Total
2009	\$ 773,289,533	\$ 68,747,403	\$ 15,684,710	\$ 2,826,694	\$ 17,160,338	\$ 877,708,678
2010	784,602,233	66,823,674	15,441,892	4,179,900	18,311,989	889,359,688
2011	781,893,148	69,095,920	16,141,065	3,656,050	18,456,483	889,242,666
2012	789,498,710	68,688,278	16,700,580	4,580,483	22,917,533	902,385,584
2013	838,291,612	73,948,213	16,121,740	4,729,556	27,120,435	960,211,556
2014	838,941,658	74,051,309	18,834,615	4,367,467	26,982,342	963,177,391
2015	845,030,681	70,865,142	21,508,080	5,224,061	25,554,964	968,182,928
2016	844,188,081	77,906,672	22,452,515	5,497,176	26,983,745	977,028,189
2017	849,148,802	80,425,745	23,003,172	8,166,404	29,634,827	990,378,950
2018	892,880,323	81,506,537	25,620,340	7,713,894	31,363,930	1,039,085,024

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

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

Table 7

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

Fiscal Year	Real Estate		Personal Property	Merchant's Capital	Machinery and Tools	
2009	\$	0.48	\$ 3.94	\$ 0.65	\$	1.10
2010		0.48	3.94	0.65		1.10
2011		0.48	3.94	0.65		1.10
2012		0.48	3.94	0.65		1.10
2013		0.52	3.94	0.65		1.10
2014		0.54	3.94	0.65		1.10
2015		0.54	3.94	0.65		1.10
2016		0.54	3.94	0.65		1.10
2017		0.55	3.94	0.65		1.10
2018		0.53	3.94	0.65		1.10

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009	6,630	\$ 877,708,678	\$ 1,571,654	\$ 1,571,654	0.18%	237
2010	6,945	889,359,688	1,214,975	1,214,975	0.14%	175
2011	6,945	889,242,666	855,823	855,823	0.10%	123
2012	6,945	902,385,584	499,362	499,362	0.06%	72
2013	6,945	960,211,556	240,000	240,000	0.02%	35
2014	6,945	963,177,391	-	-	N/A	N/A
2015	6,945	968,182,928	-	-	N/A	N/A
2016	6,945	977,028,189	-	-	N/A	N/A
2017	6,945	990,378,950	-	-	N/A	N/A
2018	6,945	1,039,085,024	-	-	N/A	N/A

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

(2) From Table 6.

(3) Includes all long-term general obligation bond, bonded anticipation notes, and literary fund loans.  
Excludes revenue bonds, capital leases, and compensated absences.

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated November 15, 2018.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of King and Queen, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
November 15, 2018

# 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 King and Queen  
King and Queen, Virginia

### Report on Compliance for Each Major Federal Program

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

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control over Compliance

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

*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, Farner, Cox Associates*

Richmond, Virginia  
November 15, 2018

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 12,938
Temporary Assistance for Needy Families	93.558	0400116/0400117	96,258
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/500117	142
Low-Income Home Energy Assistance	93.568	0600416/00600417	13,324
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	15,877
Stephanie Tubbs Jones Child Welfare Services Program	93.645	09000116	308
Foster Care - Title IV-E	93.658	1100116/1100117	72,555
Adoption Assistance	93.659	1120116/11201117	41,802
Social Services Block Grant	93.667	1000116/1000117	69,449
Chafee Foster Care Independence Program	93.674	9150116/9150117	848
Children's Health Insurance Program	93.767	0540116/0540117	4,805
Medical Assistance Program	93.778	1200116/1200117	136,638
			<u>\$ 464,944</u>
Total Department of Health and Human Services			
Department of Agriculture:			
Child Nutrition Cluster:			
Pass-Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	Not available	\$ 18,561
Department of Education:			
National School Lunch Program	10.555	17901-40623	170,680
	Total CFDA 10.555		<u>\$ 189,241</u>
Department of Agriculture:			
Food Distribution	10.559	Not available	6,711
Department of Education:			
School Breakfast Program	10.553	17901-40591	79,480
Total Child Nutrition Cluster			<u>\$ 275,432</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	134,309
			<u>\$ 409,741</u>
Total Department of Agriculture			
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Grant	16.607	N/A	<u>\$ 1,558</u>

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-53000	5,437
National Priority Safety Program	20.616	60507-53000	17,694
Total Highway Safety Cluster			<u>\$ 23,131</u>
Total Department of Transportation			<u>\$ 23,131</u>
Environmental Protection Agency:			
National Fish and Wildlife Foundation:			
Direct payments:			
Chesapeake Bay Program	66.466	N/A	<u>\$ 108,867</u>
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 43,069</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	7750100-62744	<u>\$ 7,398</u>
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not available	\$ 53,739
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	199,291
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	247,754
Special Education - Preschool Grants	84.173	17901-62521	16,194
Total Special Education Cluster			<u>\$ 263,948</u>
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	16,927
Twenty-First Century Community Learning Centers	84.287	17901-60565	46,598
English Language Acquisition State Grants	84.365	17901-60512	1,027
Supporting Effective Instruction State Grant	84.367	17901-61480	48,893
Student Support and Academic Enrichment Program	84.424	Not available	3,951
Total Department of Education			<u>\$ 634,374</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,693,082</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of King and Queen, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund

\$ 740,207

Total primary government

\$ 740,207

Component Unit School Board:

School Operating Fund

\$ 675,749

School Cafeteria Fund

277,126

Total Component Unit School Board

\$ 952,875

Total federal expenditures per basic financial statements

\$ 1,693,082

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 1,693,082

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of King & Queen, Virginia  
Summary Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

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

Any findings disclosed that are required to be  
in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ yes ✓ no

Identification of major programs:

CFDA Number(s)  
10.553/10.555/10.559  
84.027/84.173

Name of Federal Program or Cluster  
Child Nutrition Cluster  
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

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.