

2016 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2016

www.kingwilliamcounty.us



**COUNTY OF KING WILLIAM, VIRGINIA
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Comprehensive Annual Financial Report

For the year ended June 30, 2016

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Directory of Principal Officials

Organization of the County Government

Certificate of Achievement for Excellence in
Financial Reporting – 2015

Letter of Transmittal

COUNTY OF KING WILLIAM, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2016

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATOR

Sanford B. Wanner

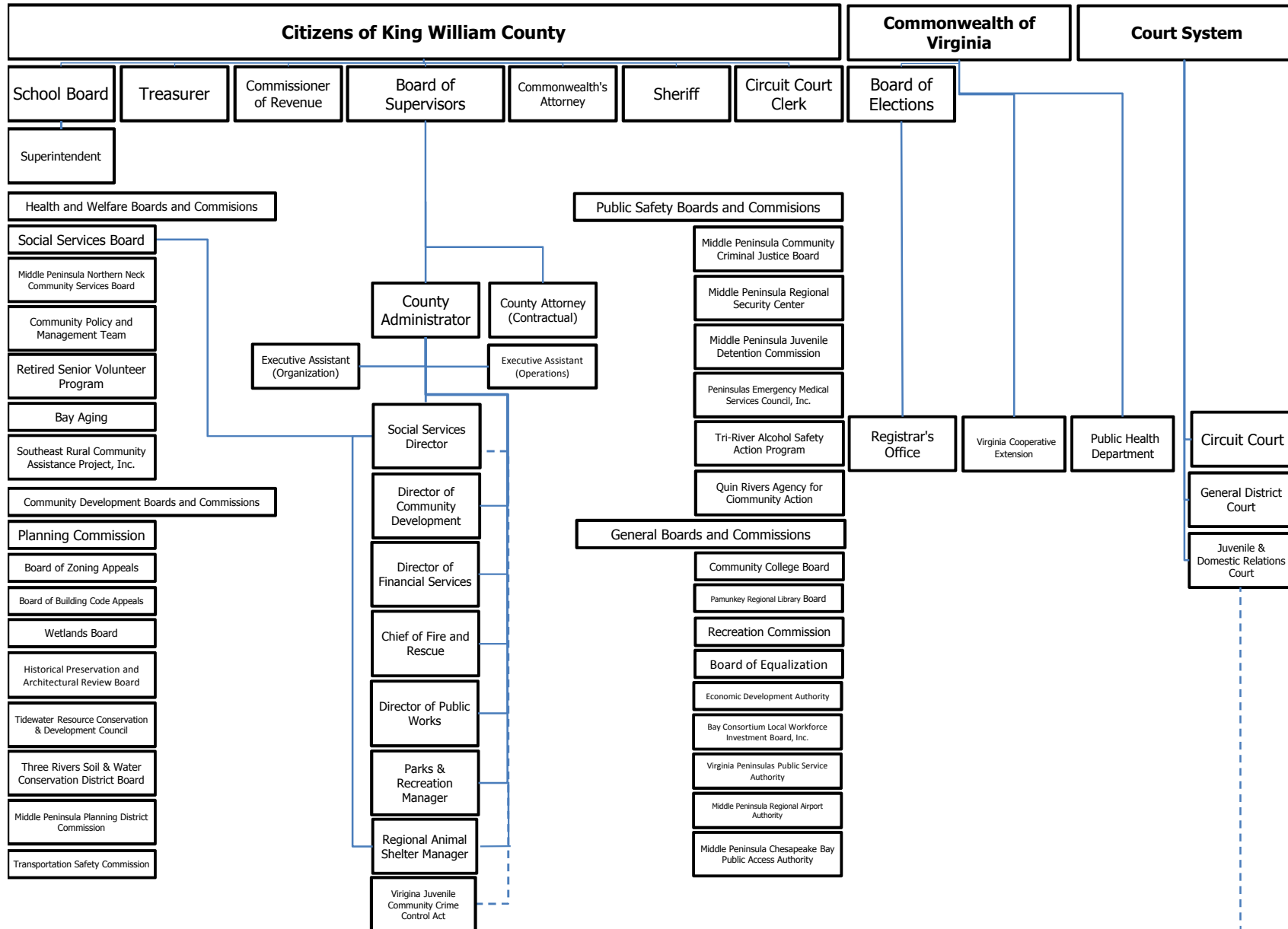
SCHOOL BOARD

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

OTHER OFFICIALS

Daniel M. Stuck..... County Attorney
Sally W. Pearson Commissioner of the Revenue
J. S. “Jeff” Walton Sheriff
Harry L. Whitt Treasurer
Matthew R. Kite Commonwealth Attorney
Michael E. McGinty Judge of the Circuit Court
Stephen Ashton Hudgins Judge of the General District Court
George C. Fairbanks, IV Judge of the Juvenile and Domestic Relations Court
Patricia M. Norman Clerk of the Circuit Court
Anne Mitchell Director of Social Services

County of King William Organization Chart FY16





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

King William County Government and Public Schools



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

Telephone (804) 769-4929

Fax (804) 769-4964

January 13, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the County) for the fiscal year ended June 30, 2016. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

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

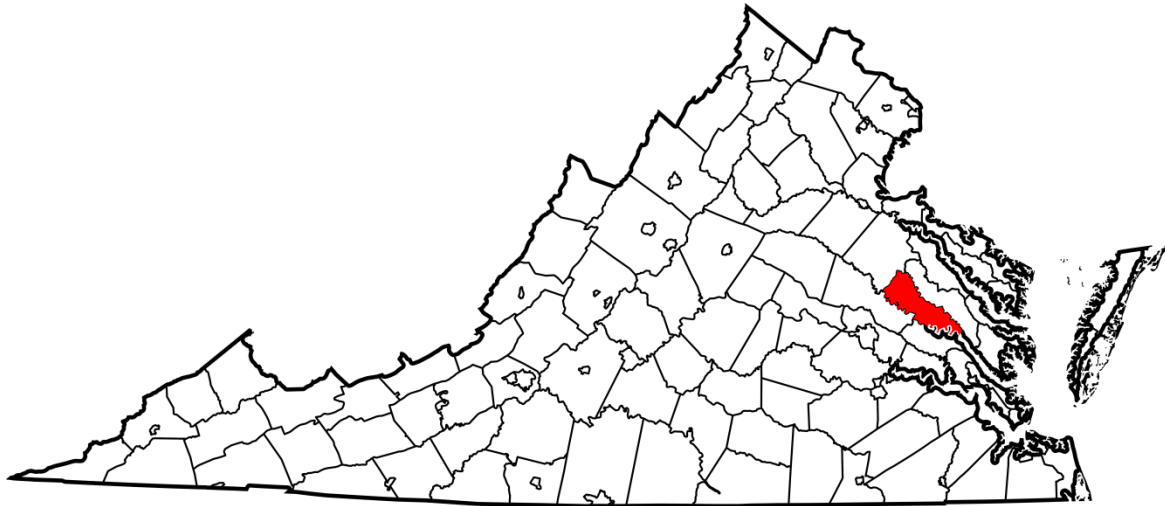
The County's financial statements have been audited by the firm of Brown, Edwards & Company, L.L.P. a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with GAAP.

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

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

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Based on estimates calculated by the Weldon Cooper Center for Public Policy, King William County's population is estimated at 16,253 as of July 1, 2015. This is a 2% increase in population since the 2010 census was completed. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



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

Government

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

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

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

School Board

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

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

The division is on par or exceeds the state pass rates in standard of learning assessments for the 2015 – 2016 school year. The school division's on-time graduation rate is 89.1% with 100% of students continuing with some sort of education, joining the military, or already securing employment.

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

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

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In January, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in March and the proposed operating and capital budgets in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. Prior to April, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the general fund is provided in this report in Exhibit 19.

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

Factors Affecting Financial Condition

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

Local economy

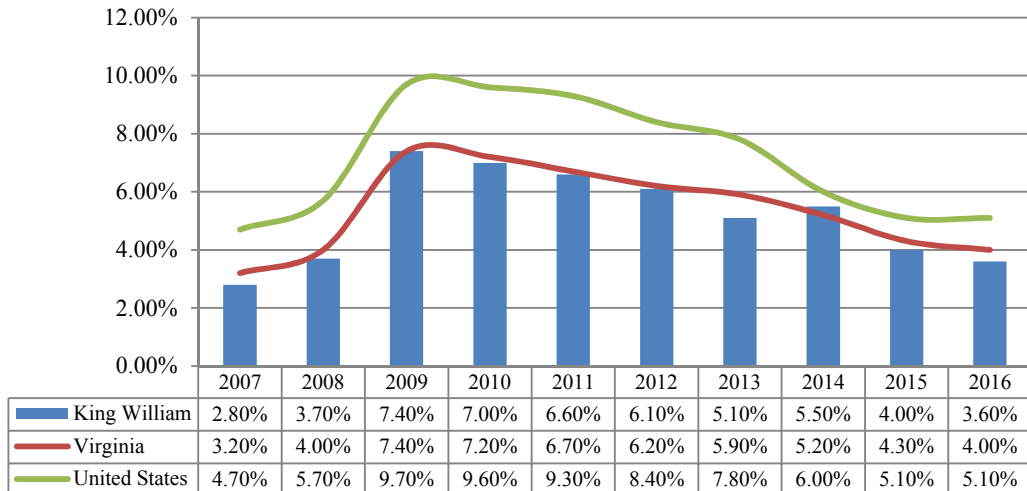
King William County's housing economy, as was the rest of the nation, was significantly impacted by the turmoil in the national housing market. The local real estate housing market continues to improve as the economic environment improves.

The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2014, effective January 1, 2015. The assessment declined greatly with a total loss of value around 11% when considering all categories of property both commercial and residential. In 2016 the general property taxes of the County were derived from real estate (including mobile homes and mines & minerals), personal property (including airplanes), machinery and tools, and public service.

Several key economic indicators show that the County's economy continues to show signs of improvement. Local sales tax has increased 3.4% over the prior year which is a positive sign for the King William economy as we continue to see a positive trend in this area. Local government revenues are lagging economic indicators and increase spending in the County shows our citizens and visitors are feeling more confident as consumers of goods. Permits, privilege fee, and regulatory licenses in 2016 were up 40.4% from 2015. New residential construction permits continued to improve during 2016.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. During calendar year 2016, unemployment in King William County has consistently posted a downward trend. Historical patterns show unemployment peaks in the month of January and falls throughout the year with a very low rate in April that goes back up to a normal range in May each year. The County's unemployment rate is 3.6% as of July 2016. Unemployment rates are down in the Commonwealth of Virginia and nationwide. While the County has a slightly lower rate of unemployment compared to the larger workforce pools it is on par with that trend.

Unemployment Rates

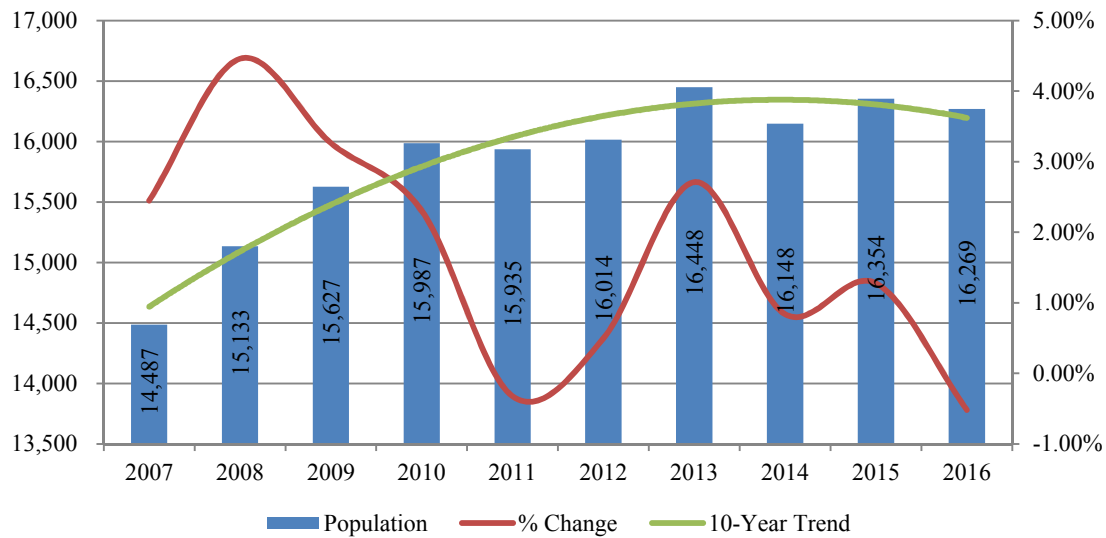


Source: Virginia Labor Market Information (not seasonally adjusted)

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 12.3%, with an average annual growth rate of about 1.69%, though there is a high degree of fluctuation in the rate from year to year. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.

Population Growth



Source: Statistical Table 13

The primary goal of the County’s economic development efforts is to assist the existing businesses as they grow and expand within the County. The majority of businesses in King William County are small, with 91.4% having fewer than 20 employees.

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

Long-term financial planning

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

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2016-2020 capital budget for new County and School projects totals \$16.4 million. These projects include:

- \$14.5 million for total school system projects, which includes
- \$12.5 million for renovation of Middle School in FY 2017
- \$1.9 million for the county government

The current CIP defers expenditures where possible and recommends funding consistent with the Board of Supervisors’ financial policies. The FY 2016 Capital Improvement Fund budget totals \$573,000 for the plan, which included a vehicle replacement program, school bus replacement, as well as school building, park, and road improvements.

The Planning Commission of King William County is currently revising the Comprehensive Plan to ensure adequate planning as the County continues to grow. The plan will acknowledge the importance of balancing agriculture, urban development, and conservation uses.

Relevant financial policies

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

During FY 2016 the County began to improve financial practices by implementing best practice measures recommended by our audit firm. King William County now has a formally adopted purchasing policy, has made improvements in documenting information that relates to part time employees, and made some improvements in segregation of duties to have stronger internal controls. County staff worked to implement all of the best practices recommended by our auditors and presented them for adoption in FY 2016. The County has been working to develop policies and procedures that address processes and provide consistent guidance for County staff.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

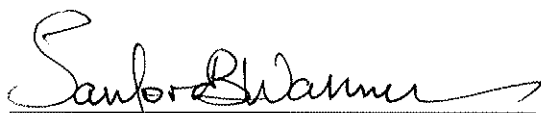
A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

Respectfully submitted,



Sanford B. Wanner
Interim County Administrator



Bobbie H. Tassinari
Director of Financial Services

2016 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2016

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2016. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2016 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$16.7 million at June 30, 2016.
- The total cost of the County's programs or governmental activities, was \$25.3 million, a decrease of \$0.3 million, or 1.5% from the prior year's cost of \$25.6 million. Total revenues for governmental activities were \$27.7 million a decrease of \$0.2 million from the prior year.
- At June 30, 2016, the County has \$22.3 million of long-term debt outstanding. This includes \$8.2 million of general obligation bonds, \$10.1 million of revenue bonds, \$2.6 million of capital leases related to assets on the books, \$1 million of state literary fund loans, and \$400,000 of premium bonds.
- The School Board component unit has positive net position of \$0.9 million at June 30, 2016. Revenues, including the County contribution, totaled \$25.4 million, an increase from the prior year, and expenses totaled \$25.1 million, an increase of \$0.5 million from the prior year.
- As of June 30, 2016, the County governmental funds reported combined fund balances of \$10.8 million, an increase of \$2.2 million from the prior year. The County's General fund had a total fund balance of \$10 million at June 30, 2016. Of the General Fund balance, \$1.3 million is committed fund balance, \$8.6 million is unassigned fund balance, and a negligible amount is assigned fund balance.
- General fund revenues were \$1.4 million over the amended budget. Expenditure savings of \$1.5 million were recognized by County Departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2015 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

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

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

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

The required supplementary information includes this discussion and analysis, the Pension Schedules for the Virginia Retirement System, and the Other Postemployment Benefits Program (OPEB) (Exhibit 9).

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 King William County Summary of Net Position (\$ in millions)						
	Primary Government Governmental Activities		Component Unit School Board		Total Reporting Entity Including School Board	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 19.8	\$ 17.9	\$ 5	\$ 3.8	\$ 24.8	\$ 21.7
Capital assets	28	30.3	17.5	18.9	45.5	49.2
Total assets	47.8	48.2	22.5	22.7	70.3	70.9
Deferred outflows of resources	0.7	0.7	3	2.9	3.7	3.6
Total assets and deferred outflows of resources	48.5	48.9	25.5	25.6	74	74.5
Liabilities:						
Current liabilities	2.1	4.6	2.7	3.5	4.8	8.1
Long-term liabilities	23.8	23.6	20.3	0.4	44.1	24
Total liabilities	25.9	28.2	23	3.9	48.9	32.1
Deferred inflows of resources	6.6	7.2	1.6	-	8.2	7.2
Total liabilities and deferred inflows of resources	32.5	35.4	24.6	3.9	57.1	39.3
Net position:						
Net investment in capital assets	6.1	19.7	17.5	17.2	23.6	36.9
Restricted	0.8	1	-	-	0.8	1
Unrestricted	9	-7.2	-16.7	-16.6	-7.7	-23.8
Total net position	\$ 15.9	\$ 13.5	\$ 0.8	\$ 0.6	\$ 16.7	\$ 14.1

Table 1 may differ from Exhibit 1 due to rounding.

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

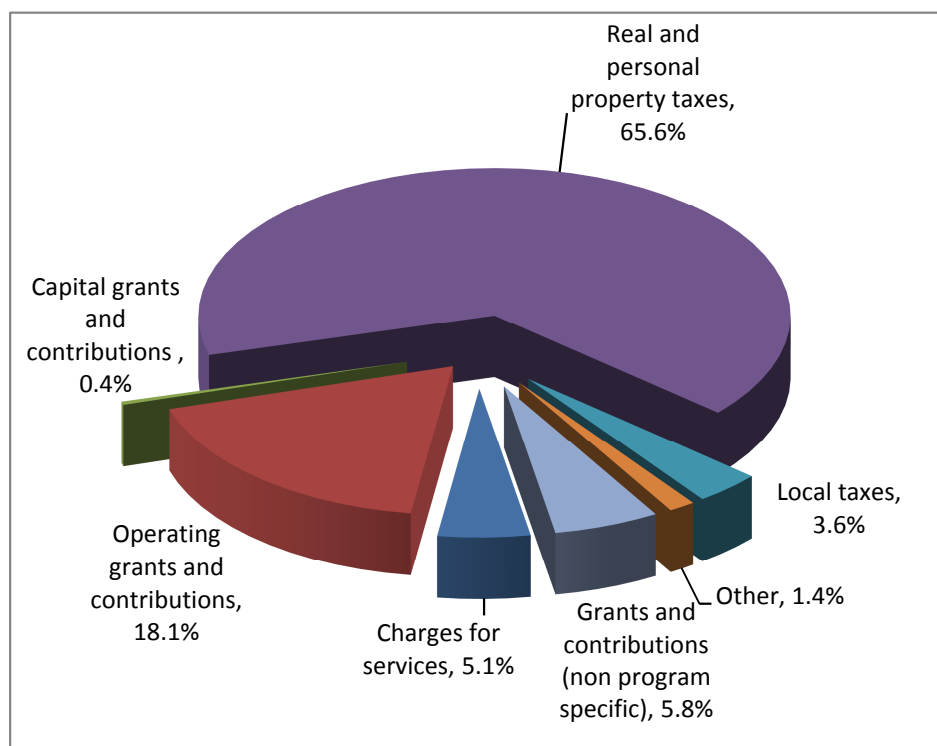
The total reporting entity, which includes the School Board component unit, had positive net position of \$16.7 million at June 30, 2016. Net position increased from the prior year.

The Primary Government: The primary government had net position of \$15.9 million at June 30, 2016, which reflects an increase of \$2.4 million from the prior year. A portion of net position, \$6.1 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$9.8 million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2016 totaled \$21.9 million. Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position increased by \$2.4 million from the prior year.

Governmental Activities - Revenues



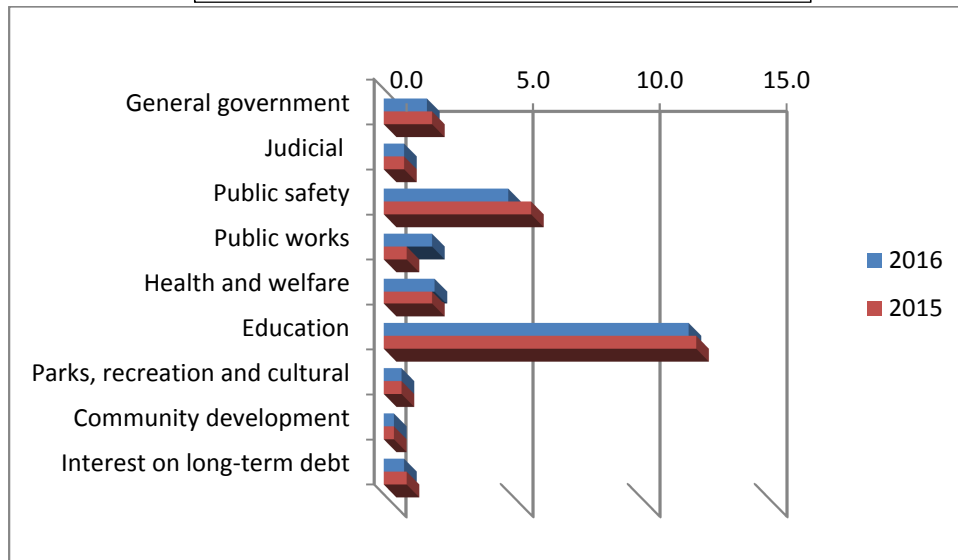
Revenues from governmental activities for fiscal year 2016 totaled \$27.7 million, a decrease of \$0.3 million from fiscal year 2015. Taxes comprise the largest source of revenues, totaling \$19.6 million, of which general property taxes account for \$16.9 million, or 71% of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$6.5 million, or 24% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$1.6 million, or 5% of total revenues.

Local sales and use tax revenue collections were \$1 million. Business license tax exceeded prior year collections due to a continued effort to improve compliance and collect prior year past due amounts. Collections totaled \$0.4 million and exceeded original budgeted projections by \$115 thousand.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2016 and 2015.

King William County Change in Net Position (\$ in millions)							
	Primary Government		Component Unit		Total Reporting Entity		
	Governmental Activities		School Board		Including School Board		
	2016	2015	2016	2015	2016	2015	
<u>Revenues</u>							
Program revenues:							
Charges for services	\$ 1.4	\$ 1.3	\$ 0.6	\$ 0.6	\$ 2	\$ 1.9	
Operating grants and contributions	5	5	14.3	14.1	19.3	19.1	
Capital grants and contributions	0.1	0.6	-	-	0.1	0.6	
General revenues:							
Real and personal property taxes	16.9	16.8	10.5	10.5	27.4	27.3	
Other taxes	2.3	2.5	-	-	2.3	2.5	
Other	0.4	0.1	-	-	0.4	0.1	
Grants and contributions (non program specific)	1.6	1.6	-	-	1.6	1.6	
Total revenues	27.7	27.9	25.4	25.2	53.1	53.1	
<u>Expenses</u>							
General government	1.7	1.9	-	-	1.7	1.9	
Judicial	0.8	0.8	-	-	0.8	0.8	
Public safety	4.9	5.8	-	-	4.9	5.8	
Public works	1.9	0.9	-	-	1.9	0.9	
Health and welfare	2	1.9	-	-	2	1.9	
Education	12.1	12.3	25.1	24.6	37.2	36.9	
Parks, recreation, and cultural	0.7	0.7	-	-	0.7	0.7	
Community development	0.4	0.4	-	-	0.4	0.4	
Interest on long-term debt	0.8	0.9	-	-	0.8	0.9	
Total expenses	25.3	25.6	25.1	24.6	50.4	50.2	
Change in net position	2.4	2.3	0.3	0.6	2.7	2.9	
Beginning net position	13.5	11.2	0.6	-	14.1	11.2	
Ending net position	\$ 15.9	\$ 13.5	\$ 0.9	\$ 0.6	\$16.8	\$14.1	
Table 2 may differ from Exhibit 2 due to rounding.							

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$25.2 million, a decrease of 2.5% from \$25.6 million in fiscal year 2015. The decrease of \$0.4 million is due to savings in personnel line items and non-controllable categories:

- Decrease in Public Safety expenses was due to reduced expenditures associated with regional jail facilities.
- Savings from staffing vacancies and associated benefits.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$12.1 million, or 48.0% of total expenses. Public safety expenses, which total \$4.9 million or 19.5%, represent the second largest expense category for governmental activities.

Governmental Activities- Functional Expenses For the Fiscal Year Ended June 30, 2016

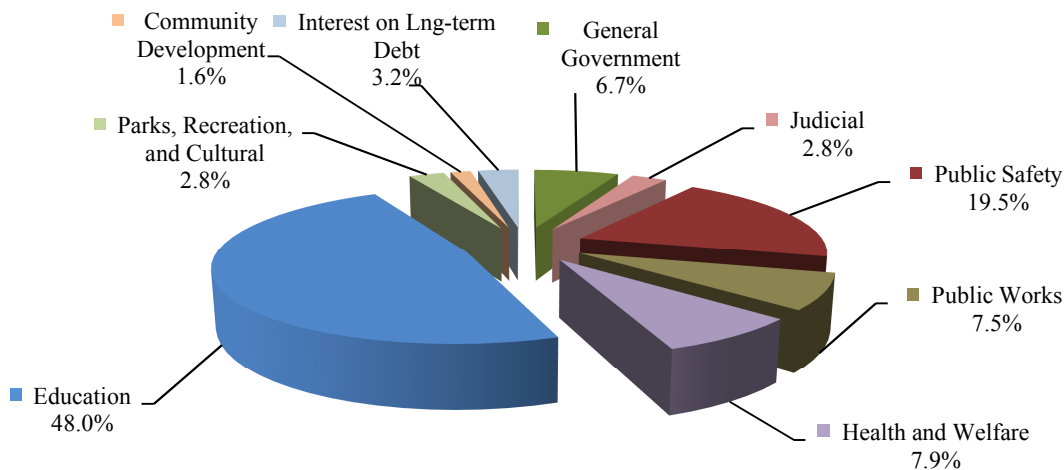


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the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

Table 3 Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2016 and 2015 (\$ in millions)					
	Total Cost of Services		Net Cost of Services		
	2016	2015	2016	2015	
-					
General government	\$ 1.7	\$ 1.9	\$ 1.5	\$ 1.7	
Judicial	0.8	0.8	0.3	0.4	
Public safety	4.9	5.8	3.6	4.3	
Public works	1.9	0.9	1.3	-0.1	
Health and welfare	2	1.9	0.8	0.8	
Education	12.1	12.3	9.8	10	
Parks, recreation and cultural	0.7	0.7	0.6	0.5	
Community development	0.4	0.4	0.1	0.1	
Interest on long-term debt and other	0.8	0.9	0.8	1	
Total	\$ 25.3	\$ 25.6	\$ 18.8	\$ 18.7	

Table 3 may differ from Exhibit 2 due to rounding.

After recognizing the effect of revenue from these fees, grants, and contributions of \$6.4 million, the net cost of governmental activities was \$18.8 million, compared to a total cost of \$25.3 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

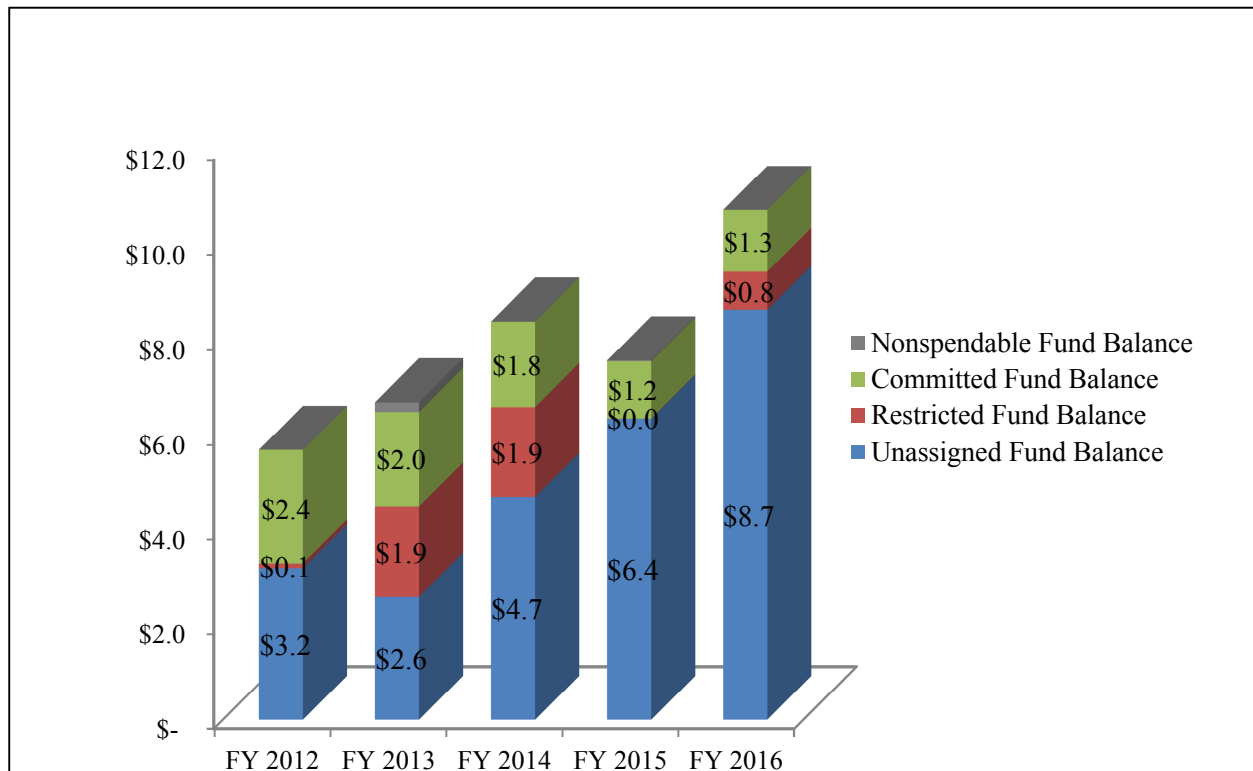
Governmental Funds: As of June 30, 2016, the County's governmental funds reported a combined ending fund balance of \$10.8 million (Exhibit 3), an increase of \$2.2 million as compared with the prior year. The increase is primarily associated with a strong year in revenue collection combined with strong management by departments which offset any planned uses of fund balance.

Other significant matters in fiscal year 2016 included the following:

- The General Fund contributed \$10.4 million in operating funds to finance the Schools operations and debt service.
- The Debt Service fund noted a nominal increase in fund balance as the activity in that fund solely includes scheduled repayments of debt which are funded by the General Fund and the School Board.
- The Capital Project Funds noted decreases in fund balance of \$0.1 million. No significant projects were in progress in the current year only minor equipment purchases.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$8.7 million (Exhibit 3). This represents 37.9% of general operating revenues budgeted for the coming year in the General Fund. At this level, when combined with committed and nonspendable fund balances, the County has sufficient funds to operate approximately four and a half months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.

Composition of General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2016 (\$ in millions)			
	Original Budget	Amended Budget	Actual
<u>Revenues</u>			
Taxes	\$ 18.5	\$ 18.5	\$ 19.6
Other	1.3	1.3	1.6
Intergovernmental	4.2	4.2	4.2
Total revenues	24.0	24.0	25.4
<u>Expenditures</u>			
Expenditures	23.3	23.3	21.8
Excess (deficiency) of revenues over (under) expenditures	0.7	0.7	3.6
<u>Other Financing Sources (uses)</u>			
Transfers in	-	-	-
Transfers out	(1.7)	(1.7)	(1.3)
Total other financing sources (uses)	(1.7)	(1.7)	(1.3)
Change in fund balance	\$ (1.0)	\$ (1.0)	\$ 2.3
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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

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

Final amended budget revenues remained level. Actual expenditures for the General Fund totaled \$21.8 million or \$1.5 million less than the amended budget. Savings are due to County departmental efforts to control spending on contracts and regional partners charging less than expected for services.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

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

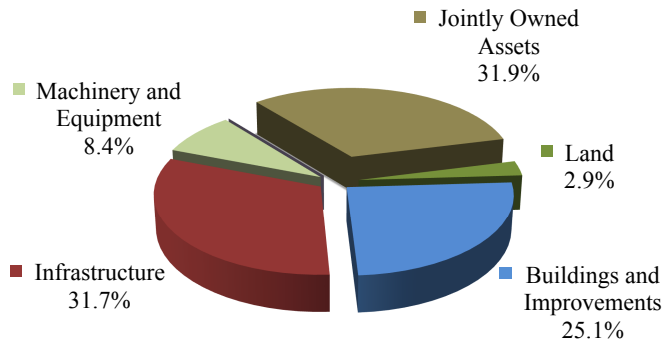
Table 5	King William County Capital Assets (\$ in millions)					
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2016	2015	2016	2015	2016	2015
Land	\$ 0.8	\$ 0.8	\$ 0.1	\$ 0.1	\$ 0.9	\$ 0.9
Building and improvements	10.8	10.8	5.3	5.3	16.1	16.1
Equipment	5.1	4.9	3.7	3.6	8.8	8.5
Jointly owned assets	12.1	13.8	26.6	24.9	38.7	38.7
Land improvements	-	-	0.3	0.3	0.3	0.3
Infrastructure	13.4	13.3	0.3	0.3	13.7	13.6
Construction in progress	-	-	-	-	-	-
Total Capital Assets	42.2	43.6	36.3	34.5	78.5	78.1
Less: Accumulated depreciation/amortization	-14.2	-13.3	-18.8	-17.3	-33	-30.6
Net Capital Assets	\$ 28	\$ 30.3	\$ 17.5	\$ 17.2	\$ 45.5	\$ 47.5

Table 5 may differ from Note 5 due to rounding.

As of June 30, 2016, the total reporting entity had net capital assets of \$45.5 million in capital assets, a decrease of \$2.0 million from the prior year. This decrease is due to capital investment project costs being less than depreciation expense this year.

For governmental activities, the County's investment in non-depreciable assets totaled \$0.8, while depreciable assets totaled \$27.2 million (net of depreciation). Total net capital assets for governmental activities decreased by \$2.3 million when compared to the prior year.

Governmental Activities - Net Capital Assets at June 30, 2016



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

- Governmental activity additions include \$0.3 million in additions to equipment for elections, HVAC, public safety, and vehicles.

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

Long-term Obligations

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

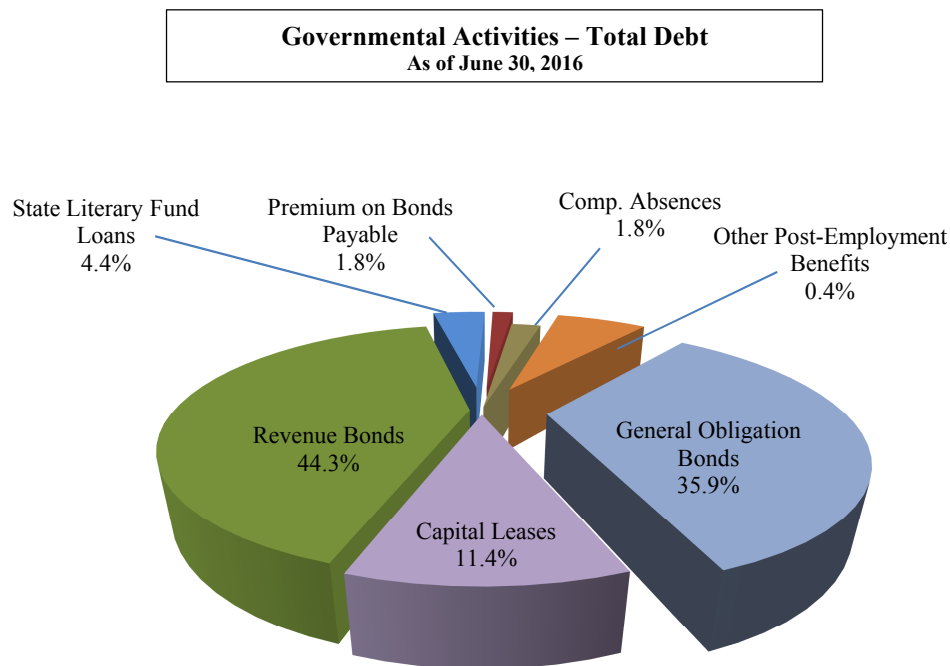
Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	July 1, 2015	Net Increase (Decrease)	June 30, 2016
Governmental Activities:			
General obligation bonds	\$ 9.3	\$ -1.1	\$ 8.2
Revenue bonds	10.6	-0.5	10.1
State literacy fund loans	1.4	-0.4	1
Capital leases	2.9	-0.3	2.6
Premium on bonds	0.5	-0.1	0.4
- Subtotal	24.7	-2.4	22.3
Other post-employment benefits	0.1	-	0.1
Compensated absences	0.3	0.1	0.4
Total long-term obligations	\$ 25.1	\$ 2.3	\$ 22.8

Table 6 may differ from Note 6 due to rounding.

As of June 30, 2016, the County's governmental activities had long-term obligations totaling \$22.8 million, of which \$22.3 million represents indebtedness related to capital leases, long term commitments, and issuances of bonds on behalf of the County and the School Board component unit. This represents a decrease of \$2.3 million, or 10% in long-term obligations from the prior year. The decrease is due primarily to the following activities during the fiscal year:

- No new debt being issued and the County continually paying on the balances of existing debt.
- Compensated absences remained constant.

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



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for the King William County in July 2016 was 3.6%, down .05% from July 2015. This compares favorably to the National average rate of 5.10%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,269, a decrease of .005% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report.
- The enrollment in public schools decreased in fiscal year 2016 from 2,195 to 2,167. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$40,690 as of 2013, compared to \$47,655 for the Richmond Metropolitan Area, as reported by Governing.com. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2017 Budget and Rates

- For fiscal year 2017, the adopted budget for the General Fund is \$22.9 million, a decrease of 1.0% from fiscal year 2016. Revenues are comprised primarily of general property taxes at 72.3%, other local taxes at 11.3%, permits, privilege fees, regulatory licenses, and fines at 1.2%, State assistance at 13.1%, and other revenues at 2.1%.
- In fiscal year 2017, the County's contribution to the School Board component unit is \$10.6 million which includes the County's contribution to the School Board's operating fund of \$8.4 million and \$2.2 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 46.2% of the General Fund appropriations. The percentage of General Fund appropriations supporting Schools has generally remained level with the prior fiscal year 2016.
- Public safety accounts for 20.6% of appropriations in fiscal year 2017, the second largest component of budgeted expenditures.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government	Component Unit
	Governmental	School
	Activities	Board
ASSETS		
Cash and cash equivalents (Note 2)	\$ 9,228,474	\$ 3,542,122
Receivables, net: (Note 3)		
Property taxes, including penalties	7,848,831	-
Accounts receivable	151,216	29,874
Due from primary government	-	24,500
Due from other governments (Note 4)	1,043,228	1,218,737
Cash and cash equivalents, restricted (Note 2)	1,481,847	-
Net pension asset (Note 7)	-	139,009
Capital assets: (Note 5)		
Nondepreciable	825,098	76,340
Depreciable, net	27,192,220	17,476,284
Total assets	47,770,914	22,506,866
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	341,790	-
Pension contributions subsequent to measurement date (Note 7)	376,747	1,729,711
Differences between expected and actual experience (Note 7)	-	72,132
Changes in proportion - teacher cost sharing pool (Note 7)	-	1,247,000
Total deferred outflows of resources	718,537	3,048,843
LIABILITIES		
Accounts payable	328,437	301,032
Accrued liabilities	-	2,243,109
Due to other governments (Note 4)	111,469	-
Due to component unit - School Board	24,500	-
Deposits	75,500	-
Unearned Revenue (Note 3)	1,146,956	-
Insurance and benefit claims	-	215,000
Accrued interest payable	375,708	-
Noncurrent liabilities:		
Net pension liability (Note 7)	1,089,258	19,855,000
Due within one year (Note 6)	2,622,254	110,566
Due in more than one year (Note 6)	20,160,851	376,816
Total liabilities	25,934,933	23,101,523
DEFERRED INFLOWS OF RESOURCES		
Property taxes	6,140,744	-
Net difference between projected and actual investment earnings on pension plan investments (Note 7)	337,998	1,281,076
Differences between expected and actual experience (Note 7)	178,103	273,000
Total deferred inflows of resources	6,656,845	1,554,076
NET POSITION		
Net investment in capital assets	6,102,702	17,552,624
Restricted:		
Debt service	124,343	-
Capital projects	723,874	-
Unrestricted (deficit)	8,946,754	(16,652,514)
Total net position	\$ 15,897,673	\$ 900,110

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Discretely Presented Component Unit
					Governmental Activities	School Board
Primary Government:						
Governmental activities:						
General government administration	\$ 1,710,633	\$ -	\$ 223,701	\$ -	\$ (1,486,932)	\$ -
Judicial administration	760,857	35,530	396,613	-	(328,714)	-
Public safety	4,870,998	439,066	872,307	-	(3,559,625)	-
Public works	1,896,034	495,386	8,321	90,000	(1,302,327)	-
Health and welfare	1,984,796	18,346	1,156,323	-	(810,127)	-
Education	12,074,082	-	2,272,601	-	(9,801,481)	-
Parks, recreation, and cultural	702,854	112,524	5,000	-	(585,330)	-
Planning and community development	401,302	286,331	-	-	(114,971)	-
Interest	842,101	-	-	-	(842,101)	-
Total governmental activities	<u>\$ 25,243,657</u>	<u>\$ 1,387,183</u>	<u>\$ 4,934,866</u>	<u>\$ 90,000</u>	<u>(18,831,608)</u>	<u>-</u>
Component Unit:						
School Board	<u>\$ 25,131,524</u>	<u>\$ 633,421</u>	<u>\$ 14,316,909</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (10,181,194)</u>
General revenues:						
Taxes:						
General property taxes					16,887,147	-
Other local taxes:						-
Local sales and use					950,003	-
Business license taxes					416,827	-
Consumer's utility tax					218,970	-
Motor vehicle license taxes					371,470	-
Recordation and wills					198,605	-
Other					415,039	-
Appropriation from primary government					-	10,443,635
Intergovernmental, non-categorical aid					1,632,439	
Revenue from use of money and property					105,986	958
Miscellaneous					66,013	47,782
Loss on sale of capital assets					(3,834)	-
Total general revenues					<u>21,258,665</u>	<u>10,492,375</u>
Change in net position					<u>2,427,057</u>	<u>311,181</u>
NET POSITION, BEGINNING					<u>13,470,616</u>	<u>588,929</u>
NET POSITION, ENDING					<u>\$ 15,897,673</u>	<u>\$ 900,110</u>

COUNTY OF KING WILLIAM, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2016**

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,105,832	\$ 122,642	\$ -	\$ -	\$ 9,228,474
Receivables, net:					
Property taxes	7,848,831	-	-	-	7,848,831
Accounts receivable	149,515	1,701	-	-	151,216
Due from other governments	1,010,315	-	-	32,913	1,043,228
Cash and cash equivalents, restricted	-	-	1,199,328	282,519	1,481,847
Total assets	<u>\$ 18,114,493</u>	<u>\$ 124,343</u>	<u>\$ 1,199,328</u>	<u>\$ 315,432</u>	<u>\$ 19,753,596</u>
LIABILITIES					
Accounts payable	\$ 285,269	\$ -	\$ 43,168	\$ -	\$ 328,437
Due to other governments	111,469	-	-	-	111,469
Due to component unit - School Board	-	-	-	24,500	24,500
Deposits	75,500	-	-	-	75,500
Unearned revenue	172,414	-	723,218	-	895,632
Total liabilities	<u>644,652</u>	<u>-</u>	<u>766,386</u>	<u>24,500</u>	<u>1,435,538</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	7,479,313	-	-	-	7,479,313
Total deferred inflows of resources	<u>7,479,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,479,313</u>
FUND BALANCES					
Restricted	-	124,343	432,942	290,932	848,217
Committed	1,344,344	-	-	-	1,344,344
Assigned	1,023	-	-	-	1,023
Unassigned	8,645,161	-	-	-	8,645,161
Total fund balances	<u>9,990,528</u>	<u>124,343</u>	<u>432,942</u>	<u>290,932</u>	<u>10,838,745</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,114,493</u>	<u>\$ 124,343</u>	<u>\$ 1,199,328</u>	<u>\$ 315,432</u>	<u>\$ 19,753,596</u>

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total Fund Balances - Governmental Funds \$ 10,838,745

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

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

Nondepreciable	\$ 825,098	
Depreciable, net	<u>27,192,220</u>	28,017,318

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

Property taxes		1,510,413
Developer agreements from capital asset contributions are not recognized as revenue until future periods (long-term credits)		(423,168)

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

Deferred outflows of resources for 2016 employer contributions	376,747	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(337,998)	
Deferred inflows of resources for the differences between expected and actual experience	(178,103)	
Net pension liability	<u>(1,089,258)</u>	(1,228,612)

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

General obligation and revenue bonds, including unamortized premiums	(18,732,374)	
Deferred charge on refunding	341,790	
Literary loans	(934,032)	
Capital leases	(2,590,000)	
Compensated absences	(369,991)	
Interest payable	(375,708)	
Other postemployment benefits	<u>(156,708)</u>	(22,817,023)

Total Net Position - Governmental Activities \$ 15,897,673

COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
REVENUES					
General property taxes	\$ 17,063,632	\$ -	\$ -	\$ -	\$ 17,063,632
Other local taxes	2,570,914	-	-	-	2,570,914
Permits, privilege fees, proffers and regulatory licenses	292,138	-	-	-	292,138
Fines and forfeitures	85,568	-	-	-	85,568
Revenue from use of money and property	105,986	-	-	-	105,986
Charges for service	761,335	-	-	-	761,335
Miscellaneous	34,503	-	31,510	-	66,013
Reimbursements from component unit	-	2,272,601	-	-	2,272,601
Recovered costs	248,142	-	-	-	248,142
Intergovernmental	4,257,893	-	-	36,811	4,294,704
Total revenues	<u>25,420,111</u>	<u>2,272,601</u>	<u>31,510</u>	<u>36,811</u>	<u>27,761,033</u>
EXPENDITURES					
Current:					
General government	1,423,122	-	-	-	1,423,122
Judicial administration	587,496	-	-	-	587,496
Public safety	4,586,918	-	-	-	4,586,918
Public works	1,731,929	-	-	-	1,731,929
Health and welfare	1,977,818	-	-	-	1,977,818
Education	10,451,449	-	-	-	10,451,449
Parks, recreation, and cultural	657,695	-	-	-	657,695
Community development	387,168	-	-	-	387,168
Capital outlays	-	-	379,988	106,182	486,170
Debt service:					
Principal	-	2,351,613	-	-	2,351,613
Interest and fiscal charges	-	920,280	-	-	920,280
Total expenditures	<u>21,803,595</u>	<u>3,271,893</u>	<u>379,988</u>	<u>106,182</u>	<u>25,561,658</u>
Excess (deficiency) of revenues over expenditures	<u>3,616,516</u>	<u>(999,292)</u>	<u>(348,478)</u>	<u>(69,371)</u>	<u>2,199,375</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,001,107	317,700	-	1,318,807
Transfers out	(1,276,107)	-	(42,700)	-	(1,318,807)
Total other financing sources (uses)	<u>(1,276,107)</u>	<u>1,001,107</u>	<u>275,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,340,409</u>	<u>1,815</u>	<u>(73,478)</u>	<u>(69,371)</u>	<u>2,199,375</u>
FUND BALANCES, BEGINNING	<u>7,650,119</u>	<u>122,528</u>	<u>506,420</u>	<u>360,303</u>	<u>8,639,370</u>
FUND BALANCES, ENDING	<u>\$ 9,990,528</u>	<u>\$ 124,343</u>	<u>\$ 432,942</u>	<u>\$ 290,932</u>	<u>\$ 10,838,745</u>

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Net Change in Fund Balances - Governmental Funds

\$ 2,199,375

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 382,047	
Depreciation expense	<u>(1,468,122)</u>	
		(1,086,075)

Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.

(3,834)

Transfer of joint tenancy assets from Primary Government to the Component Unit.

(1,159,353)

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

Property taxes		(176,485)
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Developer agreements represent capital assets contributed in previous years for future service (long-term credits)

90,000

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.

2,351,613

Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(101,280)	
Change in other post-employment benefits	<u>(14,000)</u>	
		(115,280)

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions **\$376,747** exceed pension expense **\$127,830** in the current period.

248,917

Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of

Amortization of premiums	58,928	
Amortization of deferred charge on refunding	(25,209)	
Change in accrued interest payable	<u>44,460</u>	
		<u>78,179</u>

Changes in Net Position - Governmental Activities\$ 2,427,057

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 16,373,065	\$ 16,373,065	\$ 17,063,632	\$ 690,567
Other local taxes	2,151,465	2,100,944	2,570,914	469,970
Permits, privilege fees, and regulatory licenses	237,520	237,520	292,138	54,618
Fines and forfeitures	114,000	114,000	85,568	(28,432)
Revenue from the use of money and property	65,800	65,800	105,986	40,186
Charges for services	589,173	589,173	761,335	172,162
Miscellaneous	14,105	14,105	34,503	20,398
Recovered costs	247,438	247,438	248,142	704
Intergovernmental	4,171,142	4,202,164	4,257,893	55,729
Total revenues	23,963,708	23,944,209	25,420,111	1,475,902
EXPENDITURES				
Current				
General government administration	1,513,732	1,574,021	1,423,122	150,899
Judicial administration	650,535	656,226	587,496	68,730
Public safety	5,224,596	5,305,139	4,586,918	718,221
Public works	1,788,780	1,804,610	1,731,929	72,681
Health and welfare	2,270,730	2,168,957	1,977,818	191,139
Education	10,662,454	10,662,454	10,451,449	211,005
Parks, recreation, and cultural	730,382	736,123	657,695	78,428
Community development	382,359	386,806	387,168	(362)
Nondepartmental	100,000	23,291	-	23,291
Total expenditures	23,323,568	23,317,627	21,803,595	1,514,032
Excess of revenues over expenditures	640,140	626,582	3,616,516	2,989,934
OTHER FINANCING USES				
Transfers out	(1,734,107)	(1,730,728)	(1,276,107)	454,621
Total other financing uses	(1,734,107)	(1,730,728)	(1,276,107)	454,621
Net change in fund balance	\$ (1,093,967)	\$ (1,104,146)	\$ 2,340,409	\$ 3,444,555

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2016

Agency Funds**ASSETS**

Cash and cash equivalents	\$ 143,792
Accounts receivable	490
Due from fiscal agent	24,436

Total assets\$ 168,718**LIABILITIES**

Amounts held for others	\$ 142,948
Amounts payable	25,770

Total liabilities\$ 168,718

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2016. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2016 was approximately \$56,000.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of approximately \$12,600 per quarter (\$50,400 annually).

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Middle Peninsula Regional Airport Authority

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

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

B. Financial Statement Presentation

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The County reports the following major governmental funds:

a. General Fund

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

b. Capital Projects Funds

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

c. Debt Service Fund

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

Fiduciary Funds (Agency Funds)

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level, which is the level presented in Exhibit 5. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and the School Board is authorized to transfer budgeted amounts within the school systems categories.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the School Fund, and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

E. Cash and Cash Equivalents

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

F. Receivables

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

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element 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 four types of items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for pension; this will be applied to the net pension liability in the next fiscal year. The third item consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement. The final deferred outflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

G. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element 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 four types of items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for property taxes and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item relates to unearned property taxes received or billed in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity-wide statement of net position. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement.

H. 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 of King William and its component unit, the King William County School Board, retirement plans and the additions to/deductions from the County, and the King William County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings and improvements, infrastructure, and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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

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

J. Compensated Absences

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

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination.

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

K. Long-Term Obligations

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Equity

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

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

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

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

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

The County will consider the use of restricted or committed funds prior to the use of unassigned fund balance.

M. Use of Estimates

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

N. Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

P. Interfund Transfers

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

Note 2. Deposits and Investments

Deposits

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

Restricted Cash

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

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

Investments

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2016, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

Credit Risk

As of June 30, 2016, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2016, 100% was invested in LGIP with a “AAAm” credit rating, as rated by Standard & Poor’s.

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

Deposits:	
Demand deposits	\$ 10,565,807
Cash held by third-party	117,900
Cash on hand	170
	<hr/> 10,683,877
Investments (Fair Value):	
LGIP	26,444
	<hr/>
Total deposits and investments	<u><u>\$ 10,710,321</u></u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and cash equivalents	\$ 9,228,474
Cash and cash equivalents, restricted	1,481,847
	<hr/>
Total deposits and investments	<u><u>\$ 10,710,321</u></u>

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

Deposits:	
Demand deposits	\$ 2,076,936
Cash held by third-party	1,465,186
	<hr/>
Total per Exhibit 1	<u><u>\$ 3,542,122</u></u>

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2016, all investments were in the LGIP.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

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

The County's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

In accordance with the agreements resulting in the issuance of debt, the General Capital Projects Fund and School Capital Project Fund have a portion of their cash balance restricted on the Governmental Funds' Balance Sheet and the Statement of Net Position. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants.

Note 3. Receivables

Receivables are as follows:

	<u>General</u>	<u>School Board</u>	<u>Total</u>
Taxes	\$ 7,987,357	\$ -	\$ 7,987,357
Accounts	<u>151,216</u>	<u>29,874</u>	<u>181,090</u>
Gross receivables	8,138,573	29,874	8,168,447
Less allowance for uncollectible accounts	<u>(138,526)</u>	<u>-</u>	<u>(138,526)</u>
Net receivables	<u><u>\$ 8,000,047</u></u>	<u><u>\$ 29,874</u></u>	<u><u>\$ 8,029,921</u></u>

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Receivables (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,510,413	\$ -
Advance collection of 2016-2017 taxes	-	171,844
2016-2017 property tax receivable	5,968,900	5,968,900
Developer agreements – long-term	-	423,168
Developer proffers	-	723,218
Equitable sharing program	-	570
	<u>\$ 7,479,313</u>	<u>\$ 7,287,700</u>

Note 4. Due to/from Other Governments

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

	<u>Governmental Activities</u>	<u>Component Unit</u>
Commonwealth of Virginia:		
School funds	\$ -	\$ 150,403
Comprehensive services	79,702	-
Shared Costs	105,859	-
Communications tax	28,649	-
Sales and use tax	706,893	-
Other	57,674	-
Federal Government:		
School funds	-	1,068,334
Public Assistance	52,611	-
Other Governments:		
County of King and Queen	11,840	-
	<u>\$ 1,043,228</u>	<u>\$ 1,218,737</u>

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

Other governments:	
Town of West Point	<u>\$ 111,469</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

Primary Government - Governmental Activities

Governmental Activities	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 825,098	\$ -	\$ -	\$ 825,098
Total capital assets, not depreciated	825,098	-	-	825,098
Capital assets, depreciated and amortized:				
Buildings and improvements	10,755,631	37,788	-	10,793,419
Equipment	4,935,991	241,238	(75,228)	5,102,001
Intangibles	9,800	-	-	9,800
Infrastructure	13,325,752	103,021	-	13,428,773
Jointly owned assets	13,758,891	-	(1,674,862)	12,084,029
Total capital assets depreciated	42,786,065	382,047	(1,750,090)	41,418,022
Less accumulated depreciation and amortization for:				
Buildings and improvements	(3,510,535)	(266,236)	-	(3,776,771)
Equipment	(2,303,279)	(504,391)	71,394	(2,736,276)
Intangibles	(9,800)	-	-	(9,800)
Infrastructure	(4,161,659)	(395,394)	-	(4,557,053)
Jointly owned assets	(3,359,310)	(302,101)	515,509	(3,145,902)
Total accumulated depreciation or amortization	(13,344,583)	(1,468,122)	586,903	(14,225,802)
Total capital assets depreciated, net	29,441,482	(1,086,075)	(1,163,187)	27,192,220
Governmental activities capital assets, net	<u>\$ 30,266,580</u>	<u>\$ (1,086,075)</u>	<u>\$ (1,163,187)</u>	<u>\$ 28,017,318</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government administration	\$ 317,957
Judicial administration	179,866
Public safety	388,623
Public works	169,663
Health and welfare	5,412
Education	357,098
Parks, recreation, and cultural	47,115
Planning and community development	2,388
Total depreciation expense – governmental activities	\$ 1,468,122

Discretely Presented Component Unit – School Board

School Board	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 76,340	\$ -	\$ -	\$ 76,340
Total capital assets, not depreciated	76,340	-	-	76,340
Capital assets, depreciated and amortized:				
Buildings and improvements	5,310,684	37,142	-	5,347,826
Equipment	3,645,425	108,762	(39,290)	3,714,897
Infrastructure	294,167	-	-	294,167
Land improvements	310,724	-	-	310,724
Jointly owned assets	24,897,933	-	1,674,862	26,572,795
Total capital assets, depreciated	34,458,933	145,904	1,635,572	36,240,409
Less accumulated depreciation and amortization for:				
Buildings and improvements	(4,240,631)	(8,680)	-	(4,249,311)
Equipment	(2,641,194)	(176,205)	39,290	(2,778,109)
Infrastructure	(511,605)	(99,383)	-	(610,988)
Land improvements	(46,991)	(24,031)	-	(71,022)
Jointly owned assets	(9,874,866)	(664,320)	(515,509)	(11,054,695)
Total accumulated depreciation or amortization	(17,315,287)	(972,619)	(476,219)	(18,764,125)
Total capital assets depreciated, net	17,143,646	(826,715)	1,159,353	17,476,284
Governmental activities capital assets, net	\$ 17,219,986	\$ (826,715)	\$ 1,159,353	\$ 17,552,624

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Capital Assets (Continued)

Discretely Presented Component Unit – School Board (Continued)

The County has a tenancy in common with the School Board due to the County incurring debt on behalf of the School Board for capital projects. As a result, School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2016, the County transferred assets with costs of \$1,674,862 and accumulated depreciation of \$515,509 to the Component Unit - School Board.

Component Unit – School Board:

Depreciation expense	\$ 972,619
Accumulated depreciation on joint-tenancy asset transfer	<u>515,509</u>
Total depreciation and amortization – School Board	<u><u>\$ 1,488,128</u></u>

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 9,263,659	\$ -	\$ (1,093,662)	\$ 8,169,997	\$ 1,099,318
Revenue bonds	10,572,828	-	(508,751)	10,064,077	522,244
State Literary Fund loans	1,368,232	-	(434,200)	934,032	434,032
Capital leases	2,905,000	-	(315,000)	2,590,000	320,000
Premium on bonds payable	557,228	-	(58,928)	498,300	-
Compensated absences	268,711	280,420	(179,140)	369,991	246,660
Other post-employment benefits	<u>142,708</u>	<u>16,000</u>	<u>(2,000)</u>	<u>156,708</u>	<u>-</u>
	<u><u>\$ 25,078,366</u></u>	<u><u>\$ 296,420</u></u>	<u><u>\$ (2,591,681)</u></u>	<u><u>\$ 22,783,105</u></u>	<u><u>\$ 2,622,254</u></u>
Component Unit – School Board					
Compensated absences	\$ 196,213	\$ 100,445	\$ (130,809)	\$ 165,849	\$ 110,566
Other post-employment benefits	<u>346,253</u>	<u>-</u>	<u>(24,720)</u>	<u>321,533</u>	<u>-</u>
	<u><u>\$ 542,466</u></u>	<u><u>\$ 100,445</u></u>	<u><u>\$ (155,529)</u></u>	<u><u>\$ 487,382</u></u>	<u><u>\$ 110,566</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 320,000	\$ 56,110	\$ 522,244	\$ 366,881
2018	330,000	45,463	545,733	346,582
2019	225,000	37,869	467,000	325,723
2020	230,000	33,477	482,000	308,368
2021	235,000	28,987	502,000	290,259
2022-2026	1,250,000	74,176	3,706,800	1,125,612
2027-2031	-	-	3,563,300	369,187
2032-2033	-	-	275,000	13,875
	<u>\$ 2,590,000</u>	<u>\$ 276,082</u>	<u>\$ 10,064,077</u>	<u>\$ 3,146,487</u>
Fiscal Year Ending	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2017	\$ 1,099,318	\$ 385,742	\$ 434,032	\$ 28,021
2018	1,105,269	329,415	250,000	15,000
2019	1,111,533	273,213	250,000	7,500
2020	1,083,124	218,888	-	-
2021	1,089,139	167,021	-	-
2022-2026	2,661,614	231,376	-	-
2027	20,000	14,337	-	-
	<u>\$ 8,169,997</u>	<u>\$ 1,619,992</u>	<u>\$ 934,032</u>	<u>\$ 50,521</u>

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

Prior Year Defeasance of Debt

In 2014, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, \$1,230,000 of bonds remains outstanding.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Long-Term Liabilities (Continued)

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

	<u>Original Issuance</u>	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Revenue bonds:				
Series 1998	\$ 1,100,000	1998	4.55%	\$ 163,977
Series 2005	1,050,000	2005	4.00-5.125	760,000
Series 2006	1,490,000	2006	4.30	35,000
Series 2006	1,460,000	2006	4.60-5.00	1,130,000
Series 2007	2,055,000	2007	5.00	1,675,000
Series 2011	5,220,100	2011	3.00	5,030,100
Series 2013	1,375,000	2013	3.175	1,270,000
Total Revenue Bonds:				<u>\$ 10,064,077</u>
General Obligation Bonds:				
Series 1998	\$ 715,000	1998	5.10%	\$ 105,000
Series 2002	6,513,732	2002	4.60-5.10	2,469,997
Series 2002	6,750,000	2002	4.60-5.10	2,345,000
Series 2003	7,055,000	2003	4.60-5.35	2,800,000
Series 2004	605,000	2004	4.10-5.10	270,000
Series 2010	270,000	2010	-	180,000
Total General Obligation Bonds:				<u>\$ 8,169,997</u>
State Literary Fund Loans:				
Series 1996	\$ 3,131,232	1996	3.00%	\$ 184,032
Series 1998	5,000,000	1998	3.00	750,000
Total State Literary Fund Loans:				<u>\$ 934,032</u>
Capital Leases:				
Human Services Building	\$ 1,395,000	1996	6.00%	\$ 215,000
911 Communications Facilities	3,000,000	2013	1.952	2,375,000
Total Capital Leases:				<u>\$ 2,590,000</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the County of King William, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan 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. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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

- Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
 - **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
 - **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Vesting –**
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>42</u>
Inactive members:	
Vested inactive members	15
Non-vested inactive members	12
Inactive members active elsewhere in VRS	<u>56</u>
Total inactive members	83
Active members	<u>83</u>
Total covered employees	<u><u>208</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 10.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$376,747 and \$378,880 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

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:

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 13,966,363	\$ 12,891,156	\$ 1,075,207
Changes for the year:			
Service cost	427,980	-	427,980
Interest	960,437	-	960,437
Differences between expected and actual experience	(251,096)	-	(251,096)
Contributions – employer	-	365,362	(365,362)
Contributions – employee	-	172,177	(172,177)
Net investment income	-	593,824	(593,824)
Benefit payments, including refunds of employee contributions	(491,661)	(491,661)	-
Administrative expenses	-	(7,965)	7,965
Other changes	-	(128)	128
Net changes	645,660	631,609	14,051
Balances at June 30, 2015	\$ 14,612,023	\$ 13,522,765	\$ 1,089,258

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	\$ 3,100,737	\$ 1,089,258	\$ (575,008)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$127,830. At June 30, 2016, the political subdivision 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	\$ -	\$ 178,103
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	337,998
Employer contributions subsequent to the measurement date	<u>376,747</u>	<u>-</u>
Total	<u><u>\$ 376,747</u></u>	<u><u>\$ 516,101</u></u>

The \$376,747 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (206,318)
2018	(206,318)
2019	(165,440)
2020	61,975
2021	-
Thereafter	-

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the King William County School Board, (the “School division”) are automatically covered by VRS Retirement Plan upon employment. This plan 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. Plan participants are covered under three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in the primary government defined benefit pension plan.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>11</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	13
Inactive members active elsewhere in VRS	<u>3</u>
Total inactive members	17
Active members	<u>66</u>
Total covered employees	<u><u>94</u></u>

Contributions

The school division’s contractually required contribution rate for the year ended June 30, 2016 was 6.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Contributions to the pension plan from the school division were \$87,889 and \$89,488 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2014	\$ 2,353,733	\$ 2,619,122	\$ (265,389)
Changes for the year:			
Service cost	149,564	-	149,564
Interest	162,279	-	162,279
Differences between expected and actual experience	90,966	-	90,966
Contributions – employer	-	87,689	(87,689)
Contributions – employee	-	68,007	(68,007)
Net investment income	-	122,327	(122,327)
Benefit payments, including refunds of employee contributions	(70,936)	(70,936)	-
Administrative expenses	-	(1,565)	1,565
Other changes	-	(29)	29
Net changes	331,873	205,493	126,380
Balances at June 30, 2015	\$ 2,685,606	\$ 2,824,615	\$ (139,009)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability	\$ 218,147	\$ (139,009)	\$ (437,719)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$53,860. At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,132	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	65,076
Employer contributions subsequent to the measurement date	87,889	-
Total	<u>\$ 160,021</u>	<u>\$ 65,076</u>

The \$87,889 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (7,119)
2018	(7,119)
2019	(7,119)
2020	28,413
Thereafter	-

Payables to the Pension Plan

At June 30, 2016, approximately \$10,952 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including King William County School Board, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan’s net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan’s net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in the primary government defined benefit pension plan.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The amount of this payback for the school division, included in operating grants and contributions in the statement of activities, was \$304,000. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$1,641,822 and \$1,690,059 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2016, the school division reported a liability of \$19,855,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.15775% as compared to 0.15381% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,777,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 273,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,216,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,247,000	-
Employer contributions subsequent to the measurement date	<u>1,641,822</u>	<u>-</u>
Total	<u><u>\$ 2,888,822</u></u>	<u><u>\$ 1,489,000</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$1,641,822 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (215,000)
2018	(215,000)
2019	(215,000)
2020	384,000
2021	19,000
Thereafter	-

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 29,056,000</u>	<u>\$ 19,855,000</u>	<u>\$ 12,281,000</u>

Pension Plan Fiduciary Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Payables to the Pension Plan

At June 30, 2016, approximately \$204,606 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Note 8. Other Postemployment Benefits

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

Plan Description

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

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

The plans do not issue stand-alone financial reports.

Funding Policy

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, was calculated as follows:

	<u>County</u>	<u>School Board</u>
Annual required contribution (ARC)	\$ 16,000	\$ 209,000
Interest on net OPEB obligation	6,000	12,119
Adjustment to annual required contribution	<u>(6,000)</u>	<u>(36,839)</u>
Annual OPEB cost	16,000	184,280
Contributions made	<u>(2,000)</u>	<u>(209,000)</u>
Increase (decrease) in net OPEB obligation	14,000	(24,720)
Net OPEB obligation, beginning of year	<u>142,708</u>	<u>346,253</u>
Net OPEB obligation, end of year	<u><u>\$ 156,708</u></u>	<u><u>\$ 321,533</u></u>

Trend Information:

Three-year trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2016	\$ 16,000	12.50%	\$ 156,708
June 30, 2015	15,000	0.00	142,708
June 30, 2014	28,963	17.61	127,708
School Board:			
June 30, 2016	\$ 184,280	113.41%	\$ 321,533
June 30, 2015	104,228	45.38	346,253
June 30, 2014	100,323	52.13	289,325

Membership:

There are 83 employees and no retirees participating in the County's plan.

There are 277 employees and 19 retirees participating in the School Board's plan.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 8. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation Methods

The projected unit credit (PUC) actuarial cost method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodology set forth in GASB Statement No. 45. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

Employees Included in the Calculations

All active employees are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses, and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Actuarial Assumptions

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a payroll growth rate of 3.0%, inflation rate of 1.5%, and an annual healthcare cost trend rate of 5.2% initially, gradually decreasing over time and increasing in 2023 to 5.9% for Cadillac Tax adjustment. By 2030 the rate of increase is 5.7%. The ultimate trend is 4.0%. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over 30 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 8. Other Postemployment Benefits (Continued)

In the June 2015 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 3.5%, investment rate of return of 3.5%, payroll growth rate of 3.0%, inflation rate of 2.3%, and a health care trend assumption of 6.9% graded to 4.0% over 76 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 9.94 years based on a level percent of payroll method on an open basis. The actuarial liability was \$1,494,300. The remaining amortization period at June 30, 2016 was 9.94 years.

Funding Status and Funding Progress

As of June 30, 2015 and June 30, 2016, the most recent actuarial valuation date for the County and the School Board, respectively, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$108,000 for the County's plan and a UAAL of \$1,494,300 for the School Board's plan. The covered payroll (annual payroll of active employees covered by the plan) was \$3,517,082 and \$11,906,700 and the ratio of the UAAL to the covered payroll was 3.07% and 12.55% for the County and School Board, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 9. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2016, 2015, and 2014, the School Board paid \$114,425, \$113,897, and \$123,202, respectively, for employees toward these benefits, which was equal to the required contributions.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 9. Other Postemployment Benefits – VRS Health Insurance Credit (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended) to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was 1.06%, 1.06%, and 1.11%, for the School Board's employees for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2013 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 30 years.

Note 10. Fund Balances

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>
Restricted:				
Debt service	\$ -	\$ 124,343	\$ -	\$ -
Other capital projects	-	-	432,942	290,932
Total restricted	<u>-</u>	<u>124,343</u>	<u>432,942</u>	<u>290,932</u>
Committed:				
School operations and capital projects	966,021	-	-	-
Regional animal shelter	30,828	-	-	-
Asset forfeiture – sheriff	9,389	-	-	-
Four-for-life programs	10,745	-	-	-
Fire programs	35,104	-	-	-
Water utility	122,953	-	-	-
Recreation programs	55,458	-	-	-
EMS billings	113,846	-	-	-
Total committed	<u>1,344,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
General government administration	1,023	-	-	-
Unassigned	<u>8,645,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 9,990,528</u>	<u>\$ 124,343</u>	<u>\$ 432,942</u>	<u>\$ 290,932</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 11. Risk Management

County

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

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

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

Health Insurance – School Board

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

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

The School Board records an estimated liability for healthcare claims. The following represents the change in the fund's claims liability for 2016, 2015, and 2014:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2016	\$ 300,000	\$ 2,040,48	\$ (2,340,270)	\$ 215,000
June 30, 2015	125,000	2,238,67	(2,063,677)	300,000
June 30, 2014	300,000	1,674,77	(1,849,773)	125,000

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 12. Commitments, Contingencies and Subsequent Events

Operating Leases

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

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. According to the agreements, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2016, \$423,168 in connection credits are still available and are recorded as unearned revenue on the Statement of Net Position.

Federal and State Assisted Programs

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

Note 13. New Accounting Standards

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 13. New Accounting Standards (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 13. New Accounting Standards (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULES OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Primary Government						
June 30, 2015	\$ -	\$ 108,000	\$ 108,000	0.00%	\$ 3,517,082	3.07%
January 1, 2012	-	203,500	203,500	0.00	3,501,300	5.81
January 1, 2009	-	157,100	157,100	0.00	3,657,600	4.30
B. Component Unit - School Board						
June 30, 2016	\$ -	\$ 1,494,300	\$ 1,494,300	0.00%	\$ 11,906,700	12.55%
June 30, 2013	-	916,000	916,000	0.00	8,594,700	10.66
June 30, 2011	-	1,048,800	1,048,800	0.00	11,158,200	9.40

SCHEDULES OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS
June 30, 2016

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
A. Primary Government		
2016	\$ 16,000	12.50%
2015	15,000	0.00
2014	28,400	17.96
B. Component Unit - School Board		
2016	\$ 209,000	100.00%
2015	104,800	45.13
2014	100,800	51.88

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2016

	Primary Government Plan Year	
	2015	2014
Total Pension Liability		
Service cost	\$ 427,980	\$ 425,539
Interest on total pension liability	960,437	900,618
Difference between expected and actual experience	(251,096)	-
Benefit payments, including refunds of employee contributions	(491,661)	(451,521)
Net change in total pension liability	645,660	874,636
Total pension liability - beginning	13,966,363	13,091,727
Total pension liability - ending	14,612,023	13,966,363
Plan Fiduciary Net Position		
Contributions - employer	365,362	393,290
Contributions - employee	172,177	172,426
Net investment income	593,824	1,752,531
Benefit payments, including refunds of employee contributions	(491,661)	(451,521)
Administrative expenses	(7,965)	(9,260)
Other	(128)	92
Net change in plan fiduciary net position	631,609	1,857,558
Plan fiduciary net position - beginning	12,891,156	11,033,598
Plan fiduciary net position - ending	13,522,765	12,891,156
Net pension liability - ending	\$ 1,089,258	\$ 1,075,207
Plan fiduciary net position as a percentage of total pension liability	92.55%	92.30%
Covered employee payroll	\$ 3,598,101	\$ 3,734,948
Net pension liability as a percentage of covered employee payroll	30.27%	28.79%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2016

	Schools -- Nonprofessional Employees Plan Year	
	2015	2014
Total Pension Liability		
Service cost	\$ 149,564	\$ 148,866
Interest on total pension liability	162,279	146,068
Difference between expected and actual experience	90,966	-
Benefit payments, including refunds of employee contributions	(70,936)	(55,770)
Net change in total pension liability	331,873	239,164
Total pension liability - beginning	2,353,733	2,114,569
Total pension liability - ending	2,685,606	2,353,733
Plan Fiduciary Net Position		
Contributions - employer	87,689	112,627
Contributions - employee	68,007	67,436
Net investment income	122,327	348,354
Benefit payments, including refunds of employee contributions	(70,936)	(55,770)
Administrative expenses	(1,565)	(1,757)
Other	(29)	19
Net change in plan fiduciary net position	205,493	470,909
Plan fiduciary net position - beginning	2,619,122	2,148,213
Plan fiduciary net position - ending	2,824,615	2,619,122
Net pension (asset) liability - ending	\$ (139,009)	\$ (265,389)
Plan fiduciary net position as a percentage of total pension liability	105.18%	111.28%
Employer's covered employee payroll	\$ 1,391,726	\$ 1,751,586
Net pension (asset) liability as a percentage of covered employee payroll	-9.99%	-15.15%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.15775%	\$ 19,855,000	\$ 11,655,579	170.35%	68.11%
2014	0.15381%	18,588,000	9,045,366	205.50%	70.88%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2016	\$ 376,747	\$ 376,747	\$ -	\$ 3,577,844	10.53%
2015	378,880	378,880	-	3,598,101	10.53%
Schools - Nonprofessional Employees					
2016	\$ 87,889	\$ 87,889	\$ -	\$ 1,366,858	6.43%
2015	89,488	89,488	-	1,391,726	6.43%

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 1,641,822	\$ 1,641,822	\$ -	\$ 11,677,255	14.06%
2015	1,690,059	1,690,059	-	11,655,579	14.50%

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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SUPPLEMENTAL INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION - AGENCY FUNDS
June 30, 2016

	Agency Funds						Totals
	Special Welfare	VJCCCA	Project Lifesaver	D. A. R. E.	Donation to Sherriff's Office	Horse Rescue	
ASSETS							
Cash and cash equivalents	\$ -	\$ 137,576	\$ 5,097	\$ -	\$ 1,119	\$ -	\$ 143,792
Accounts receivable	490	-	-	-	-	-	490
Due from fiscal agent	-	-	-	-	-	24,436	24,436
Total Assets	<u>\$ 490</u>	<u>\$ 137,576</u>	<u>\$ 5,097</u>	<u>\$ -</u>	<u>\$ 1,119</u>	<u>\$ 24,436</u>	<u>\$ 168,718</u>
LIABILITIES							
Amounts held for others	\$ 490	\$ 136,242	\$ 5,097	\$ -	\$ 1,119	\$ -	\$ 142,948
Accounts payable	-	1,334	-	-	-	24,436	25,770
Total Liabilities	<u>\$ 490</u>	<u>\$ 137,576</u>	<u>\$ 5,097</u>	<u>\$ -</u>	<u>\$ 1,119</u>	<u>\$ 24,436</u>	<u>\$ 168,718</u>

COUNTY OF KING WILLIAM, VIRGINIA
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 43	\$ 21,135	\$ 21,178	\$ -
Amounts due from social services clients	-	490	-	490
Total assets	<u>\$ 43</u>	<u>\$ 21,625</u>	<u>\$ 21,178</u>	<u>\$ 490</u>
LIABILITIES				
Amounts held for social services clients	\$ 43	\$ 21,135	\$ 21,178	\$ -
Amounts held for others	-	490	-	490
Total liabilities	<u>\$ 43</u>	<u>\$ 21,625</u>	<u>\$ 21,178</u>	<u>\$ 490</u>
VJCCCA FUND				
ASSETS				
Cash and cash equivalents	\$ 117,106	\$ 163,553	\$ 143,083	\$ 137,576
Due from other governments	11,568	-	11,568	-
Total assets	<u>\$ 128,674</u>	<u>\$ 163,553</u>	<u>\$ 154,651</u>	<u>\$ 137,576</u>
LIABILITIES				
Accounts payable	\$ 1,267	\$ 22,387	\$ 22,320	\$ 1,334
Amounts held for others	127,407	141,166	132,331	136,242
Total liabilities	<u>\$ 128,674</u>	<u>\$ 163,553</u>	<u>\$ 154,651</u>	<u>\$ 137,576</u>
PROJECT LIFESAVER				
ASSETS				
Cash and cash equivalents	<u>\$ 4,894</u>	<u>\$ 1,900</u>	<u>\$ 1,697</u>	<u>\$ 5,097</u>
LIABILITIES				
Amounts held for others	<u>\$ 4,894</u>	<u>\$ 1,900</u>	<u>\$ 1,697</u>	<u>\$ 5,097</u>
D. A. R. E.				
ASSETS				
Cash and cash equivalents	<u>\$ 377</u>	<u>\$ 735</u>	<u>\$ 1,112</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for D. A. R. E.	<u>\$ 377</u>	<u>\$ 735</u>	<u>\$ 1,112</u>	<u>\$ -</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
DONATIONS TO SHERIFF'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 919	\$ 200	\$ -	\$ 1,119
LIABILITIES				
Amounts held for others	\$ 919	\$ 200	\$ -	\$ 1,119
HORSE RESCUE				
LIABILITIES				
Due from fiscal agent	\$ -	\$ 24,436	\$ -	\$ 24,436
Accounts Payable	\$ -	\$ 24,436	\$ -	\$ 24,436
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 123,339	\$ 187,523	\$ 167,070	\$ 143,792
Accounts receivable	-	490	-	490
Due from other governments	11,568	-	11,568	-
Due from fiscal agent	-	24,436	-	24,436
Total assets	\$ 134,907	\$ 212,449	\$ 178,638	\$ 168,718
LIABILITIES				
Amounts held for others	\$ 133,640	\$ 165,626	\$ 156,318	\$ 142,948
Accounts payable	1,267	46,823	22,320	25,770
Total liabilities	\$ 134,907	\$ 212,449	\$ 178,638	\$ 168,718

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2016

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 1,011,933	\$ 139,460	\$ 925,543	\$ 2,076,936
Accounts receivable	29,874	-	-	29,874
Due from primary government	24,500	-	-	24,500
Due from other funds	474,897	-	219,531	694,428
Due from other governments	1,218,737	-	-	1,218,737
Total assets	\$ 2,759,941	\$ 139,460	\$ 1,145,074	\$ 4,044,475
LIABILITIES				
Accounts payable	\$ 297,301	\$ 3,731	\$ -	\$ 301,032
Accrued liabilities	2,243,109	-	-	2,243,109
Due to other funds	219,531	-	474,897	694,428
Total liabilities	2,759,941	3,731	474,897	3,238,569
FUND BALANCES				
Assigned				
Cafeteria	-	135,729	-	135,729
Textbook	-	-	670,177	670,177
Total fund balances	-	135,729	670,177	805,906
Total liabilities and fund balances	\$ 2,759,941	\$ 139,460	\$ 1,145,074	\$ 4,044,475
Adjustments for the Statement of Net Position (Exhibit 1):				
Total fund balances – School Board				\$ 805,906
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:				
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Net pension asset				139,009
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Nondepreciable			76,340	
Depreciable, net			17,476,284	
Net capital assets				17,552,624
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows of resources for differences between expected and actual experience and 2016 employer contributions				1,801,843
Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions – teacher cost sharing pension plan				1,247,000
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments				(1,281,076)
Deferred inflows of resources for differences between expected and actual experience – teacher cost sharing pension plan				(273,000)
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,250,186
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences			(165,849)	
Other post-employment benefits			(321,533)	
Net pension liability			(19,855,000)	
				(20,342,382)
Net position of governmental activities				\$ 900,110

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2016**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
REVENUES				
Revenue from the use of money and property	\$ 760	\$ 198	\$ -	\$ 958
Charges for services	97,243	467,968	-	565,211
Miscellaneous revenues	24,825	22,957	-	47,782
Recovered costs	68,210	-	-	68,210
Intergovernmental:				
Appropriation from primary government	10,443,635	-	-	10,443,635
Commonwealth	12,546,234	12,177	144,781	12,703,192
Federal	836,889	472,828	-	1,309,717
Total revenues	<u>24,017,796</u>	<u>976,128</u>	<u>144,781</u>	<u>25,138,705</u>
EXPENDITURES				
Current:				
Education	<u>24,017,796</u>	<u>1,053,589</u>	<u>-</u>	<u>25,071,385</u>
Changes in fund balance	-	(77,461)	144,781	67,320
FUND BALANCES, BEGINNING	<u>-</u>	<u>213,190</u>	<u>525,396</u>	<u>738,586</u>
FUND BALANCES, ENDING	<u><u>\$ -</u></u>	<u><u>\$ 135,729</u></u>	<u><u>\$ 670,177</u></u>	<u><u>\$ 805,906</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):				
Net change in Fund Balance - School Board				\$ 67,320
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Capital outlays			145,904	
Depreciation expense			<u>(972,619)</u>	(826,715)
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit				1,159,353
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.				
Other post-employment benefits			24,720	
Compensated absences			<u>30,364</u>	55,084
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$1,729,711 exceed the special revenue allocation of \$304,000 and pension expense \$1,824,919 in the current period.				
				208,792
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.				
Total revenues			2,779,798	
Total expenses			<u>(3,132,451)</u>	(352,653)
Change in net position of governmental activities				<u><u>\$ 311,181</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2016**

	School Operating Fund				School Cafeteria Fund				School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 18,918	\$ 18,918	\$ 760	\$ (18,158)	\$ 100	\$ 100	\$ 198	\$ 98	\$ -	\$ -	\$ -	\$ -
Charges for services	80,000	80,000	97,243	17,243	462,970	462,970	467,968	4,998	-	-	-	-
Miscellaneous revenues	-	-	24,825	24,825	12,500	12,500	22,957	10,457	-	-	-	-
Recovered costs	62,360	62,360	68,210	5,850	-	-	-	-	-	-	-	-
Intergovernmental:												
Appropriation from primary government	10,654,640	10,654,640	10,443,635	(211,005)	-	-	-	-	-	-	-	-
Commonwealth	12,579,792	12,579,792	12,546,234	(33,558)	14,570	14,570	12,177	(2,393)	144,360	144,360	144,781	421
Federal	892,470	892,470	836,889	(55,581)	482,900	482,900	472,828	(10,072)	-	-	-	-
Total revenues	24,288,180	24,288,180	24,017,796	(270,384)	973,040	973,040	976,128	3,088	144,360	144,360	144,781	421
EXPENDITURES												
Current:												
Education:												
Instruction	16,383,240	16,383,240	16,330,757	52,483	-	-	-	-	144,360	144,360	-	(144,360.00)
Administration, attendance, and health	1,360,630	1,360,630	1,298,139	62,491	-	-	-	-	-	-	-	-
Pupil transportation	1,578,260	1,578,260	1,482,284	95,976	-	-	-	-	-	-	-	-
Operation and maintenance	1,811,680	1,811,680	1,882,186	(70,506)	-	-	-	-	-	-	-	-
School food service costs	-	-	-	-	973,040	973,040	1,053,589	80,549	-	-	-	-
Technology	868,690	868,690	751,829	116,861	-	-	-	-	-	-	-	-
Reimbursement to primary government for debt service	2,272,580	2,272,580	2,272,601	(21)	-	-	-	-	-	-	-	-
Total expenditures	24,275,080	24,275,080	24,017,796	257,284	973,040	973,040	1,053,589	80,549	144,360	144,360	-	(144,360)
Excess (deficiency) of revenues over (under) expenditures	13,100	13,100	-	(13,100)	-	-	(77,461)	(77,461)	-	-	144,781	144,781
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(13,100)	(13,100)	-	13,100	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(13,100)	(13,100)	-	13,100	-	-	-	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (77,461)	\$ (77,461)	\$ -	\$ -	\$ 144,781	\$ 144,781

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION - SCHOOL BOARD
FIDUCIARY FUNDS

June 30, 2016

	Agency Funds			
	School Activity Funds	Regional Adult Education Program	Regional Alternative Education Program	Totals
ASSETS				
Cash and cash equivalents	\$ 344,058	\$ 11,071	\$ 128,672	\$ 483,801
Accounts receivable	-	20,045	-	20,045
Total Assets	\$ 344,058	\$ 31,116	\$ 128,672	\$ 503,846
LIABILITIES				
Accounts payable	\$ -	\$ 382	\$ 80,570	\$ 80,952
Accrued liabilities	-	3,410	21,127	24,537
Amounts held for others	344,058	27,324	26,975	398,357
Total liabilities	\$ 344,058	\$ 31,116	\$ 128,672	\$ 503,846

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES – SCHOOL BOARD –
ALL AGENCY FUNDS
Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 322,406	\$ 639,298	\$ 617,646	\$ 344,058
LIABILITIES				
Amounts held for others	\$ 322,406	\$ 639,298	\$ 617,646	\$ 344,058
REGIONAL ADULT EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ -	\$ 288,006	\$ 276,935	\$ 11,071
Accounts receivable	40,574	-	-	40,574
Total assets	\$ 40,574	\$ 288,006	\$ 276,935	\$ 51,645
LIABILITIES				
Accounts payable	\$ 6,092	\$ 51,112	\$ 56,822	\$ 382
Accrued liabilities	104	73,788	70,482	3,410
Amounts held for others	34,378	287,960	274,485	47,853
Total liabilities	\$ 40,574	\$ 412,860	\$ 401,789	\$ 51,645
REGIONAL ALTERNATIVE EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 118,127	\$ 437,195	\$ 426,650	\$ 128,672
LIABILITIES				
Accounts payable	\$ 63,663	\$ 74,968	\$ 58,061	\$ 80,570
Accrued liabilities	19,570	90,473	88,916	21,127
Amounts held for others	34,894	436,425	444,344	26,975
Total liabilities	\$ 118,127	\$ 601,866	\$ 591,321	\$ 128,672
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 440,533	\$ 1,364,499	\$ 1,321,231	\$ 483,801
Accounts receivable	40,574	-	-	40,574
Total assets	\$ 481,107	\$ 1,364,499	\$ 1,321,231	\$ 524,375
LIABILITIES				
Accounts payable	\$ 69,755	\$ 126,080	\$ 114,883	\$ 80,952
Accrued Liabilities	19,674	164,261	159,398	24,537
Amounts held for others	391,678	1,363,683	1,336,475	418,886
Total liabilities	\$ 481,107	\$ 1,654,024	\$ 1,610,756	\$ 524,375

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
June 30, 2016

	<u>Self-Insurance</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,465,186</u>
Total assets	<u>1,465,186</u>
LIABILITIES	
Insurance and benefit claims	<u>215,000</u>
Total liabilities	<u>215,000</u>
NET POSITION	
Unrestricted	<u>1,250,186</u>
Total net position	<u><u>\$ 1,250,186</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

June 30, 2016

	<u>Self-Insurance</u>
Operating revenues:	
Charges for service	\$ 2,777,117
Total operating revenues	<u>2,777,117</u>
Operating expenses:	
Administrative charges	69,624
Risk financing and benefit payments	2,672,013
Reissuance premium	<u>390,814</u>
Total operating expenses	<u>3,132,451</u>
Operating Loss	<u>(355,334)</u>
Nonoperating revenue:	
Interest revenue	<u>2,681</u>
Total nonoperating revenue	<u>2,681</u>
Changes in net position	(352,653)
Net position, beginning	<u>1,602,839</u>
Net position, ending	<u>\$ 1,250,186</u>

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
Year Ended June 30, 2016

	<u>Self - Insurance</u>
Cash flows from Operating Activities	
Receipts from interfund services provided	\$ 2,777,117
Claims and benefits paid	(2,757,013)
Payments to suppliers for goods and services	<u>(460,438)</u>
Net cash used in operating activities	<u>(440,334)</u>
Cash flows from Investing Activities	
Interest received on investment securities	<u>2,681</u>
Net decrease in cash and cash equivalents	(437,653)
Cash and cash equivalents	
Beginning	<u>1,902,839</u>
Ending	<u><u>\$ 1,465,186</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (355,334)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in liabilities:	
Decrease in insurance and benefit claims	<u>(85,000)</u>
Net cash used in operating activities	<u><u>\$ (440,334)</u></u>

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2016 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2016

www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

STATISTICAL SECTION

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

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

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

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

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TABLE 1

COUNTY OF KING WILLIAM, VIRGINIA

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities										
Net investment in capital assets	\$ 6,102,702	\$ 5,966,632	\$ 4,817,073	\$ 4,298,661	\$ 1,461,113	\$ 1,669,963	\$ (513,010)	\$ (312,223)	\$ 265,030	\$ 68,259
Restricted	848,217	989,614	1,861,710	4,024,633	62,572	64,245	-	-	-	-
Unrestricted	<u>8,946,754</u>	<u>6,514,370</u>	<u>6,209,949</u>	<u>4,247,618</u>	<u>5,016,956</u>	<u>3,502,991</u>	<u>3,806,931</u>	<u>2,373,837</u>	<u>594,739</u>	<u>(869,156)</u>
Total governmental activities net position	<u>\$ 15,897,673</u>	<u>\$ 13,470,616</u>	<u>\$ 12,888,732</u>	<u>\$ 12,570,912</u>	<u>\$ 6,540,641</u>	<u>\$ 5,237,199</u>	<u>\$ 3,293,921</u>	<u>\$ 2,061,614</u>	<u>\$ 859,769</u>	<u>\$ (800,897)</u>

Notes:

GASB Statement No. 68 was adopted in fiscal year 2015

TABLE 2

COUNTY OF KING WILLIAM, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government administration	\$ 1,710,633	\$ 1,891,619	\$ 1,991,266	\$ 1,720,020	\$ 1,390,914	\$ 1,379,801	\$ 1,764,919	\$ 1,577,182	\$ 1,653,984	\$ 1,587,512
Judicial administration	760,857	825,326	828,978	758,278	731,145	719,715	704,861	723,263	709,576	703,379
Public safety	4,870,998	5,814,590	4,869,354	4,363,690	4,069,441	4,206,900	3,861,928	4,049,433	3,607,687	2,902,265
Public works	1,896,034	934,531	2,511,346	1,591,495	1,636,299	1,693,960	1,546,058	1,702,038	1,663,886	1,634,409
Health and welfare	1,984,796	1,853,888	1,925,297	1,769,339	1,726,465	1,837,002	2,001,233	1,950,087	1,756,619	1,647,634
Education	12,074,082	12,327,218	9,976,507	10,430,356	9,555,915	8,679,113	8,109,049	8,541,759	7,904,725	7,914,185
Parks, recreation, and cultural	702,854	693,945	659,605	848,196	852,555	836,773	805,377	856,020	808,883	795,222
Community development	401,302	401,274	383,302	325,122	415,658	537,673	728,707	602,788	628,507	632,854
Interest	842,101	926,078	1,020,009	1,037,029	1,024,553	1,031,300	1,505,477	1,470,892	1,726,966	1,683,999
Total expenses	25,243,657	25,668,469	24,165,664	22,843,525	21,402,945	20,922,237	21,027,609	21,473,462	20,460,833	19,501,459
Program revenues										
Governmental activities										
Charges for services										
General government administration	-	-	-	20,000	19,500	-	-	-	-	-
Judicial administration	35,530	24,449	26,098	26,855	16,767	15,765	90,863	94,142	89,529	70,068
Public safety	439,066	473,347	561,506	697,301	389,101	394,742	94,812	129,696	155,621	141,582
Public works	495,386	439,764	449,819	141,297	161,269	168,958	130,839	118,984	283,945	242,938
Health and welfare	18,346	41,720	-	-	-	-	-	-	-	-
Education	-	32,579	266	642,225	-	-	-	-	-	-
Parks, recreation, and cultural	112,524	111,301	97,908	109,886	119,114	131,642	86,706	103,290	90,002	62,935
Community development	286,331	226,438	216,907	167,649	150,911	177,126	174,608	193,292	429,266	366,445
Operating grants and contributions										
General government administration	223,701	198,003	200,716	196,912	203,673	190,203	229,637	250,522	258,221	228,053
Judicial administration	396,613	373,388	383,598	374,720	363,618	372,117	341,892	387,240	357,510	373,098
Public safety	872,307	1,013,237	1,128,150	852,544	801,490	784,085	835,995	1,007,777	883,349	855,926
Public works	8,321	8,229	8,240	9,342	6,473	7,644	6,629	8,169	8,390	6,886
Health and welfare	1,156,323	1,050,752	1,082,488	1,028,244	1,119,045	1,321,454	1,386,233	1,301,243	1,133,758	1,068,868
Education	2,272,601	2,309,062	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	5,000	13,913	44,303	21,668	9,550	5,000	5,319	5,000	5,639	5,000
Community development	-	20,650	-	-	-	49,205	-	-	-	-
Capital grants and contributions										
Judicial administration	-	-	25,903	-	-	-	-	-	-	-
Public safety	-	-	-	26,842	-	-	25,550	-	-	-
Public works	90,000	624,212	256,687	335,875	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	130,926	128,496	171,793
Parks, recreation, and cultural	-	-	102,000	5,800	-	-	-	-	-	-
Community development	-	-	-	-	-	-	212,500	24,779	120,173	497,796
Total governmental activities program revenues	6,412,049	6,961,044	4,584,589	4,657,160	3,360,511	3,617,941	3,621,583	3,755,060	3,943,899	4,091,388
Total primary government net expense	(18,831,608)	(18,707,425)	(19,581,075)	(18,186,365)	(18,042,434)	(17,304,296)	(17,406,026)	(17,718,402)	(16,516,934)	(15,410,071)

TABLE 2
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position										
Governmental activities										
General property taxes	\$ 16,887,147	\$ 16,779,917	\$ 15,901,842	\$ 16,393,302	\$ 15,464,547	\$ 15,744,965	\$ 15,559,634	\$ 15,855,934	\$ 14,880,517	\$ 12,411,669
Grants and contributions not restricted to specific programs	1,632,439	1,581,199	1,639,303	1,571,449	1,567,627	1,598,315	1,262,902	1,242,316	1,323,126	1,331,018
Local sales and use	950,003	918,000	803,574	776,602	747,327	722,243	-	-	-	-
Consumer utility	218,970	235,700	232,777	230,314	227,669	226,901	224,395	216,877	226,398	316,991
Business licenses	416,827	423,697	353,097	342,712	275,242	299,881	278,531	376,767	353,398	307,841
Motor vehicle license taxes	371,470	377,113	366,296	369,895	370,133	357,659	299,404	290,584	283,490	268,331
Emergency telephone tax	-	-	-	-	-	-	-	-	-	94,613
Taxes on recordation and wills	198,605	148,828	154,912	171,486	151,615	138,994	156,970	-	-	-
Communication sales tax	-	-	-	-	-	-	375,273	373,713	388,000	-
Other local taxes	415,039	371,725	344,955	318,584	313,264	278,516	389,986	332,040	370,588	614,552
Revenues from uses of money and property	105,986	93,295	91,637	98,719	89,375	67,703	76,982	117,071	331,025	271,379
Miscellaneous	62,179	24,674	145,429	56,674	139,077	21,906	14,256	114,945	21,058	391,817
Total general revenues and other changes	21,258,665	20,954,148	20,033,822	20,329,737	19,345,876	19,457,083	18,638,333	18,920,247	18,177,600	16,008,211
Changes in Net Position	\$ 2,427,057	\$ 2,246,723	\$ 452,747	\$ 2,143,372	\$ 1,303,442	\$ 2,152,787	\$ 1,232,307	\$ 1,201,845	\$ 1,660,666	\$ 598,140

TABLE 3

COUNTY OF KING WILLIAM, VIRGINIA
FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Pre-GASB 54 implementation:										
General Fund										
Reserved										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,725	\$ 448,725	\$ 264,423	\$ -
Unreserved, undesignated	-	-	-	-	-	-	1,761,923	725,041	(878,836)	(1,573,398)
Post-GASB 54 implementation:										
Nonspendable	-	19,159	9,313	177,025	7,943	31,352	-	-	-	-
Restricted	-	363	549,936	1,905,275	62,054	63,728	-	-	-	-
Committed	1,344,344	1,265,335	1,838,390	2,091,395	2,448,301	2,633,223	-	-	-	-
Assigned	1,023	-	-	-	-	-	-	-	-	-
Unassigned	8,645,161	6,365,262	4,742,615	2,614,804	3,169,372	1,542,611	-	-	-	-
Total general fund	<u>9,990,528</u>	<u>7,650,119</u>	<u>7,140,254</u>	<u>6,788,499</u>	<u>5,687,670</u>	<u>4,270,914</u>	<u>2,210,648</u>	<u>1,173,766</u>	<u>(614,413)</u>	<u>(1,573,398)</u>
Pre-GASB 54 implementation:										
All Other Governmental Funds										
Reserved:										
General capital projects	-	-	-	-	-	-	1,109,887	1,033,113	1,239,343	1,484,039
School capital projects	-	-	-	-	-	-	516	21,470	762,739	363,158
Post-GASB 54 implementation:										
Restricted:										
Debt service	124,343	122,528	-	-	-	-	-	-	-	-
General capital projects	432,942	506,420	1,219,107	2,118,839	-	-	-	-	-	-
School capital projects	290,932	360,303	92,667	519	518	517	-	-	-	-
Unassigned:	-	-	-	-	(114,072)	(115,199)	-	-	-	-
Total all other governmental funds	<u>848,217</u>	<u>989,251</u>	<u>1,311,774</u>	<u>2,119,358</u>	<u>(113,554)</u>	<u>(114,682)</u>	<u>1,110,403</u>	<u>1,054,583</u>	<u>2,002,082</u>	<u>1,847,197</u>
Total fund balances	<u>\$ 10,838,745</u>	<u>\$ 8,639,370</u>	<u>\$ 8,452,028</u>	<u>\$ 8,907,857</u>	<u>\$ 5,574,116</u>	<u>\$ 4,156,232</u>	<u>\$ 3,321,051</u>	<u>\$ 2,228,349</u>	<u>\$ 1,387,669</u>	<u>\$ 273,799</u>

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

TABLE 4

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)
(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
General property taxes	\$ 17,063,632	\$ 16,738,071	\$ 15,659,767	\$ 16,344,544	\$ 15,481,278	\$ 15,750,252	\$ 15,393,779	\$ 15,598,733	\$ 14,645,208	\$ 12,335,200
Other local taxes	2,570,914	2,475,063	2,255,611	2,209,593	2,085,250	2,024,194	1,724,559	1,589,981	1,621,874	1,602,328
Permits, privilege fees, and regulatory licenses	292,138	265,096	222,561	174,247	160,620	186,198	261,567	322,076	582,677	507,487
Fines and forfeitures	85,568	78,708	96,349	72,930	66,657	79,454	79,556	82,334	80,343	61,357
Revenue from use of money and property	105,986	93,295	91,637	98,719	89,375	67,703	76,982	117,071	331,025	271,379
Charges for services	761,335	724,506	708,788	366,409	421,357	455,554	236,705	2,349,994	385,344	315,124
Miscellaneous	66,013	24,674	145,429	874,596	139,077	21,906	14,256	114,945	21,057	391,816
Reimbursement from component unit	2,272,601	2,309,062	-	-	-	-	-	-	-	-
Recovered costs	248,142	281,288	324,806	373,705	208,028	167,027	152,078	241,834	178,107	399,878
Intergovernmental:										
Commonwealth	3,798,790	3,708,525	3,637,075	3,495,484	3,421,903	3,637,470	3,532,727	3,719,698	3,556,576	3,420,574
Federal	495,914	550,846	849,723	559,395	649,573	690,553	773,930	638,274	662,086	1,117,864
Total revenues	27,761,033	27,249,134	23,991,746	24,569,622	22,723,118	23,080,311	22,246,139	24,774,940	22,064,297	20,423,007
EXPENDITURES										
Current:										
General government administration	1,423,122	1,581,231	1,614,235	1,390,170	1,346,130	1,372,400	1,732,673	1,547,498	1,606,483	1,481,314
Judicial administration	587,496	673,888	653,387	597,145	556,528	570,469	538,227	595,412	548,832	545,276
Public safety	4,586,918	4,709,621	4,647,683	4,226,609	4,171,459	4,100,800	4,026,891	4,194,591	3,702,708	3,288,323
Public works	1,731,929	1,576,985	1,566,425	1,498,140	1,517,016	1,574,143	1,564,364	1,530,499	1,796,594	1,519,831
Health and welfare	1,977,818	1,899,605	1,901,885	1,774,541	1,708,920	1,915,180	2,005,090	1,933,241	1,754,245	1,641,189
Education	10,451,449	10,541,174	8,126,913	8,807,812	7,856,937	6,897,886	6,198,939	6,181,401	5,924,555	5,830,758
Parks, recreation, and cultural	657,695	649,921	622,812	810,258	809,495	801,103	748,180	858,490	806,175	783,565
Community development	387,168	393,600	387,357	322,642	420,350	545,236	729,608	606,026	625,676	1,051,637
Capital outlays	486,170	1,875,450	1,778,531	1,755,312	1,131	288,710	43,034	1,060,899	2,275,620	2,273,439
Debt service:										
Principal	2,351,613	2,147,921	2,082,507	1,865,545	1,926,423	2,088,978	2,052,456	2,073,919	2,145,961	2,107,408
Interest on other fiscal charges	920,280	1,012,396	1,094,711	1,187,707	1,159,869	1,139,851	1,513,975	1,637,624	1,818,578	1,772,121
Total expenditures	25,561,658	27,061,792	24,476,446	24,235,881	21,474,258	21,294,756	21,153,437	22,219,600	23,005,427	22,294,861
Excess (deficiency) of revenues over (under) expenditures	2,199,375	187,342	(484,700)	333,741	1,248,860	1,785,555	1,092,702	2,555,340	(941,130)	(1,871,854)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,318,807	2,299,649	875,252	965,674	-	-	-	-	-	-
Transfers out	(1,318,807)	(2,299,649)	(875,252)	(965,674)	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(1,346,029)	-	(5,141,719)	-	-	-	-	(1,511,962)
Long-term debt issued	-	-	1,375,000	3,000,000	5,310,743	270,000	-	-	2,055,000	2,950,000
Premium on debt issued	-	-	-	-	-	-	-	-	-	85,346
Total other financing sources (uses), net	-	-	28,971	3,000,000	169,024	270,000	-	-	2,055,000	1,523,384
Net change in fund balance	\$ 2,199,375	\$ 187,342	\$ (455,729)	\$ 3,333,741	\$ 1,417,884	\$ 2,055,555	\$ 1,092,702	\$ 2,555,340	\$ 1,113,870	\$ (348,470)
Debt service as a percentage of noncapital expenditures	12.99%	12.40%	13.70%	13.57%	14.53%	15.50%	16.89%	17.54%	19.12%	19.38%

TABLE 5

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	General Property	Direct Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes	Taxes on Recordation and Wills	Emergency Telephone	Communications (2)	Other Local	Total
2016	\$ 17,063,632	\$ 950,003	\$ 218,970	\$ 416,827	\$ 371,470	\$ 198,605	\$ -	\$ -	\$ 415,039	\$ 19,634,546
2015	16,738,071	918,000	235,700	423,697	377,113	148,828	-	-	371,725	19,213,134
2014	15,659,767	803,574	232,777	353,097	36,296	154,912	-	-	344,955	17,585,378
2013	16,344,544	776,602	230,314	342,712	369,895	171,486	-	-	318,584	18,554,137
2012	15,481,278	747,327	227,669	275,242	370,133	151,615	-	-	313,264	17,566,528
2011	15,750,252	722,243	226,901	299,881	357,659	138,994	-	-	278,516	17,774,446
2010	15,393,779	-	224,395	278,531	299,404	156,970	-	375,273	389,986	17,118,338
2009	15,598,733	-	216,877	376,767	290,584	202,938	-	373,713	129,102	17,188,714
2008	14,645,208	-	226,398	353,398	283,490	297,711	-	388,000	72,877	16,267,082
2007	12,335,200	-	316,991	307,841	268,331	368,069	94,613	176,376	70,107	13,937,528

Notes:

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

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

TABLE 6

COUNTY OF KING WILLIAM, VIRGINIA

ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Calendar Years
(unaudited)

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service (2)	Direct Tax Rate	Total
2015	\$ 1,640,296,131	\$ 0.94	\$ 121,293,448	\$ 3.65	\$ 120,601,181	\$ 2.25	\$ 54,136,191	\$ 6.84	\$ 1,936,326,951
2014	1,703,941,330	0.82	114,769,874	3.65	118,147,729	2.25	46,295,443	6.72	1,983,154,376
2013	1,665,940,794	0.79	120,782,359	3.65	114,575,046	2.25	46,295,443	6.69	1,947,593,642
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861	2.45	44,230,704	6.91	1,951,239,703
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936	2.45	44,005,450	6.91	1,940,889,318
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904	2.45	42,974,549	6.91	1,959,156,921
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870	2.45	40,248,359	6.91	1,951,759,141
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279	2.45	44,709,244	6.91	1,948,080,592
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977	2.50	32,529,671	7.14	1,684,519,040
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787	2.30	30,792,861	6.87	1,395,622,550

Notes:

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

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

TABLE 7

COUNTY OF KING WILLIAM, VIRGINIA

DIRECT PROPERTY TAX RATES

Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools (1)	Public Service		Total County Direct Tax Rate
				Real Estate (1)	Personal Property (1)	
2015-16	\$ 0.94/0.43/0.92/0.41	\$ 3.65/1.65	\$ 2.25/1.00	\$ 0.94/0.43/0.92/0.41	\$ 3.65/1.65	\$ 6.84
2014-15 (5)	0.82/0.38/0.94/0.43	3.65/1.65	2.25/1.00	0.82/0.38/0.94/0.43	3.65/1.65	6.72
2013-14 (4)	0.79/0.27/0.79/0.79	3.65/3.65	2.25/2.25	0.79/0.79/0.82/0.38	3.65/3.65	6.69
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27/0.79/0.79	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	0.99/0.29	3.65/0.50	7.14
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	0.92/0.25	3.65/0.34	6.87

Notes:

(1) Per \$100 of assessed value.

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

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

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

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

TABLE 8

COUNTY OF KING WILLIAM, VIRGINIA

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(unaudited)

Taxpayer	Type of Business	Fiscal Year 2016			Fiscal Year 2007		
		Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value
RockTenn Container Plant LLC	Paper Mill	\$ 89,955,800	1	4.88%	\$ 83,164,000	1	13.14%
Nestle Purina Pet Care	Cat Litter	28,086,600	2	1.52%	15,302,600	2	2.42%
Central Garage II LLC	Developer	15,428,228	3	0.84%	7,835,000	3	1.24%
West Point Square LLC	Developer	8,634,600	4	0.47%	-	-	-
John N. Mills, et al	Grain Farm	7,581,500	5	0.41%	4,499,800	5	0.71%
Riverside Health Care	Healthcare	6,711,200	6	0.36%	-	-	-
Augusta Lumber LLC	Lumber	4,599,400	7	0.25%	-	-	-
Siegel Family LP	Farm	5,291,500	8	0.29%	-	-	-
Old Town LLC	Farm	4,489,900	9	0.24%	2,991,200	9	0.47%
Romancoke LLC	Farm	4,074,600	10	0.22%	-	-	-
Charles S. Hunter III	Farm	-	-	-	4,726,200	4	0.75%
Queenfield Farm	Dairy Farm, Golf Course	-	-	-	3,950,936	7	0.62%
The Lafferty Foundation	Grain Farm	-	-	-	3,991,400	6	0.63%
Bailey Trust	Developer	-	-	-	3,121,600	8	0.49%
Kennington Place	Developer	-	-	-	2,987,000	10	0.47%
		<u>\$ 174,853,328</u>		<u>9.48%</u>	<u>\$ 132,569,736</u>		<u>20.94%</u>

Source: Commissioner of Revenue

TABLE 9

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

Fiscal Year	Taxes Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
				Amount ⁽¹⁾⁽²⁾				
2016	\$ 18,335,019	\$ (1,354,538)	\$ 16,980,481	\$ 16,117,985	94.92%	\$ 818,952	\$ 16,936,937	99.74%
2015	18,252,522	(1,458,111)	16,794,411	15,835,342	94.29%	708,713	16,544,055	98.51%
2014	20,354,582	(1,411,635)	18,942,947	17,781,558	93.87%	464,325	18,245,883	96.32%
2013	17,640,153	(1,421,423)	16,218,730	14,573,056	89.85% ⁽³⁾	697,384	15,270,440	94.15%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%
2009	17,087,723	-	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%
2008	15,898,709	-	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%
2007	13,430,788	-	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%

Source: Commissioner of Revenue and Treasurer

Notes:

(1) Exclusive of penalties and interest

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

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

TABLE 10

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Fund Loans	Capital Leases	Revenue Bonds			
2016	\$ 8,668,297	\$ 934,032	\$ 2,590,000	\$ 10,064,077	\$ 22,256,406	0.00%	\$ 1,368
2015	9,820,887	1,368,232	2,905,000	10,572,828	24,666,947	0.00%	1,508
2014	10,973,102	1,802,432	3,214,023	10,884,239	26,873,796	0.00%	1,664
2013	11,445,125	2,236,632	3,528,935	10,949,455	28,160,147	4.32%	1,758
2012	12,534,601	2,670,832	638,643	11,181,616	27,025,692	4.20%	1,672
2011	13,622,081	3,105,032	668,380	11,110,879	28,506,372	4.58%	1,781
2010	14,438,031	3,539,232	790,736	11,442,351	30,210,350	5.15%	1,896
2009	15,507,512	4,073,432	785,000	11,821,167	32,187,111	5.73%	2,060
2008	16,635,583	4,633,069	855,000	12,137,378	34,261,030	6.55%	2,264
2007	17,852,301	5,198,558	920,000	10,381,132	34,351,991	6.98%	2,371

Notes:

(1) See demographic statistics on Table 13.

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

TABLE 11

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year Ended June 30	Population (1)	General Bonded Debt Outstanding Governmental Activities				Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
		Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt		
2016	16,269	\$ 1,936,326,951	\$ 8,668,297	\$ 124,343	\$ 8,543,954	0.44%	\$ 525
2015	16,354	1,983,154,376	9,820,887	122,891	9,697,996	0.49%	593
2014	16,148	1,947,593,642	10,973,102	549,936	10,423,166	0.54%	645
2013	16,014	1,951,239,703	11,445,125	1,905,275	9,539,850	0.49%	596
2012	16,159	1,940,889,318	12,534,601	-	12,534,601	0.65%	776
2011	16,008	1,959,156,921	13,622,081	-	13,622,081	0.70%	851
2010	15,935	1,951,759,141	14,438,031	-	14,438,031	0.74%	906
2009	15,627	1,948,080,592	15,507,512	-	15,507,512	0.80%	992
2008	15,133	1,684,519,040	16,635,583	-	16,635,583	0.99%	1,099
2007	14,487	1,395,622,550	17,852,301	-	17,852,301	1.28%	1,232

Notes:

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

(2) Amounts taken from Table 6.

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

TABLE 12

COUNTY OF KING WILLIAM, VIRGINIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2016

(unaudited)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Town of West Point, Virginia	\$ 6,506,000	24.01%	\$ 1,562,091
County Direct Debt			<u>22,256,406</u>
Total direct overlapping debt			<u><u>\$ 23,818,497</u></u>

Note:

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

TABLE 13

COUNTY OF KING WILLIAM, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate % ⁽⁵⁾
2016	16,269	-	-	2,167	3.60%
2015	16,354 ⁽²⁾	-	-	2,195	4.00%
2014	16,148 ⁽²⁾	-	-	2,193	5.50%
2013	16,014 ⁽²⁾	40,690 ⁽³⁾	651,609,660	2,179	5.10%
2012	16,159 ⁽²⁾	39,847 ⁽³⁾	643,887,673	2,187	6.10%
2011	16,008 ⁽²⁾	38,882 ⁽³⁾	622,423,056	2,200	6.60%
2010	15,935	36,802	586,439,870	2,191	7.00%
2009	15,627	35,925	561,399,975	2,157	7.40%
2008	15,133	34,574	523,208,342	2,169	3.70%
2007	14,487	33,969	492,108,903	2,099	2.80%

Sources:

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

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

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

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

(5) Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 14

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	Fiscal Year June 30,					
	2016			2007		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
West Rock	250 to 499	1	4.38%	-	-	0.00%
King William County Schools	250 to 499	2	4.38%	250 to 499	1	3.04%
Citizen's & Farmers Bank	100 to 249	3	2.04%	50 to 99	6	0.60%
Nestle Purina Petcare Company	100 to 249	4	2.04%	100 to 249	2	1.51%
Aylett Sand & Gravel Inc.	100 to 249	5	2.04%	-	-	0.00%
Town of West Point School Board	100 to 249	6	2.04%	100 to 249	3	1.51%
County of King William	100 to 249	7	2.04%	100 to 249	4	1.51%
Food Lion	100 to 249	8	2.04%	100 to 249	5	1.51%
West Point Veneers	50 to 99	9	0.87%	-	-	0.00%
Riverside Regional Medical Center	50 to 99	10	0.87%	50 to 99	7	0.60%
Ball Lumber Co.	-	-	0.87%	-	-	0.00%
Parent Child Development Corp.	-	-	0.87%	-	-	0.00%
J Sanders Construction Co	-	-	0.87%	50 to 99	8	0.60%
Pro Building Co.	-	-	0.87%	-	-	0.00%

Source: Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

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

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government administration	18.5	18.5	23.8	23.8	12.0	17.1	17.5	17.5	18.5	17.5
Judicial administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Public safety:										
Sheriff's department	21.0	21.5	20.2	20.2	29.0	32.0	32.0	32.0	32.0	31.0
E911/Dispatch	12.0	12.0	11.0	11.0	-	-	-	-	-	-
Emergency services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community connection program	2.8	2.8	2.8	2.8	3.0	3.0	3.0	3.0	2.5	2.5
Building inspections	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0	5.0	5.0
Animal control	2.5	2.2	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Public works:										
General maintenance	4.0	4.0	4.0	4.0	4.0	8.5	8.5	8.5	7.5	7.0
Water utility	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Litter control	-	-	-	-	0.6	0.6	0.6	0.6	0.6	0.6
Health and welfare										
Department of social services	14.6	13.6	13.6	13.6	13.7	13.3	13.3	13.3	11.0	12.0
Culture and recreation										
Parks and recreation	5.5	5.4	5.4	13.0	3.0	3.0	3.0	3.0	4.0	4.0
Community development										
Planning	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	4.0	4.0
Totals	92.9	92.0	95.0	102.6	78.3	93.5	93.9	93.9	93.1	91.6

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

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

Function/Activity		Fiscal Year									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Sheriff	Physical arrests	780	676	583	576	825	873	855	779	744	809
	Traffic violations	626	740	726	617	539	618	715	884	683	750
Fire/EMS Protection	Responding agencies	5	5	3	3	3	3	3	3	3	3
	EMS calls answered	1,661	1,565	1,561	1,659	1,575	2,359	1,819	1,863	496	235
	Fire calls answered	552	472	279	394	-	-	-	-	-	-
Community Development	Residential building permits	742	492	530	431	492	507	546	808	1,713	1,734
	Commercial building permits	68	23	59	-	-	-	-	-	-	-
	Signage/Demolition/Leasehold Usage	4	8	12	-	-	-	-	-	-	-
Planning	Zoning Permits	223	159	186	-	-	-	-	-	-	-
	Land Disturbing Permits	123	76	82	-	-	-	-	-	-	-
Parks and recreation	Tournaments - Baseball	1,500	1,450	1,575	3,964	5,807	10,256	8,938	14,377	9,460	8,287
Water/Sewer	Materials circulated	302	263	241	223	413	340	328	312	157	124
	Library patrons - registered borrowers	67,830	67,430	54,434	59,129	56,744	103,948	82,419	96,712	96,712	66,518

Source: Finance Department

Notes:

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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government:										
General government administration:										
Administration building	3	2	2	2	2	2	1	1	1	1
Public Safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	26	23	23	29	29	26	26	26	27
Building inspections:										
Vehicles	3	1	1	1	2	2	4	4	4	4
Animal control:										
Vehicles	3	3	3	3	3	2	2	2	2	2
Emergency services:										
Vehicles	3	1	1	1	2	2	2	3	3	3
Public Works:										
General maintenance:										
Trucks/vehicles	5	4	4	4	10	6	10	8	8	8
Landfill:										
Vehicles	-	-	-	-	-	-	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and Welfare:										
Department of Social Services:										
Vehicles	3	3	3	3	3	3	3	3	3	3
Culture and recreation:										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	1	1	1	1	1	1	1
Park acreage	82	82	82	51	51	51	51	51	51	51
Baseball/softball fields	3	3	3	3	3	3	3	3	4	4
T-ball fields	3	3	3	3	3	3	3	3	3	3
Soccer fields	-	-	-	1	1	1	1	1	2	2
Basketball courts	2	2	2	2	2	2	2	2	2	2
Water System:										
Miles of water mains	14	14	14	16	11	11	11	11	11	10
Number of fire hydrants	101	101	101	91	67	67	67	63	55	55
Sewer system:										
Miles of sewer mains	16	16	16	18	13	13	13	13	13	13
Component Unit - School Board										
Education:										
Number of Elementary Schools	2	2	2	2	2	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	45	48	46	46	44	44	44	47	45	42

Source: Finance Department

2016 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2016

www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of
Federal Awards

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

Report of Independent Auditors on Compliance
Uniform Guidance

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

SUPPORTING SCHEDULE

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-through payments:			
Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ <u>100,166</u>
Virginia Department of Agriculture and Consumer Services: Child Nutrition Cluster: Commodity Distributions	Not Provided	10.555	<u>54,086</u>
Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program/National School Lunch Program	406230000/405910000	10.553/10.555	<u>418,742</u>
Child Nutrition Cluster Total			<u>472,828</u>
Total Department of Agriculture			<u>572,994</u>
DEPARTMENT OF DEFENSE:			
Direct payments:			
ROTC Instruction		12.000	<u>64,305</u>
Total Department of Defense			<u>64,305</u>
DEPARTMENT OF TRANSPORTATION:			
Pass-through payments:			
Virginia Department of Motor Vehicles: State and Community Highway Safety	SC-2016-56290-6490	20.600	<u>4,680</u>
Total Department of Transportation			<u>4,680</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass-through payments:			
Staffing for Adequate Fire and Emergency Response		97.083	<u>97,910</u>
Total Department of Homeland Security			<u>97,910</u>

(Continued)

See Notes to Schedule of Expenditures of Federal Awards

SCHEDULE 1
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:			
Direct payments:			
Department of Education:			
Indian Education – Grants to Local Educational Agencies		84.060A	\$ 10,051
Pass-through payments:			
Department of Education:			
Adult Literacy	428010000	84.002	158,734
Title I Grants to Local Educational Agencies	429010000	84.010	189,940
Vocational Education – Basic Grants to States	610950000	84.048	31,718
Improving Teacher Quality State Grants	614800000	84.367	49,428
Advanced Placement Program	609570000	84.330	738
Federal Other			<u>1,031</u>
			<u>431,589</u>
Special Education Cluster:			
Special Education – Preschool Grants	625210000	84.173	23,968
Special Education – Grants to States	430710000	84.027	<u>459,433</u>
Special Education Cluster Total			<u>483,401</u>
Total Department of Education			<u>925,041</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	Not Provided	93.556	8,497
Temporary Assistance to Needy Families	Not Provided	93.558	84,979
Refugee and Entrant Assistance – State Administered Program	Not Provided	93.566	83
Low-Income Home Energy Assistance	Not Provided	93.568	9,798
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	Not Provided	93.596	15,584
Child Welfare Services – State Grants	Not Provided	93.645	500
Title IV-E Educational & Training Vouchers	Not Provided	93.599	1,066
Foster Care – Title IV-E	Not Provided	93.658	35,441
Adoption Assistance	Not Provided	93.659	43,938
Social Services Block Grant	Not Provided	93.667	53,743
Chafee Foster Care Independent Living	Not Provided	93.674	958
State Children's Insurance Program	Not Provided	93.767	3,429
Medical Assistance Program (Medicaid: Title XIX)	Not Provided	93.778	<u>118,363</u>
Total Department of Health and Human Services			<u>376,379</u>
Total Expenditures of Federal Awards			<u>\$ 2,041,309</u>

See Notes to Schedule of Expenditures of Federal Awards

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2016

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$54,086 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.

Note 3. De Minimis Indirect Cost Rate

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 13, 2017.

Internal Control over Financial Reporting

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

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

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 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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.**

Compliance and Other Matters

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

County of King William, Virginia's Response to Finding

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

Purpose of This Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 13, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 13, 2017

COUNTY OF KING WILLIAM, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2016

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

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

Condition:

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

Recommendation:

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

COUNTY OF KING WILLIAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2016

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

COUNTY OF KING WILLIAM, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
June 30, 2016

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2015-001: Material Weakness Due to Material Audit Adjustment

Condition:

Upon auditing the School Capital Projects Fund, there was an instance of a material misstatement identified to record accounts related to the Virginia Public School Authority Security Equipment Grant.

Recommendation:

We recommend the School Board be diligent in reviewing and recording year-end accruals to ensure all amounts recorded are accurate.

Current Status:

We did not detect a similar finding in the current year.

2015-002: Significant Deficiency in Lacking Segregation of Duties over School Payroll

Condition:

In auditing the internal control over the School Board's payroll system, it was determined controls over new employee setup in the system were not segregated from the payroll function. During this time, it was determined one individual had the ability to create new employee contracts, input new employee files into the payroll system as well as make changes within employee files, and had the ability to process payroll in cases where payroll personnel was absent. This same individual was also charged with performing a review over payroll expenditures and was charged with approving ACH payments for payroll expenditures to the bank during a portion of the year. Additional procedures are in the process of being implemented by the School Board to mitigate the lack of segregation of duties; however, those procedures were not yet fully implemented at June 30, 2015.

Recommendation:

We recommend the payroll function be segregated among at least one other employee to provide the necessary checks and balances. At a minimum, the responsibility for reviewing contracts and updating the payroll master file should be a function of Human Resources, and access to make changes should be restricted from those involved in payroll processing. Payroll is a likely area for errors and defalcations to occur due to the inherent nature of the transactions and dollars involved. Better segregation of duties will enhance controls to detect any such errors, fraud, and irregularities and provide for much greater safeguarding of assets.

Current Status:

We did not detect a similar finding in the current year.

COUNTY OF KING WILLIAM, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
June 30, 2016
(Continued)

B. FINDING AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2015-005: Allowable Costs – Special Education Cluster (84.027 and 84.173)

Condition:

Time certifications and personnel activity reports or equivalent documentation were completed appropriately and accurately for the majority of employees whose time was charged to the grant. However, certain issues were identified during testing. One semiannual certification was completed on an annual basis instead of a semi-annual basis. One employee was missing a certification for one semester. Two employees did not complete their certification on a timely basis; approximately five months after the time certified. For two staff working on multiple cost objectives, monthly personnel activity reports or equivalent documentation was not prepared.

Recommendation:

The School Board should develop procedures to ensure all applicable employees complete and sign certifications of time charged to federal programs or personnel activity reports or equivalent documentation after they have worked that time as required by OMB Circular A-87.

Current Status:

We did not detect a similar finding in the current year.

