

# COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015



COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015

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COUNTY OF KING & QUEEN, VIRGINIA

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BOARD OF SUPERVISORS

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J. Lawrence Simpkins, Chairperson	
Sherrin C. Alsop, Vice Chairperson	James M. Milby, Jr.
Doris H. Morris	R. F. Bailey, Jr.

COUNTY SCHOOL BOARD

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	Cora L. Armstrong, Chairperson	
Brenda Lee		Shannon L. Amos
Joseph Williams	Stephanie H. Sears, Vice Chairperson	

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

---

Judge of the Circuit Court	Michael E. McGinty
Clerk of the Circuit Court	Deborah F. Longest
Commonwealth's Attorney	Charles Adkins
Commissioner of the Revenue	Helen M. Longest
Treasurer	Irene Longest
Sheriff	John R. Charboneau
Superintendent of Schools	Dr. Carol B. Carter
Director of Social Services	Betty Dougherty
County Administrator	Thomas J. Swartzwelder
Clerk of the School Board	Suzanne Gilbertson
County Attorney	Thomas J. Swartzwelder

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COUNTY OF KING & QUEEN, VIRGINIA

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 72* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 74, and 75-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of King and Queen, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (Continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of King and Queen, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
December 14, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. Please read it in conjunction with the County's basic financial statements, which follow this section.

### **Financial Highlights**

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

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$24,260,935 (net position).

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$315,152 (Exhibit 5) after making contributions totaling \$3,567,558 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$20,367,725, an increase of \$315,152 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,861,060, or 89% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,569,294 during the current fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,690,935 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

<b>County of King and Queen, Virginia's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 22,044,253	\$ 21,746,634	\$ 242,666	\$ 106,682	\$ 22,286,919	\$ 21,853,316
Capital assets	6,084,458	6,585,097	285,360	269,207	6,369,818	6,854,304
<b>Total assets</b>	<b>\$ 28,128,711</b>	<b>\$ 28,331,731</b>	<b>\$ 528,026</b>	<b>\$ 375,889</b>	<b>\$ 28,656,737</b>	<b>\$ 28,707,620</b>
Deferred outflows of resources	\$ 227,068	\$ -	\$ -	\$ -	\$ 227,068	\$ -
Current liabilities	\$ 1,298,367	\$ 1,288,979	\$ 15,152	\$ 25,653	\$ 1,313,519	\$ 1,314,632
Long-term liabilities outstanding	2,730,193	3,174,463	-	-	2,730,193	3,174,463
<b>Total liabilities</b>	<b>\$ 4,028,560</b>	<b>\$ 4,463,442</b>	<b>\$ 15,152</b>	<b>\$ 25,653</b>	<b>\$ 4,043,712</b>	<b>\$ 4,489,095</b>
Deferred inflows of resources	\$ 579,158	\$ 35,152	\$ -	\$ -	\$ 579,158	\$ 35,152
Net position:						
Net investment in capital assets	\$ 6,084,458	\$ 5,720,097	\$ 285,360	\$ 269,207	\$ 6,369,818	\$ 5,989,304
Restricted	256,981	466,011	-	-	256,981	466,011
Unrestricted	17,406,622	17,647,029	227,514	81,029	17,634,136	17,728,058
<b>Total net position</b>	<b>\$ 23,748,061</b>	<b>\$ 23,833,137</b>	<b>\$ 512,874</b>	<b>\$ 350,236</b>	<b>\$ 24,260,935</b>	<b>\$ 24,183,373</b>

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

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

The County's net position increased \$925,422 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of King and Queen, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,360,542	\$ 2,383,103	\$ 135,941	\$ 92,761	\$ 1,496,483	\$ 2,475,864
Operating grants and contributions	2,622,086	2,466,019	-	-	2,622,086	2,466,019
Capital grants and contributions	-	14,700	-	-	-	14,700
General revenues:						
General property taxes	6,792,526	6,532,057	-	-	6,792,526	6,532,057
Other local taxes	645,179	655,146	-	-	645,179	655,146
Grants and other contributions not restricted	945,964	907,582	-	-	945,964	907,582
Other general revenues	258,833	227,321	43	12	258,876	227,333
Transfers	(240,079)	(228,729)	240,079	228,729	-	-
Total revenues	\$ 12,385,051	\$ 12,957,199	\$ 376,063	\$ 321,502	\$ 12,761,114	\$ 13,278,701
Expenses:						
General government						
administration	\$ 1,221,463	\$ 1,290,245	\$ -	\$ -	\$ 1,221,463	\$ 1,290,245
Judicial administration	624,839	629,013	-	-	624,839	629,013
Public safety	2,701,437	2,842,676	-	-	2,701,437	2,842,676
Public works	567,403	642,818	-	-	567,403	642,818
Health and welfare	1,872,983	1,593,694	-	-	1,872,983	1,593,694
Education	3,710,080	4,655,236	-	-	3,710,080	4,655,236
Parks, recreation, and cultural	165,790	182,296	-	-	165,790	182,296
Community development	744,192	298,958	-	-	744,192	298,958
Interest and other fiscal charges	14,080	57,134	-	-	14,080	57,134
Wireless service authority	-	-	213,425	256,794	213,425	256,794
Total expenses	\$ 11,622,267	\$ 12,192,070	\$ 213,425	\$ 256,794	\$ 11,835,692	\$ 12,448,864
Change in net position	\$ 762,784	\$ 765,129	\$ 162,638	\$ 64,708	\$ 925,422	\$ 829,837
Beginning of year	22,985,277	23,068,008	350,236	285,528	23,335,513	23,353,536
End of year	\$ 23,748,061	\$ 23,833,137	\$ 512,874	\$ 350,236	\$ 24,260,935	\$ 24,183,373

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.

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

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$20,367,725, an increase of \$315,152 in comparison with the prior year. Approximately 53% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

**Proprietary Funds** - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$227,514. The total increase in net position was \$162,638. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## **General Fund Budgetary Highlights**

During the year, revenues and other sources were less than budgetary estimates by \$895,953. Expenditures and other uses were less than budgetary estimates by \$950,944, resulting in a positive variance of \$1,846,897.

## **Capital Asset and Debt Administration**

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2015 amounts to \$6,084,458 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

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

The County's total debt outstanding decreased by \$430,000 during the current fiscal year.

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

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

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

The fiscal year 2016 budget decreased approximately 8%. All tax rates remained the same as in 2015.

### **Requests for Information**

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

## *BASIC FINANCIAL STATEMENTS*

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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Statement of Net Position  
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,646,922	\$ 207,315	\$ 4,854,237	\$ -	\$ 346,359
Investments	16,489,235	-	16,489,235	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	448,321	-	448,321	-	-
Accounts receivable	34,818	35,351	70,169	8,415	-
Due from other governmental units	424,957	-	424,957	1,149,800	-
Net pension asset	-	-	-	376,707	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	151,653	-	151,653	39,639	289,322
Buildings and improvements	2,981,346	-	2,981,346	3,438,793	35,885
Machinery and equipment	2,749,768	40,547	2,790,315	396,649	-
Infrastructure	201,691	244,813	446,504	-	-
Total assets	\$ 28,128,711	\$ 528,026	\$ 28,656,737	\$ 5,410,003	\$ 671,566
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to measurement date	\$ 227,068	\$ -	\$ 227,068	\$ 676,740	\$ -
Total deferred outflows of resources	\$ 227,068	\$ -	\$ 227,068	\$ 676,740	\$ -
<b>LIABILITIES</b>					
Accounts payable	\$ 360,284	\$ 15,152	\$ 375,436	\$ 204,109	\$ 3,000
Accrued liabilities	20,552	-	20,552	916,328	-
Reconciled overdraft payable	-	-	-	32,741	-
Due to other governmental units	744,384	-	744,384	-	-
Unearned revenue	173,147	-	173,147	-	-
Long-term liabilities:					
Due within one year	20,547	-	20,547	7,850	-
Due in more than one year	2,709,646	-	2,709,646	7,870,913	-
Total liabilities	\$ 4,028,560	\$ 15,152	\$ 4,043,712	\$ 9,031,941	\$ 3,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 32,660	\$ -	\$ 32,660	\$ -	\$ -
Items related to measurement of net pension liability/asset	546,498	-	546,498	1,586,007	-
Total deferred inflows of resources	\$ 579,158	\$ -	\$ 579,158	\$ 1,586,007	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 6,084,458	\$ 285,360	\$ 6,369,818	\$ 3,875,081	\$ 325,207
Restricted for:					
Asset forfeiture	7,898	-	7,898	-	-
Court security	153,519	-	153,519	-	-
Sheriff	11,528	-	11,528	-	-
CDBG	84,036	-	84,036	-	-
Unrestricted (deficit)	17,406,622	227,514	17,634,136	(8,406,286)	343,359
Total net position	\$ 23,748,061	\$ 512,874	\$ 24,260,935	\$ (4,531,205)	\$ 668,566

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

County of King and Queen, Virginia  
Statement of Activities  
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,221,463	\$ -	\$ 165,266	\$ -
Judicial administration	624,839	190,917	288,090	-
Public safety	2,701,437	93,984	621,539	-
Public works	567,403	-	-	-
Health and welfare	1,872,983	-	1,319,624	-
Education	3,710,080	-	-	-
Parks, recreation, and cultural	165,790	-	-	-
Community development	744,192	1,075,641	227,567	-
Interest on long-term debt	14,080	-	-	-
Total governmental activities	\$ 11,622,267	\$ 1,360,542	\$ 2,622,086	\$ -
Business-type activities:				
Wireless Service Authority	\$ 213,425	\$ 135,941	\$ -	\$ -
Total business-type activities	\$ 213,425	\$ 135,941	\$ -	\$ -
Total primary government	\$ 11,835,692	\$ 1,496,483	\$ 2,622,086	\$ -
COMPONENT UNITS:				
School Board	\$ 9,904,566	\$ 84,938	\$ 6,024,602	\$ -
Industrial Development Authority	53,477	30,935	-	-
Total component units	\$ 9,958,043	\$ 115,873	\$ 6,024,602	\$ -
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Payments from King and Queen County				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (1,056,197)	\$ -	\$ (1,056,197)	\$ -	\$ -	
(145,832)	-	(145,832)	-	-	
(1,985,914)	-	(1,985,914)	-	-	
(567,403)	-	(567,403)	-	-	
(553,359)	-	(553,359)	-	-	
(3,710,080)	-	(3,710,080)	-	-	
(165,790)	-	(165,790)	-	-	
559,016	-	559,016	-	-	
(14,080)	-	(14,080)	-	-	
<u>\$ (7,639,639)</u>	<u>\$ -</u>	<u>\$ (7,639,639)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (77,484)	\$ (77,484)	\$ -	\$ -	
\$ -	\$ (77,484)	\$ (77,484)	\$ -	\$ -	
<u>\$ (7,639,639)</u>	<u>\$ (77,484)</u>	<u>\$ (7,717,123)</u>	<u>\$ -</u>	<u>\$ -</u>	
			\$ (3,795,026)	\$ -	
			-	(22,542)	
			<u>\$ (3,795,026)</u>	<u>\$ (22,542)</u>	
\$ 6,792,526	\$ -	\$ 6,792,526	\$ -	\$ -	
168,260	-	168,260	-	-	
187,201	-	187,201	-	-	
222,061	-	222,061	-	-	
67,657	-	67,657	-	-	
112,064	43	112,107	-	977	
146,769	-	146,769	50,048	-	
-	-	-	3,664,489	464,440	
945,964	-	945,964	-	-	
(240,079)	240,079	-	-	-	
<u>\$ 8,402,423</u>	<u>\$ 240,122</u>	<u>\$ 8,642,545</u>	<u>\$ 3,714,537</u>	<u>\$ 465,417</u>	
762,784	162,638	925,422	(80,489)	442,875	
22,985,277	350,236	23,335,513	(4,450,716)	225,691	
<u>\$ 23,748,061</u>	<u>\$ 512,874</u>	<u>\$ 24,260,935</u>	<u>\$ (4,531,205)</u>	<u>\$ 668,566</u>	

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## *FUND FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,399,677	76,780	\$ 170,465	\$ 4,646,922
Investments	14,441,006	696,208	1,352,021	16,489,235
Receivables (net of allowance for uncollectibles):				
Taxes receivable	448,321	-	-	448,321
Accounts receivable	31,885	-	2,933	34,818
Due from other funds	36,215	-	-	36,215
Due from other governmental units	328,681	-	96,276	424,957
Total assets	<u>\$ 19,685,785</u>	<u>\$ 772,988</u>	<u>\$ 1,621,695</u>	<u>\$ 22,080,468</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 301,245	\$ -	\$ 59,039	\$ 360,284
Accrued liabilities	18,918	-	1,634	20,552
Due to other funds	-	-	36,215	36,215
Due to other governmental units	744,384	-	-	744,384
Unearned revenue	173,147	-	-	173,147
Total liabilities	<u>\$ 1,237,694</u>	<u>\$ -</u>	<u>\$ 96,888</u>	<u>\$ 1,334,582</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 378,161	\$ -	\$ -	\$ 378,161
Total deferred inflows of resources	<u>\$ 378,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,161</u>
<b>FUND BALANCES</b>				
Restricted	\$ 84,036	\$ -	\$ 172,945	\$ 256,981
Committed	4,865,540	772,988	1,351,862	6,990,390
Assigned	2,259,294	-	-	2,259,294
Unassigned	10,861,060	-	-	10,861,060
Total fund balances	<u>\$ 18,069,930</u>	<u>\$ 772,988</u>	<u>\$ 1,524,807</u>	<u>\$ 20,367,725</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,685,785</u>	<u>\$ 772,988</u>	<u>\$ 1,621,695</u>	<u>\$ 22,080,468</u>

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

County of King and Queen, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 20,367,725	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,084,458
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 345,501	
Items related to measurement of net pension liability	<u>(546,498)</u>	(200,997)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		227,068
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Net OPEB obligation	\$ (131,258)	
Landfill postclosure liability	(2,000,000)	
Net pension liability	(393,465)	
Compensated absences	<u>(205,470)</u>	(2,730,193)
Net Position of governmental activities		<u>\$ 23,748,061</u>

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



County of King and Queen, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 6,839,256	\$ -	\$ -	\$ 6,839,256
Other local taxes	645,179	-	-	645,179
Permits, privilege fees, and regulatory licenses	32,467	-	-	32,467
Fines and forfeitures	174,516	-	-	174,516
Revenue from the use of money and property	105,645	998	5,421	112,064
Charges for services	1,117,081	-	36,478	1,153,559
Miscellaneous	132,509	1,619	12,641	146,769
Recovered costs	25,871	80,000	-	105,871
Intergovernmental:				
Commonwealth	2,306,289	-	412,400	2,718,689
Federal	849,361	-	-	849,361
Total revenues	<u>\$ 12,228,174</u>	<u>\$ 82,617</u>	<u>\$ 466,940</u>	<u>\$ 12,777,731</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,194,338	\$ -	\$ -	\$ 1,194,338
Judicial administration	516,483	-	-	516,483
Public safety	2,310,974	-	31,219	2,342,193
Public works	651,611	-	-	651,611
Health and welfare	1,218,090	-	673,732	1,891,822
Education	3,573,289	-	-	3,573,289
Parks, recreation, and cultural	165,790	-	-	165,790
Community development	751,644	-	-	751,644
Nondepartmental	18,233	-	160	18,393
Capital projects	125,696	89,860	-	215,556
Debt service:				
Principal retirement	865,000	-	-	865,000
Interest and other fiscal charges	36,381	-	-	36,381
Total expenditures	<u>\$ 11,427,529</u>	<u>\$ 89,860</u>	<u>\$ 705,111</u>	<u>\$ 12,222,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 800,645</u>	<u>\$ (7,243)</u>	<u>\$ (238,171)</u>	<u>\$ 555,231</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 184,683	\$ 357,802	\$ 542,485
Transfers out	(782,564)	-	-	(782,564)
Total other financing sources (uses)	<u>\$ (782,564)</u>	<u>\$ 184,683</u>	<u>\$ 357,802</u>	<u>\$ (240,079)</u>
Net change in fund balances	\$ 18,081	\$ 177,440	\$ 119,631	\$ 315,152
Fund balances - beginning	18,051,849	595,548	1,405,176	20,052,573
Fund balances - ending	<u>\$ 18,069,930</u>	<u>\$ 772,988</u>	<u>\$ 1,524,807</u>	<u>\$ 20,367,725</u>

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

County of King and Queen, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$	315,152
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	32,467
Depreciation expense	(533,106)	(500,639)

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

Property taxes	\$	(46,730)
Decrease (increase) in items related to measurement of net pension liability	(546,498)	(593,228)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on county lease revenue bond		865,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in accrued interest payable	\$	22,301
Decrease (increase) in net OPEB obligation	(29,408)	
Decrease (increase) in net pension liability	731,559	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(50,096)	
Decrease (increase) in compensated absences	2,143	676,499

Change in net position of governmental activities	\$	<u>762,784</u>
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

	Enterprise Fund <u>Wireless Service Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 207,315
Accounts receivable (net of allowance for uncollectibles)	35,351
Total current assets	<u>\$ 242,666</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	\$ 70,481
Infrastructure	283,390
Accumulated depreciation	(68,511)
Total net capital assets	<u>\$ 285,360</u>
Total noncurrent assets	<u>\$ 285,360</u>
Total assets	<u><u>\$ 528,026</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 15,152
Total current liabilities	<u>\$ 15,152</u>
Total liabilities	<u>\$ 15,152</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 285,360
Unrestricted	227,514
Total net position	<u><u>\$ 512,874</u></u>

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

County of King and Queen, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2015

	Enterprise Fund Wireless Service Authority
<b>OPERATING REVENUES</b>	
Charges for services:	
Internet subscriber revenues	\$ 135,941
Total operating revenues	<u>\$ 135,941</u>
<b>OPERATING EXPENSES</b>	
Management services	\$ 111,000
Telecommunications	54,025
Other charges	19,612
Depreciation	28,788
Total operating expenses	<u>\$ 213,425</u>
Operating income (loss)	<u>\$ (77,484)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 43
Income before transfers	<u>\$ (77,441)</u>
Transfers in	\$ 240,079
Change in net position	<u>\$ 162,638</u>
Total net position - beginning	350,236
Total net position - ending	<u><u>\$ 512,874</u></u>

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

County of King and Queen, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015

	Enterprise Fund Wireless Service Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 118,651
Payments to suppliers	(175,526)
Payments for operating activities	(19,612)
Net cash provided by (used for) operating activities	\$ (76,487)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 240,079
Net cash provided by (used for) noncapital financing activities	\$ 240,079
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	\$ (44,941)
Net cash provided by (used for) capital and related financing activities	\$ (44,941)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 43
Net cash provided by (used for) investing activities	\$ 43
Net increase (decrease) in cash and cash equivalents	\$ 118,694
Cash and cash equivalents - beginning	88,621
Cash and cash equivalents - ending	\$ 207,315
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (77,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 28,788
(Increase) decrease in accounts receivable	(17,290)
Increase (decrease) in accounts payable	(10,501)
Total adjustments	\$ 997
Net cash provided by (used for) operating activities	\$ (76,487)

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

County of King and Queen, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 22,189
LIABILITIES	
Amounts held for social services clients	\$ 4,084
Amounts held for others	18,105
Total liabilities	\$ 22,189

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2015

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

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

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

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

#### Government-wide and Fund Financial Statements

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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

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

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

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

#### A. Financial Reporting Entity

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



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2015.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2015.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry and developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2015. The Authority does not issue a separate financial report.

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

None

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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

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

Governmental Funds

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

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

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

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

Additionally, the County also reports the following fund types:

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$40,180 at June 30, 2015 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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##### H. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2015.

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

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

##### I. Compensated Absences

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

##### J. Use of Estimates

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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##### K. Net Position

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

##### L. Net Position Flow Assumption

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

##### M. Pensions

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

##### N. Long-term Obligations

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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O. Fund Equity

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

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

O. Fund Equity (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted for:				
Asset forfeiture	\$ -	\$ -	\$ 7,898	\$ 7,898
Court security	-	-	153,519	153,519
Sheriff DARE, K-9, and auxiliary funds	-	-	11,528	11,528
CDBG	84,036	-	-	84,036
Total Restricted Fund Balance	\$ <u>84,036</u>	\$ <u>-</u>	\$ <u>172,945</u>	\$ <u>256,981</u>
Committed to:				
Capital projects - school	\$ -	\$ 696,811	\$ -	\$ 696,811
Landfill contingency	1,000,000	-	1,351,862	2,351,862
FY16 Budgeted use of fund balance	418,000	-	-	418,000
Rescue squads	201,361	-	-	201,361
Fire departments	96,179	-	-	96,179
EDA projects:				
Airport district	180,000	-	-	180,000
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	250,000	-	-	250,000
Broadband	500,000	-	-	500,000
Rescue services	400,000	-	-	400,000
Elections (voting equipment)	70,000	-	-	70,000
County capital projects	500,000	76,177	-	576,177
School construction projects	1,000,000	-	-	1,000,000
Total Committed Fund Balance	\$ <u>4,865,540</u>	\$ <u>772,988</u>	\$ <u>1,351,862</u>	\$ <u>6,990,390</u>
Assigned:				
Future expenditures	\$ <u>2,259,294</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,259,294</u>
Total Assigned Fund Balance	\$ <u>2,259,294</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,259,294</u>
Unassigned Fund Balance	\$ <u>10,861,060</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,861,060</u>
Total Fund Balances	\$ <u><u>18,069,930</u></u>	\$ <u><u>772,988</u></u>	\$ <u><u>1,524,807</u></u>	\$ <u><u>20,367,725</u></u>



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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P. Deferred Outflows/Inflows of Resources

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

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

Q. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing assets, liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a restatement of net position, reference Note 17.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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

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

#### Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2015.

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

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##### Deposits

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

##### Investments

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2015 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 16,489,235

External Investment Pools

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

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

At June 30, 2015, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King & Queen	\$ -	\$ 744,384
Commonwealth of Virginia:		
Local sales tax	31,882	-
Welfare	24,699	-
Rolling stock tax	373	-
Communications tax	28,743	-
State Sales Tax	-	187,322
Constitutional officer reimbursements	115,640	-
Recordation tax	3,239	-
Mobile home titling tax	2,659	-
Forestry payment	71,779	-
Wireless grant	3,526	-
Juror reimbursement	1,110	-
Comprehensive Services Act	96,276	-
Federal Government:		
School fund grants	-	218,094
Welfare	45,031	-
Total due from other governments	<u>\$ 424,957</u>	<u>\$ 1,149,800</u>

At June 30, 2015, amounts due to other local governments are as follows:

Other Local Governments:		
County of King and Queen School Board	<u>\$ 744,384</u>	<u>\$ -</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 151,653	\$ -	\$ -	\$ 151,653
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,318,475	\$ -	\$ -	\$ 5,318,475
Machinery and equipment	5,082,789	32,467	21,138	5,094,118
Infrastructure	237,283	-	-	237,283
Total capital assets subject to depreciation	\$ 10,638,547	\$ 32,467	\$ 21,138	\$ 10,649,876
Accumulated depreciation:				
Buildings and improvements	\$ 2,198,075	\$ 139,054	\$ -	\$ 2,337,129
Machinery and equipment	1,983,300	382,188	21,138	2,344,350
Infrastructure	23,728	11,864	-	35,592
Total accumulated depreciation	\$ 4,205,103	\$ 533,106	\$ 21,138	\$ 4,717,071
Total capital assets subject to depreciation, net	\$ 6,433,444	\$ (500,639)	\$ -	\$ 5,932,805
Governmental activities capital assets, net	\$ 6,585,097	\$ (500,639)	\$ -	\$ 6,084,458

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 5—Capital Assets: (Continued)*

A summary of proprietary fund property, plant and equipment at June 30, 2015 follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ 11,128	\$ -	\$ 11,128	\$ -
Capital assets subject to depreciation:				
Machinery and equipment	\$ 70,481	\$ -	\$ -	\$ 70,481
Infrastructure	227,321	56,069	-	283,390
Total capital assets subject to depreciation	\$ 297,802	\$ 56,069	\$ -	\$ 353,871
Accumulated depreciation:				
Machinery and equipment	\$ 6,440	\$ 23,494	\$ -	\$ 29,934
Infrastructure	33,283	5,294	-	38,577
Total accumulated depreciation	\$ 39,723	\$ 28,788	\$ -	\$ 68,511
Total capital assets subject to depreciation, net	\$ 258,079	\$ 27,281	\$ -	\$ 285,360
Business-type activities capital assets, net	\$ 269,207	\$ 27,281	\$ 11,128	\$ 285,360

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 44,108
Judicial administration	114,997
Public safety	361,414
Public works	5,505
Health and welfare	7,082
Total Governmental activities	\$ 533,106
Business-Type Activities	\$ 28,788
Component Unit School Board	\$ 279,739

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,761,837	\$ -	\$ -	\$ 8,761,837
Machinery and equipment	1,861,028	96,931	68,902	1,889,057
Total capital assets subject to depreciation	\$ 10,622,865	\$ 96,931	\$ 68,902	\$ 10,650,894
Accumulated depreciation:				
Buildings and improvements	\$ 5,149,840	\$ 173,204	\$ -	\$ 5,323,044
Machinery and equipment	1,454,775	106,535	68,902	1,492,408
Total accumulated depreciation	\$ 6,604,615	\$ 279,739	\$ 68,902	\$ 6,815,452
Total capital assets subject to depreciation, net	\$ 4,018,250	\$ (182,808)	\$ -	\$ 3,835,442
Component Unit School Board capital assets, net	\$ 4,057,889	\$ (182,808)	\$ -	\$ 3,875,081

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<i>Component Unit-Industrial Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 146,481	\$ 142,841	\$ -	\$ 289,322
Capital assets subject to depreciation:				
Buildings and improvements	\$ 28,882	\$ 10,990	\$ -	\$ 39,872
Total capital assets subject to depreciation	\$ 28,882	\$ 10,990	\$ -	\$ 39,872
Accumulated depreciation:				
Buildings and improvements	\$ -	\$ 3,987	\$ -	\$ 3,987
Total accumulated depreciation	\$ -	\$ 3,987	\$ -	\$ 3,987
Total capital assets subject to depreciation, net	\$ 28,882	\$ 7,003	\$ -	\$ 35,885
Component Unit Industrial Development Authority capital assets, net	\$ 175,363	\$ 149,844	\$ -	\$ 325,207

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 6—Interfund Transfers:*

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 782,564
Wireless Service Authority	240,079	-
Capital projects fund	184,683	-
Special Revenue Fund	357,802	-
Total Primary Government	<u>\$ 782,564</u>	<u>\$ 782,564</u>
Component Unit School Board:		
School Operating Fund	\$ -	\$ 35,000
School Cafeteria Fund	35,000	-
Total Component Unit School Board	<u>\$ 35,000</u>	<u>\$ 35,000</u>

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

*Note 7—Long-Term Obligations:*

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2015:

	<u>Restated Balance July 1, 2014</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 207,613	\$ 18,618	\$ 20,761	\$ 205,470	\$ 20,547
Net OPEB obligation	101,850	45,779	16,371	131,258	-
Lease revenue bond	865,000	-	865,000	-	-
Net pension liability	1,125,024	888,317	1,619,876	393,465	-
Landfill post closure care	2,000,000	-	-	2,000,000	-
Total Governmental Obligations	<u>\$ 4,299,487</u>	<u>\$ 952,714</u>	<u>\$ 2,522,008</u>	<u>\$ 2,730,193</u>	<u>\$ 20,547</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
Net OPEB obligation	\$ 131,258
Landfill postclosure care	2,000,000
Net pension liability	393,465
Compensated absences (payable by General Fund)	<u>205,470</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 2,730,193</u></u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

Component Unit - School Board:

	Restated Balance July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2015	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 56,213	\$ 27,912	\$ 5,621	\$ 78,504	\$ 7,850
Net pension liability	9,070,000	544,000	1,957,000	7,657,000	-
Net OPEB obligation	127,612	33,047	17,400	143,259	-
Total Component Unit-School Board	<u>\$ 9,253,825</u>	<u>\$ 604,959</u>	<u>\$ 1,980,021</u>	<u>\$ 7,878,763</u>	<u>\$ 7,850</u>

*Note 8—Landfill Postclosure Costs:*

The County closed its two landfills and is liable for postclosure monitoring for a period of five years. The amount reported as landfill postclosure liability at June 30, 2015, represents the estimated liability for postclosure monitoring, of \$2,000,000 as required by the Virginia Department of Environmental Quality. The liability consists of an estimate for corrective action as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

*Note 9—Unearned and Deferred/Unavailable Revenue:*

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

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$345,501 at June 30, 2015.

Unavailable Prepaid Property Taxes: Property taxes due subsequent to June 30, 2015, but paid in advance by the tax payers totaled \$32,660 at June 30, 2015.

Unearned Revenue: Other unearned revenue items totaled \$173,147 at June 30, 2015, which consisted of PPTRA reimbursements.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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*Note 10—Contingent Liabilities:*

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Federal programs in which the County and discretely presented component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

*Note 11—Litigation:*

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At June 30, 2015, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

*Note 12—Risk Management:*

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

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

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

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

# COUNTY OF KING & QUEEN, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

### Note 13—Pension Plan:

#### Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul> <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

*Employees Covered by Benefit Terms*

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	27	19
Inactive members:		
Vested inactive members	7	6
Non-vested inactive members	18	11
Inactive members active elsewhere in VRS	40	3
Total inactive members	65	20
Active members	51	38
Total covered employees	143	77

*Contributions*

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

The County's contractually required contribution rate for the year ended June 30, 2015 was 9.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$227,068 and \$277,164 for the years ended June 30, 2015 and June 30, 2014, respectively.



## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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##### **Contributions (Continued)**

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 5.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$38,695 and \$38,354 for the years ended June 30, 2015 and June 30, 2014, respectively.

##### **Net Pension Liability (Asset)**

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

##### **Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

##### **Largest 10 - Non-LEOS:**

###### **Pre-Retirement:**

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

###### **Post-Retirement:**

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

###### **Post-Disablement:**

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

##### **Actuarial Assumptions - Public Safety Employees**

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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*Note 13—Pension Plan: (Continued)*

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*Actuarial Assumptions - Public Safety Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

**Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>*Expected arithmetic nominal return</b>	<b>8.33%</b>

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

**Discount Rate**

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

**Changes in Net Pension Liability**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 8,870,775	\$ 7,745,751	\$ 1,125,024
Changes for the year:			
Service cost	\$ 273,272	\$ -	\$ 273,272
Interest	608,529	-	608,529
Contributions - employer	-	277,164	(277,164)
Contributions - employee	-	116,205	(116,205)
Net investment income	-	1,226,442	(1,226,442)
Benefit payments, including refunds of employee contributions	(355,006)	(355,006)	-
Administrative expenses	-	(6,516)	6,516
Other changes	-	65	(65)
Net changes	\$ 526,795	\$ 1,258,354	\$ (731,559)
Balances at June 30, 2014	\$ 9,397,570	\$ 9,004,105	\$ 393,465

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

*Changes in Net Pension Liability (Asset)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2013	\$ 2,253,070	\$ 2,414,636	\$ (161,566)
Changes for the year:			
Service cost	\$ 83,825	\$ -	\$ 83,825
Interest	155,717	-	155,717
Contributions - employer	-	38,354	(38,354)
Contributions - employee	-	36,252	(36,252)
Net investment income	-	382,078	(382,078)
Benefit payments, including refunds of employee contributions	(57,070)	(57,070)	-
Administrative expenses	-	(2,021)	2,021
Other changes	-	20	(20)
Net changes	\$ 182,472	\$ 397,613	\$ (215,141)
Balances at June 30, 2014	\$ 2,435,542	\$ 2,812,249	\$ (376,707)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 1,584,492	\$ 393,465	\$ (596,743)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (83,331)	\$ (376,707)	\$ (623,829)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

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

For the year ended June 30, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$92,103 and (\$6,780) respectively. At June 30, 2015, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 546,498	\$ -	\$ 170,007
Employer contributions subsequent to the measurement date	227,068	-	38,695	-
Total	<u>\$ 227,068</u>	<u>\$ 546,498</u>	<u>\$ 38,695</u>	<u>\$ 170,007</u>

\$227,068 and \$38,695 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the year ended June 30, 2016. 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 ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2016	\$ (136,624)	\$ (42,502)
2017	(136,624)	(42,502)
2018	(136,624)	(42,502)
2019	(136,626)	(42,501)
Thereafter	-	-

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2015

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

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##### Component Unit School Board (professional)

###### *Plan Description*

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

###### *Contributions*

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. 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, 2015. Contributions to the pension plan from the School Board were \$638,045 and \$541,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$7,657,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.06336% as compared to 0.06584% at June 30, 2013.



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

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

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

For the year ended June 30, 2015, the school division recognized pension expense of \$544,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,136,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	280,000
Employer contributions subsequent to the measurement date	<u>638,045</u>	<u>-</u>
Total	<u>\$ 638,045</u>	<u>\$ 1,416,000</u>

\$638,045 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended June 30</u></b>	
2016	\$ (346,000)
2017	(346,000)
2018	(346,000)
2019	(346,000)
Thereafter	(32,000)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

*Note 13—Pension Plan: (Continued)*

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

***Long-Term Expected Rate of Return***

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

**Note 13—Pension Plan: (Continued)**

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

**Discount Rate**

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	11,243,000 \$	7,657,000 \$	4,704,000

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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*Note 14 – Surety Bonds:*

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

*Note 15– Other Postemployment Benefits - Health Insurance:*

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A. Plan Description

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

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

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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A. Plan Description (Continued)

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

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

- Optima Low Option Open Access (HMO)
- Optima High Option Open Access (HMO)
- Optima Open Access (POS)
- Optima Equity Vantage (HMO)

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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

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

		County	School Board
Annual required contribution	\$	47,391	\$ 33,300
Interest on net OPEB obligation		2,546	4,466
Adjustment to annual required contribution		(4,158)	(4,719)
Annual OPEB cost (expense)	\$	45,779	\$ 33,047
Contributions made		(16,371)	(17,400)
Increase in net OPEB obligation		29,408	15,647
Net OPEB obligation-beginning of year		101,850	127,612
Net OPEB obligation-end of year	\$	131,258	\$ 143,259

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

	Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
County :	6/30/2015	\$	45,779	35.76%	\$	131,258
	6/30/2014		41,337	37.34%		101,850
	6/30/2013		41,754	36.96%		75,947
School Board:	6/30/2015	\$	33,047	52.65%	\$	143,259
	6/30/2014		35,200	35.80%		108,312
	6/30/2013		38,825	35.45%		85,712

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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**D. Funded Status and Funding Progress**

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

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

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

**E. Actuarial Methods and Assumptions**

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

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



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

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**E. Actuarial Methods and Assumptions (Continued)**

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

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

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

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

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

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

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**A. Plan Description**

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2015

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

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$49,494, \$51,213 and \$51,772, respectively and equaled the required contributions for each year.

*Note 17-Restatement of Beginning Net Position:*

The following adjustments were made to beginning net position:

	<u>Governmental Activities</u>	<u>Component-Unit School Board</u>
Net position as previously reported	\$ 23,833,137	\$ 3,878,364
Implementation of GASB 68:		
Deferred outflows of resources	277,164	579,354
Net pension asset	-	161,566
Net pension liability	<u>(1,125,024)</u>	<u>(9,070,000)</u>
Net position as restated	\$ <u>22,985,277</u>	\$ <u>(4,450,716)</u>

*Note 18-Upcoming Pronouncements:*

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement 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*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer

Note 18-Upcoming Pronouncements: (Continued)

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contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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

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

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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

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*REQUIRED SUPPLEMENTARY INFORMATION*

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County of King and Queen, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 6,132,485	\$ 6,132,485	\$ 6,839,256	\$ 706,771
Other local taxes	622,641	622,641	645,179	22,538
Permits, privilege fees, and regulatory licenses	39,415	39,415	32,467	(6,948)
Fines and forfeitures	148,863	148,863	174,516	25,653
Revenue from the use of money and property	81,560	81,560	105,645	24,085
Charges for services	1,372,350	1,372,350	1,117,081	(255,269)
Miscellaneous	40,000	40,000	132,509	92,509
Recovered costs	22,000	22,000	25,871	3,871
Intergovernmental:				
Commonwealth	2,251,655	2,292,512	2,306,289	13,777
Federal	570,595	580,395	849,361	268,966
Total revenues	<u>\$ 11,281,564</u>	<u>\$ 11,332,221</u>	<u>\$ 12,228,174</u>	<u>\$ 895,953</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,341,278	\$ 1,341,278	\$ 1,194,338	\$ 146,940
Judicial administration	573,888	575,888	516,483	59,405
Public safety	2,637,304	2,673,677	2,310,974	362,703
Public works	663,199	663,199	651,611	11,588
Health and welfare	1,396,896	1,396,896	1,218,090	178,806
Education	3,849,919	3,849,919	3,573,289	276,630
Parks, recreation, and cultural	161,128	179,878	165,790	14,088
Community development	334,162	824,459	751,644	72,815
Nondepartmental	94,975	86,402	18,233	68,169
Capital projects	142,200	142,200	125,696	16,504
Debt service:				
Principal retirement	865,000	865,000	865,000	-
Interest and other fiscal charges	24,328	24,328	36,381	(12,053)
Total expenditures	<u>\$ 12,084,277</u>	<u>\$ 12,623,124</u>	<u>\$ 11,427,529</u>	<u>\$ 1,195,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (802,713)</u>	<u>\$ (1,290,903)</u>	<u>\$ 800,645</u>	<u>\$ 2,091,548</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (393,930)	\$ (537,913)	\$ (782,564)	\$ (244,651)
Total other financing sources (uses)	<u>\$ (393,930)</u>	<u>\$ (537,913)</u>	<u>\$ (782,564)</u>	<u>\$ (244,651)</u>
Net change in fund balances	<u>\$ (1,196,643)</u>	<u>\$ (1,828,816)</u>	<u>\$ 18,081</u>	<u>\$ 1,846,897</u>
Fund balances - beginning	1,196,643	1,828,816	18,051,849	16,223,033
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,069,930</u>	<u>\$ 18,069,930</u>

County of King and Queen, Virginia  
Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2015

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

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



County of King and Queen, Virginia  
Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 273,272
Interest	608,529
Benefit payments, including refunds of employee contributions	(355,006)
Net change in total pension liability	\$ 526,795
Total pension liability - beginning	8,870,775
Total pension liability - ending (a)	\$ 9,397,570
Plan fiduciary net position	
Contributions - employer	\$ 277,164
Contributions - employee	116,205
Net investment income	1,226,442
Benefit payments, including refunds of employee contributions	(355,006)
Administrative expense	(6,516)
Other	65
Net change in plan fiduciary net position	\$ 1,258,354
Plan fiduciary net position - beginning	7,745,751
Plan fiduciary net position - ending (b)	\$ 9,004,105
County's net pension liability - ending (a) - (b)	\$ 393,465
Plan fiduciary net position as a percentage of the total pension liability	95.81%
Covered-employee payroll	\$ 2,324,553
County's net pension liability as a percentage of covered-employee payroll	16.93%

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

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

	2014
Total pension liability	
Service cost	\$ 83,825
Interest	155,717
Benefit payments, including refunds of employee contributions	(57,070)
Net change in total pension liability	\$ 182,472
Total pension liability - beginning	2,253,070
Total pension liability - ending (a)	\$ 2,435,542
Plan fiduciary net position	
Contributions - employer	\$ 38,354
Contributions - employee	36,252
Net investment income	382,078
Benefit payments, including refunds of employee contributions	(57,070)
Administrative expense	(2,021)
Other	20
Net change in plan fiduciary net position	\$ 397,613
Plan fiduciary net position - beginning	2,414,636
Plan fiduciary net position - ending (b)	\$ 2,812,249
School Division's net pension liability (asset) - ending (a) - (b)	\$ (376,707)
Plan fiduciary net position as a percentage of the total pension liability	115.47%
Covered-employee payroll	\$ 719,926
School Division's net pension liability (asset) as a percentage of covered-employee payroll	-52.33%

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

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

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.06336%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,657,000
Employer's Covered-Employee Payroll	4,400,310
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	174.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

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

County of King and Queen, Virginia  
Schedule of Employer Contributions  
For the Year Ended June 30, 2015

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 227,068	\$ 227,068	\$ -	\$ 2,331,298	9.74%
Component Unit School Board (nonprofessional)					
2015	\$ 38,695	\$ 38,695	\$ -	\$ 686,083	5.64%
Component Unit School Board (professional)					
2015	\$ 638,045	\$ 638,045	\$ -	\$ 4,400,310	14.50%

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

County of King and Queen, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

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Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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County of King and Queen, Virginia  
 Capital Projects Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 998	\$ 998
Miscellaneous	-	-	1,619	1,619
Recovered costs	-	-	80,000	80,000
Total revenues	\$ -	\$ -	\$ 82,617	\$ 82,617
<b>EXPENDITURES</b>				
Capital projects	\$ 50,000	\$ 184,683	\$ 89,860	\$ 94,823
Total expenditures	\$ 50,000	\$ 184,683	\$ 89,860	\$ 94,823
Excess (deficiency) of revenues over (under) expenditures	\$ (50,000)	\$ (184,683)	\$ (7,243)	\$ 177,440
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 50,000	\$ 184,683	\$ 184,683	\$ -
Total other financing sources (uses)	\$ 50,000	\$ 184,683	\$ 184,683	\$ -
Net change in fund balances	\$ -	\$ -	\$ 177,440	\$ 177,440
Fund balances - beginning	-	-	595,548	595,548
Fund balances - ending	\$ -	\$ -	\$ 772,988	\$ 772,988

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,421	\$ 5,421
Charges for services	30,000	30,000	36,478	6,478
Miscellaneous	-	-	12,641	12,641
Intergovernmental:				
Commonwealth	518,570	539,270	412,400	(126,870)
Total revenues	\$ 548,570	\$ 569,270	\$ 466,940	\$ (102,330)
EXPENDITURES				
Current:				
Public safety	\$ 32,295	\$ 32,295	\$ 31,219	\$ 1,076
Health and welfare	762,500	792,500	673,732	118,768
Nondepartmental	100,000	100,000	160	99,840
Total expenditures	\$ 894,795	\$ 924,795	\$ 705,111	\$ 219,684
Excess (deficiency) of revenues over (under) expenditures	\$ (346,225)	\$ (355,525)	\$ (238,171)	\$ 117,354
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 343,930	\$ 353,230	\$ 357,802	\$ 4,572
Total other financing sources (uses)	\$ 343,930	\$ 353,230	\$ 357,802	\$ 4,572
Net change in fund balances	\$ (2,295)	\$ (2,295)	\$ 119,631	\$ 121,926
Fund balances - beginning	2,295	2,295	1,405,176	1,402,881
Fund balances - ending	\$ -	\$ -	\$ 1,524,807	\$ 1,524,807

County of King and Queen, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Soil and Erosion Deposit Escrow</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,084	\$ 18,105	\$ 22,189
Total assets	<u>\$ 4,084</u>	<u>\$ 18,105</u>	<u>\$ 22,189</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 4,084	\$ -	\$ 4,084
Amounts held for others	-	18,105	18,105
Total liabilities	<u>\$ 4,084</u>	<u>\$ 18,105</u>	<u>\$ 22,189</u>

County of King and Queen, Virginia  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 4,707	\$ 924	\$ 1,547	\$ 4,084
Liabilities:				
Amounts held for social services clients	\$ 4,707	\$ 924	\$ 1,547	\$ 4,084
Soil and Erosion Deposit Escrow:				
Assets:				
Cash and cash equivalents	\$ 18,105	\$ -	\$ -	\$ 18,105
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 22,812	\$ 924	\$ 1,547	\$ 22,189
Total assets	\$ 22,812	\$ 924	\$ 1,547	\$ 22,189
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Amounts held for social services clients	4,707	924	1,547	4,084
Total liabilities	\$ 22,812	\$ 924	\$ 1,547	\$ 22,189

*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of King and Queen, Virginia  
Combining Balance Sheet - Governmental Funds  
Discretely Presented Component Unit - School Board  
June 30, 2015

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 8,415	\$ -	\$ 8,415
Due from other governmental units	1,081,386	68,414	1,149,800
Total assets	<u>\$ 1,089,801</u>	<u>\$ 68,414</u>	<u>\$ 1,158,215</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 186,682	\$ 17,427	\$ 204,109
Accrued liabilities	903,119	13,209	916,328
Reconciled overdraft payable	-	32,741	32,741
Total liabilities	<u>\$ 1,089,801</u>	<u>\$ 63,377</u>	<u>\$ 1,153,178</u>
Fund balances:			
Restricted	\$ -	\$ 5,037	\$ 5,037
Total fund balances	<u>\$ -</u>	<u>\$ 5,037</u>	<u>\$ 5,037</u>
Total liabilities and fund balances	<u>\$ 1,089,801</u>	<u>\$ 68,414</u>	<u>\$ 1,158,215</u>

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

Total fund balances per above	\$ 5,037
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,875,081
The net pension asset is not an available resource and, therefore, is not reported in the funds.	376,707
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability/asset	(1,586,007)
Pension contributions subsequent to the measurement date will be a reduction of / increase to the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	676,740
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (78,504)
Net pension liability	(7,657,000)
Net OPEB obligation	<u>(143,259)</u>
Net position of governmental activities	<u>\$ (4,531,205)</u>

County of King and Queen, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ 30	\$ 84,908	\$ 84,938
Miscellaneous	49,413	635	50,048
Intergovernmental:			
Local government	3,567,558	-	3,567,558
Commonwealth	5,035,331	3,711	5,039,042
Federal	705,009	280,551	985,560
Total revenues	<u>\$ 9,357,341</u>	<u>\$ 369,805</u>	<u>\$ 9,727,146</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 9,322,341	\$ 404,068	\$ 9,726,409
Total expenditures	<u>\$ 9,322,341</u>	<u>\$ 404,068</u>	<u>\$ 9,726,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 35,000</u>	<u>\$ (34,263)</u>	<u>\$ 737</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 35,000	\$ 35,000
Transfers out	(35,000)	-	(35,000)
Total other financing sources and uses	<u>\$ (35,000)</u>	<u>\$ 35,000</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 737	\$ 737
Fund balances - beginning	-	4,300	4,300
Fund balances - ending	<u>\$ -</u>	<u>\$ 5,037</u>	<u>\$ 5,037</u>

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

Net change in fund balances - total governmental funds - per above \$ 737

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

Capital outlays	\$ 96,931	
Depreciation expense	<u>(279,739)</u>	(182,808)

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

(Increase) decrease in items related to measurement of net pension liability/asset (1,586,007)

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

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ (22,291)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	97,386	
Increase (decrease) in net pension asset	215,141	
(Increase) decrease in net pension liability	1,413,000	
Decrease (increase) in net OPEB obligation	<u>(15,647)</u>	1,687,589

Change in net position of governmental activities \$ (80,489)

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	School Operating Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
Charges for services	\$ 31,200	\$ 30	\$ 30	\$	-
Miscellaneous	126,000	49,378	49,413		35
Intergovernmental:					
Local government	3,844,188	3,844,188	3,567,558		(276,630)
Commonwealth	4,842,375	5,121,637	5,035,331		(86,306)
Federal	564,139	653,617	705,009		51,392
Total revenues	<u>\$ 9,407,902</u>	<u>\$ 9,668,850</u>	<u>\$ 9,357,341</u>	<u>\$</u>	<u>(311,509)</u>
EXPENDITURES					
Current:					
Education	\$ 9,324,762	\$ 9,633,850	\$ 9,322,341	\$	311,509
Debt service:					
Principal retirement	80,000	-	-		-
Interest and other fiscal charges	3,140	-	-		-
Total expenditures	<u>\$ 9,407,902</u>	<u>\$ 9,633,850</u>	<u>\$ 9,322,341</u>	<u>\$</u>	<u>311,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ -	\$ (35,000)	\$ (35,000)	\$	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$</u>	<u>-</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$	-
Fund balances - beginning	-	-	-		-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>-</u>

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 144,041	\$ 144,041	\$ 84,908	\$ (59,133)
Miscellaneous	-	-	635	635
Intergovernmental:				
Commonwealth	6,677	6,677	3,711	(2,966)
Federal	285,000	308,594	280,551	(28,043)
Total revenues	\$ 435,718	\$ 459,312	\$ 369,805	\$ (89,507)
EXPENDITURES				
Current:				
Education	\$ 435,718	\$ 459,312	\$ 404,068	\$ 55,244
Total expenditures	\$ 435,718	\$ 459,312	\$ 404,068	\$ 55,244
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (34,263)	\$ (34,263)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 35,000	\$ 35,000
Total other financing sources and uses	\$ -	\$ -	\$ 35,000	\$ 35,000
Net change in fund balances	\$ -	\$ -	\$ 737	\$ 737
Fund balances - beginning	-	-	4,300	4,300
Fund balances - ending	\$ -	\$ -	\$ 5,037	\$ 5,037

*DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of King and Queen, Virginia  
Statement of Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
June 30, 2015

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**ASSETS**

## Current assets:

Cash	\$ 346,359
Total current assets	<u>\$ 346,359</u>

## Noncurrent assets:

## Capital assets (net of accumulated depreciation):

Land and land improvements	\$ 289,322
Buildings and improvements	35,885
Total net capital assets	<u>\$ 325,207</u>
Total noncurrent assets	<u>\$ 325,207</u>
Total assets	<u><u>\$ 671,566</u></u>

**LIABILITIES**

## Current liabilities:

Accounts payable	\$ 3,000
Total liabilities	<u>\$ 3,000</u>

**NET POSITION**

Net investment in capital assets	\$ 325,207
Unrestricted	343,359
Total net position	<u><u>\$ 668,566</u></u>

County of King and Queen, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2015

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**OPERATING REVENUES**

## Charges for services:

Rent	\$ 29,854
Other revenues	1,081
Total operating revenues	<u>\$ 30,935</u>

**OPERATING EXPENSES**

Rent	\$ 19,661
Advertising	563
Website development	4,081
Other charges	2,415
Insurance	3,330
Contractual services	19,440
Depreciation	3,987
Total operating expenses	<u>\$ 53,477</u>

Operating income (loss) \$ (22,542)

**NONOPERATING REVENUES (EXPENSES)**

Interest income	\$ 977
County contribution to Industrial Development Authority	464,440
Total nonoperating revenues (expenses)	<u>\$ 465,417</u>
Change in net position	<u>\$ 442,875</u>

Total net position - beginning	225,691
Total net position - ending	<u><u>\$ 668,566</u></u>



County of King and Queen, Virginia  
Statement of Cash Flows  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2015

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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 30,935
Payments for operating activities	(46,490)
Net cash provided by (used for) operating activities	<u>\$ (15,555)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to capital assets	\$ (153,831)
Net cash provided by (used for) capital and related financing activities	<u>\$ (153,831)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 977
County contribution to Industrial Development Authority	464,440
Net cash provided by (used for) investing activities	<u>\$ 465,417</u>

Net increase (decrease) in cash and cash equivalents	\$ 296,031
--	------------

Cash and cash equivalents - beginning	50,328
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Cash and cash equivalents - ending	<u><u>\$ 346,359</u></u>
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Reconciliation of operating income (loss) to net cash

provided by (used for) operating activities:

Operating income (loss)	<u>\$ (22,542)</u>
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Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:

Depreciation	\$ 3,987
--------------	----------

Increase (decrease) in accounts payable	3,000
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Total adjustments	<u>\$ 6,987</u>
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Net cash provided by (used for) operating activities	<u><u>\$ (15,555)</u></u>
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## *SUPPORTING SCHEDULES*

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County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,331,292	\$ 4,331,292	\$ 4,552,890	\$ 221,598
Real and personal public service corporation taxes	141,026	141,026	137,865	(3,161)
Personal property taxes	1,323,313	1,323,313	1,730,410	407,097
Mobile home taxes	30,119	30,119	29,257	(862)
Machinery and tools taxes	186,993	186,993	228,945	41,952
Merchant's capital taxes	30,742	30,742	33,054	2,312
Penalties	54,000	54,000	79,588	25,588
Interest	35,000	35,000	47,247	12,247
Total general property taxes	\$ 6,132,485	\$ 6,132,485	\$ 6,839,256	\$ 706,771
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 168,260	\$ (6,740)
Consumers' utility taxes	175,000	175,000	187,201	12,201
Business license taxes	37,500	37,500	17,720	(19,780)
Motor vehicle licenses	186,000	186,000	222,061	36,061
Bank stock taxes	-	-	9,216	9,216
Taxes on recordation and wills	49,141	49,141	40,721	(8,420)
Total other local taxes	\$ 622,641	\$ 622,641	\$ 645,179	\$ 22,538
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 6,441	\$ 1,941
Land use application fees	2,500	2,500	9,608	7,108
Transfer fees	320	320	251	(69)
Permits and other licenses	32,095	32,095	16,167	(15,928)
Total permits, privilege fees, and regulatory licenses	\$ 39,415	\$ 39,415	\$ 32,467	\$ (6,948)
Fines and forfeitures:				
Court fines and forfeitures	\$ 148,863	\$ 148,863	\$ 174,516	\$ 25,653
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 51,785	\$ 21,785
Revenue from use of property	51,560	51,560	53,860	2,300
Total revenue from use of money and property	\$ 81,560	\$ 81,560	\$ 105,645	\$ 24,085
Charges for services:				
Sheriff's fees	\$ 1,000	\$ 1,000	\$ 447	\$ (553)
Court costs	5,500	5,500	8,809	3,309
Courthouse maintenance fees	5,000	5,000	6,881	1,881
Charges for Commonwealth's Attorney	850	850	711	(139)
Charges for EMS support	30,000	30,000	24,516	(5,484)
Landfill host fees	1,330,000	1,330,000	1,075,641	(254,359)
Charges for correction and detention	-	-	76	76
Total charges for services	\$ 1,372,350	\$ 1,372,350	\$ 1,117,081	\$ (255,269)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 132,509	\$ 92,509
Recovered costs:				
Advertising for delinquent taxes	\$ -	\$ -	\$ 8,576	\$ 8,576
Drug enforcement restitution	-	-	9,413	9,413
Juror fees	2,000	2,000	1,748	(252)
School resource officer	20,000	20,000	6,134	(13,866)
Total recovered costs	\$ 22,000	\$ 22,000	\$ 25,871	\$ 3,871
Total revenue from local sources	\$ 8,459,314	\$ 8,459,314	\$ 9,072,524	\$ 613,210
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 1,000	\$ 1,000	\$ 13,184	\$ 12,184
Communications tax	160,000	160,000	175,102	15,102
Rolling stock tax	-	-	373	373
Additional tax on deeds	10,000	10,000	14,217	4,217
State recordation tax	-	-	15,386	15,386
Personal property tax relief funds	840,000	840,000	745,910	(94,090)
Reduction in aid to local governments	-	-	(18,208)	(18,208)
Total noncategorical aid	\$ 1,011,000	\$ 1,011,000	\$ 945,964	\$ (65,036)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 127,297	\$ 127,297	\$ 142,730	\$ 15,433
Sheriff	417,846	417,846	458,212	40,366
Commissioner of revenue	60,553	60,553	66,946	6,393
Treasurer	60,843	60,843	68,312	7,469
Registrar/electoral board	28,000	28,000	29,911	1,911
Clerk of the Circuit Court	125,219	125,219	145,360	20,141
Total shared expenses	\$ 819,758	\$ 819,758	\$ 911,471	\$ 91,713
Other categorical aid:				
Public assistance and welfare administration	\$ 380,397	\$ 380,397	\$ 291,605	\$ (88,792)
Emergency medical services - five for life	-	-	7,544	7,544
Emergency services grant	-	-	5,908	5,908
E-911 wireless grant	40,000	40,000	43,561	3,561
Litter control	500	26,357	6,357	(20,000)
Forest reserve funds	-	-	71,779	71,779
DGIF grant	-	15,000	-	(15,000)
Animal friendly plates	-	-	61	61

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	-	-	22,003	22,003
Spay/neuter program	-	-	36	36
Total other categorical aid	\$ 420,897	\$ 461,754	\$ 448,854	\$ (12,900)
Total categorical aid	\$ 1,240,655	\$ 1,281,512	\$ 1,360,325	\$ 78,813
Total revenue from the Commonwealth	\$ 2,251,655	\$ 2,292,512	\$ 2,306,289	\$ 13,777
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 570,595	\$ 570,595	\$ 615,619	\$ 45,024
Transportation safety	-	9,800	10,832	1,032
Bulletproof vest grant	-	-	1,700	1,700
TEA21 Grant	-	-	221,210	221,210
Total categorical aid	\$ 570,595	\$ 580,395	\$ 849,361	\$ 268,966
Total revenue from the federal government	\$ 570,595	\$ 580,395	\$ 849,361	\$ 268,966
Total General Fund	\$ 11,281,564	\$ 11,332,221	\$ 12,228,174	\$ 895,953
Special Revenue Funds:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,421	\$ 5,421
Charges for services:				
Court security fees	\$ 30,000	\$ 30,000	\$ 36,478	\$ 6,478
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 12,641	\$ 12,641
Total revenue from local sources	\$ 30,000	\$ 30,000	\$ 54,540	\$ 24,540
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 518,570	\$ 539,270	\$ 412,400	\$ (126,870)
Total revenue from the Commonwealth	\$ 518,570	\$ 539,270	\$ 412,400	\$ (126,870)
Total Special Revenue Funds	\$ 548,570	\$ 569,270	\$ 466,940	\$ (102,330)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 998	\$ 998
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 1,619	\$ 1,619
Recovered costs:				
VPPSA	\$ -	\$ -	\$ 80,000	\$ 80,000
Total revenue from local sources	\$ -	\$ -	\$ 82,617	\$ 82,617
Total Capital Projects Fund	\$ -	\$ -	\$ 82,617	\$ 82,617
Total Primary Government	\$ 11,830,134	\$ 11,901,491	\$ 12,777,731	\$ 876,240
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ 31,200	\$ 30	\$ 30	\$ -
Miscellaneous revenue:				
Miscellaneous	\$ 126,000	\$ 49,378	\$ 49,413	\$ 35
Total revenue from local sources	\$ 157,200	\$ 49,408	\$ 49,443	\$ 35
Intergovernmental:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 3,844,188	\$ 3,844,188	\$ 3,567,558	\$ (276,630)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,022,592	\$ 1,123,155	\$ 1,036,849	\$ (86,306)
Basic school aid	2,152,210	2,290,946	2,290,946	-
Remedial summer education	-	26,731	26,731	-
At risk payments	121,121	127,319	127,319	-
At risk four-year olds	139,285	122,299	122,299	-
Early reading intervention	8,976	12,567	12,567	-
ISAEP (GED program)	-	7,859	7,859	-
Enrollment loss	7,769	-	-	-
ESL	-	7,054	7,054	-
Gifted and talented	21,023	22,118	22,118	-
Homebound	6,912	8,147	8,147	-
Career and technical education	2,556	2,486	2,486	-
SOL Algebra readiness	11,042	11,042	11,042	-
Mentor teacher program	981	452	452	-
Other state	-	476	476	-
Remedial education	113,166	119,060	119,060	-
Special education - foster children	-	4,086	4,086	-



County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:(Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
School fringes	446,403	466,356	466,356	-
Primary class size reduction	140,725	188,175	188,175	-
Special education	402,121	423,062	423,062	-
Technology initiative	145,200	52,731	52,731	-
Textbook payment	43,039	45,280	45,280	-
Vocational education	57,254	60,236	60,236	-
Total categorical aid	\$ 4,842,375	\$ 5,121,637	\$ 5,035,331	\$ (86,306)
Total revenue from the Commonwealth	\$ 4,842,375	\$ 5,121,637	\$ 5,035,331	\$ (86,306)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 180,063	\$ 191,130	\$ 203,764	\$ 12,634
Vocational education	15,212	9,244	9,244	-
21st century learning center	-	106,783	104,818	(1,965)
Title VIB	228,457	229,810	229,810	-
Preschool grant	16,727	6,325	11,246	4,921
Title II - Part A	49,680	27,156	27,811	655
Title III		2,061	2,061	-
Gear up	-	10,000	45,147	35,147
JROTC grant	74,000	71,108	71,108	-
Total categorical aid	\$ 564,139	\$ 653,617	\$ 705,009	\$ 51,392
Total revenue from the federal government	564,139	653,617	705,009	51,392
Total School Operating Fund	\$ 9,407,902	\$ 9,668,850	\$ 9,357,341	\$ (311,509)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 144,041	\$ 144,041	\$ 84,908	\$ (59,133)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 635	\$ 635
Total revenue from local sources	\$ 144,041	\$ 144,041	\$ 85,543	\$ (58,498)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 6,677	\$ 6,677	\$ 3,711	\$ (2,966)
Total revenue from the Commonwealth	\$ 6,677	\$ 6,677	\$ 3,711	\$ (2,966)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 285,000	\$ 285,000	\$ 254,992	\$ (30,008)
Commodities	-	23,594	23,594	-
21st century learning center	-	-	1,965	1,965
Total categorical aid	\$ 285,000	\$ 308,594	\$ 280,551	\$ (28,043)
Total revenue from the federal government	\$ 285,000	\$ 308,594	\$ 280,551	\$ (28,043)
Total School Cafeteria Fund	\$ 435,718	\$ 459,312	\$ 369,805	\$ (89,507)
Total Discretely Presented Component Unit - School Board	\$ 9,843,620	\$ 10,128,162	\$ 9,727,146	\$ (401,016)

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 47,380	\$ 47,380	\$ 32,728	\$ 14,652
General and financial administration:				
County administrator	\$ 242,710	\$ 242,710	\$ 223,049	\$ 19,661
County attorney	125,057	125,057	121,414	3,643
Commissioner of revenue	210,755	210,755	199,352	11,403
Professional auditing and accounting services	41,200	41,200	36,313	4,887
Treasurer	239,211	239,211	225,003	14,208
General reassessment	60,000	60,000	-	60,000
Management information systems	82,848	82,848	80,468	2,380
Other general and financial administration	194,306	194,306	198,506	(4,200)
Total general and financial administration	\$ 1,196,087	\$ 1,196,087	\$ 1,084,105	\$ 111,982
Board of elections:				
Electoral board and officials	\$ 30,100	\$ 30,100	\$ 17,522	\$ 12,578
Registrar	67,711	67,711	59,983	7,728
Total board of elections	\$ 97,811	\$ 97,811	\$ 77,505	\$ 20,306
Total general government administration	\$ 1,341,278	\$ 1,341,278	\$ 1,194,338	\$ 146,940
Judicial administration:				
Courts:				
Circuit court	\$ 2,650	\$ 2,650	\$ 1,440	\$ 1,210
General district court	13,720	15,720	13,143	2,577
Special Magistrates	879	879	124	755
Juvenile and domestic relations court	10,721	10,721	5,196	5,525
Ninth District Court services unit	89,200	89,200	56,420	32,780
Victim witness assistance	4,520	4,520	4,042	478
Clerk of the circuit court	244,657	244,657	227,845	16,812
Total courts	\$ 366,347	\$ 368,347	\$ 308,210	\$ 60,137
Commonwealth's attorney:				
Commonwealth's attorney	\$ 207,541	\$ 207,541	\$ 208,273	\$ (732)
Total judicial administration	\$ 573,888	\$ 575,888	\$ 516,483	\$ 59,405
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,263,142	\$ 1,272,942	\$ 1,162,184	\$ 110,758
E-911	97,066	97,066	51,247	45,819
Total law enforcement and traffic control	\$ 1,360,208	\$ 1,370,008	\$ 1,213,431	\$ 156,577
Fire and rescue services:				
Fire department	\$ 80,000	\$ 80,000	\$ 82,475	\$ (2,475)
Ambulance and rescue services	60,800	60,800	60,800	-
Rescue services	235,500	235,500	139,411	96,089
Radio communications	240,883	240,883	184,248	56,635
Emergency medical services	743	743	743	-
Forestry services	11,677	11,677	11,677	-
Total fire and rescue services	\$ 629,603	\$ 629,603	\$ 479,354	\$ 150,249

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Payments to Regional Jail	\$ 422,033	\$ 422,033	\$ 364,502	\$ 57,531
Inspections:				
Building	\$ 57,462	\$ 64,035	\$ 46,366	\$ 17,669
Other protection:				
Animal control and shelter	\$ 128,980	\$ 148,980	\$ 169,044	\$ (20,064)
Emergency services	38,818	38,818	38,237	581
Medical examiner	200	200	40	160
Total other protection	\$ 167,998	\$ 187,998	\$ 207,321	\$ (19,323)
Total public safety	\$ 2,637,304	\$ 2,673,677	\$ 2,310,974	\$ 362,703
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 450,467	\$ 450,467	\$ 439,197	\$ 11,270
Maintenance of general buildings and grounds:				
General properties	\$ 212,732	\$ 212,732	\$ 212,414	\$ 318
Total public works	\$ 663,199	\$ 663,199	\$ 651,611	\$ 11,588
Health and welfare:				
Health:				
Supplement of local health department	\$ 55,708	\$ 55,708	\$ 55,708	\$ -
Mental health and mental retardation:				
Community services board	\$ 21,321	\$ 21,321	\$ 21,321	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,272,139	\$ 1,272,139	\$ 1,093,333	\$ 178,806
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Bay Aging	27,568	27,568	27,568	-
Contributions	10,212	10,212	10,212	-
Total welfare	\$ 1,319,867	\$ 1,319,867	\$ 1,141,061	\$ 178,806
Total health and welfare	\$ 1,396,896	\$ 1,396,896	\$ 1,218,090	\$ 178,806
Education:				
Other instructional costs:				
Contribution to Community College	\$ 5,731	\$ 5,731	\$ 5,731	\$ -
Contribution to County School Board	3,844,188	3,844,188	3,567,558	276,630
Total education	\$ 3,849,919	\$ 3,849,919	\$ 3,573,289	\$ 276,630

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Mattaponi pier construction	\$ -	\$ 18,750	\$ 5,000	\$ 13,750
Library:				
Contribution to County library	\$ 161,128	\$ 161,128	\$ 160,790	\$ 338
Total parks, recreation, and cultural	\$ 161,128	\$ 179,878	\$ 165,790	\$ 14,088
Community development:				
Planning and community development:				
Planning and zoning	\$ 186,396	\$ 206,396	\$ 176,195	\$ 30,201
Wetlands board	3,100	3,100	549	2,551
Board of zoning appeals	3,800	3,800	1,481	2,319
Industrial Development Authority	3,385	3,385	1,734	1,651
Airport authority	45,000	45,000	54,194	(9,194)
Economic development	36,198	500,638	473,996	26,642
Planning commission	12,500	12,500	5,722	6,778
Total planning and community development	\$ 290,379	\$ 774,819	\$ 713,871	\$ 60,948
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	-
Litter control program	500	6,357	1,101	5,256
Total environmental management	\$ 10,174	\$ 16,031	\$ 10,775	\$ 5,256
Cooperative extension program:				
Extension office	\$ 33,609	\$ 33,609	\$ 26,998	\$ 6,611
Total community development	\$ 334,162	\$ 824,459	\$ 751,644	\$ 72,815
Nondepartmental:				
Contingencies	\$ 94,975	\$ 86,402	\$ 18,233	\$ 68,169
Capital projects:				
Capital projects	\$ 142,200	\$ 142,200	\$ 125,696	\$ 16,504
Total capital projects	\$ 142,200	\$ 142,200	\$ 125,696	\$ 16,504
Debt service:				
Principal retirement	\$ 865,000	\$ 865,000	\$ 865,000	-
Interest and other fiscal charges	24,328	24,328	36,381	(12,053)
Total debt service	\$ 889,328	\$ 889,328	\$ 901,381	\$ (12,053)
Total General Fund	\$ 12,084,277	\$ 12,623,124	\$ 11,427,529	\$ 1,195,595

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Public Safety:				
Other protection:				
Court security	\$ 32,295	\$ 32,295	\$ 30,741	1,554
Forfeited assets	-	-	478	(478)
Total public safety	<u>\$ 32,295</u>	<u>\$ 32,295</u>	<u>\$ 31,219</u>	<u>\$ 1,076</u>
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 762,500	\$ 792,500	\$ 673,732	\$ 118,768
Total Welfare	<u>\$ 762,500</u>	<u>\$ 792,500</u>	<u>\$ 673,732</u>	<u>\$ 118,768</u>
Nondepartmental:				
Contingencies	\$ 100,000	\$ 100,000	\$ 160	\$ 99,840
Total Special Revenue Fund	<u>\$ 894,795</u>	<u>\$ 924,795</u>	<u>\$ 705,111</u>	<u>\$ 219,684</u>
Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 50,000	\$ 184,683	\$ 89,860	\$ 94,823
Total Capital Projects Fund	<u>\$ 50,000</u>	<u>\$ 184,683</u>	<u>\$ 89,860</u>	<u>\$ 94,823</u>
Total Primary Government	<u>\$ 13,029,072</u>	<u>\$ 13,732,602</u>	<u>\$ 12,222,500</u>	<u>\$ 1,510,102</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health and attendance	\$ 815,095	\$ 818,756	\$ 797,544	\$ 21,212
Instruction costs	6,738,718	7,167,154	6,827,767	339,387
Pupil transportation	928,898	941,731	927,500	14,231
Operation and maintenance of school plant	842,051	706,209	769,530	(63,321)
Total education	<u>\$ 9,324,762</u>	<u>\$ 9,633,850</u>	<u>\$ 9,322,341</u>	<u>\$ 311,509</u>
Debt service:				
Principal retirement	\$ 80,000	\$ -	\$ -	\$ -
Interest and other fiscal charges	3,140	-	-	-
Total debt service	<u>\$ 83,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total School Operating Fund	<u>\$ 9,407,902</u>	<u>\$ 9,633,850</u>	<u>\$ 9,322,341</u>	<u>\$ 311,509</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 435,718	\$ 459,312	\$ 404,068	\$ 55,244
Total School Cafeteria Fund	<u>\$ 435,718</u>	<u>\$ 459,312</u>	<u>\$ 404,068</u>	<u>\$ 55,244</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 9,843,620</u>	<u>\$ 10,093,162</u>	<u>\$ 9,726,409</u>	<u>\$ 366,753</u>

## *STATISTICAL INFORMATION*

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Table 1

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

Fiscal Year	General		Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Service Authority	Total
	Government Administration	Judicial Administration									
2006	\$ 1,031,852	\$ 562,272	\$ 1,496,012	\$ 676,572	\$ 1,632,731	\$ 4,434,348	\$ 165,401	\$ 429,013	\$ 288,996	\$ -	\$ 10,717,197
2007	1,019,799	590,168	1,773,096	726,985	1,757,721	5,338,975	173,818	291,868	260,407	-	11,932,837
2008	1,182,630	689,333	1,930,910	735,960	2,109,521	5,350,926	188,401	825,805	231,322	-	13,244,808
2009	1,260,537	601,917	2,201,455	2,948,485	2,072,942	4,321,829	214,630	456,491	201,368	-	14,279,654
2010	1,174,459	610,178	2,399,846	681,508	1,909,365	4,122,668	207,000	571,849	171,635	-	11,848,508
2011	1,267,906	591,782	1,979,131	606,615	1,789,941	4,117,502	171,151	332,854	137,552	-	10,994,434
2012	1,226,149	613,685	2,751,138	554,107	2,078,523	4,156,243	248,605	485,371	106,139	-	12,219,960
2013	1,203,043	616,327	2,919,101	626,842	1,935,820	4,439,670	181,060	537,440	80,972	94,618	12,634,893
2014	1,290,245	629,013	2,842,676	642,818	1,593,694	4,655,236	182,296	298,958	57,134	256,794	12,448,864
2015	1,221,463	624,839	2,701,437	567,403	1,872,983	3,710,080	165,790	744,192	14,080	213,425	11,835,692

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Sale of Capital Assets	Total
2006	\$ 3,863,171	\$ 2,333,862	\$ -	\$ 4,267,063	\$ 764,145	\$ 447,464	\$ 72,055	\$ 1,133,924	\$ -	\$ 12,881,684
2007	4,290,554	2,170,888	25,000	5,427,229	787,448	674,374	105,276	906,193	-	14,386,962
2008	4,476,891	2,489,220	435,110	5,273,163	819,271	652,770	61,233	965,834	18,945	15,192,437
2009	4,157,409	2,429,879	103,073	5,450,427	762,763	306,619	448,295	905,252	-	14,563,717
2010	3,809,129	2,321,552	122,783	5,488,787	639,854	80,345	128,569	1,078,190	-	13,669,209
2011	3,360,983	2,265,979	147,075	5,578,955	594,612	160,529	119,343	1,045,800	-	13,273,276
2012	3,216,698	2,539,732	-	5,671,926	620,996	71,039	121,403	1,049,684	-	13,291,478
2013	2,896,267	2,719,685	-	6,376,738	656,466	77,878	125,138	1,038,100	-	13,890,272
2014	2,475,864	2,466,019	14,700	6,532,057	655,146	98,527	128,806	907,582	-	13,278,701
2015	1,496,483	2,622,086	-	6,792,526	645,179	112,107	146,769	945,964	-	12,761,114

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt		Total
										Service	Debt	
2006	\$ 1,020,584	\$ 450,736	\$ 1,521,395	\$ 691,646	\$ 1,612,480	\$ 10,687,468	\$ 156,708	\$ 434,857	\$ -	\$ 784,383	\$ -	17,360,257
2007	1,062,685	480,250	1,833,305	752,922	1,758,135	11,077,211	160,436	306,923	-	761,325	-	18,193,192
2008	1,165,088	581,038	1,933,856	725,509	2,112,770	11,665,106	179,708	822,467	-	733,279	-	19,918,821
2009	1,258,270	493,137	2,125,239	747,643	2,042,172	11,228,294	205,937	456,520	-	714,627	-	19,271,839
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097	198,307	554,621	-	696,343	-	18,086,194
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053	178,911	327,900	3,700	670,734	3,700	17,856,995
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194	248,605	475,388	7,495	646,481	7,495	19,272,401
2013	1,167,386	503,509	2,758,906	602,076	1,923,722	11,681,192	181,060	770,018	28,373	531,778	28,373	20,148,020
2014	1,224,648	510,798	2,644,137	659,260	1,590,812	10,556,133	182,296	296,148	17,133	499,048	17,133	18,180,413
2015	1,194,338	516,483	2,342,193	651,611	1,891,822	9,732,140	165,790	751,644	18,393	901,381	18,393	18,165,795

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

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

(3) Excludes Capital Projects expenditures.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2006	\$ 4,190,947	\$ 764,145	\$ 118,990	\$ 105,093	\$ 447,708	\$ 3,779,573	\$ 203,545	\$ 60,359	\$ 9,802,473	\$ 19,472,833
2007	5,340,444	787,448	134,266	101,128	674,966	4,197,600	339,068	44,329	8,947,946	20,567,195
2008	5,249,624	819,271	108,920	101,754	652,520	4,414,084	287,826	9,664	10,224,591	21,868,254
2009	5,477,519	762,763	63,144	133,051	306,633	4,110,956	659,419	26,630	10,300,393	21,840,508
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618	329,555	85,994	9,683,574	20,443,564
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886	331,891	76,398	9,663,040	19,949,796
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700	121,403	25,839	10,658,460	20,260,755
2013	6,320,017	656,466	67,785	128,578	76,630	2,685,995	114,768	11,082	11,081,156	21,142,477
2014	6,560,390	655,146	75,948	137,889	97,590	2,274,719	241,343	27,162	9,411,401	19,481,588
2015	6,839,256	645,179	32,467	174,516	111,066	1,238,497	195,198	25,871	9,592,652	18,854,702

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2006	\$ 4,901,390	\$ 4,932,516	100.64%	\$ 221,878	\$ 5,154,394	105.16%	\$ 311,139	6.35%
2007	6,612,760	5,974,714	90.35%	226,213	6,200,927	93.77%	320,540	4.85%
2008	6,088,486	5,876,877	96.52%	175,231	6,052,108	99.40%	370,897	6.09%
2009	6,303,965	6,078,961	96.43%	182,195	6,261,156	99.32%	390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	318,242	5.00%
2013	7,154,945	6,928,385	96.83%	152,813	7,081,198	98.97%	337,926	4.72%
2014	7,346,800	7,142,854	97.22%	162,645	7,305,499	99.44%	344,648	4.69%
2015	7,462,951	7,261,520	97.30%	196,812	7,458,332	99.94%	339,885	4.55%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Personal				Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
	Real Estate (1)	Property and Mobile Homes (1)	Public Utility (2)						
			Real	Estate					
2006	\$ 460,207,178	\$ 59,836,243	\$ 16,532,922	\$ 2,314,788	\$ 16,787,331	\$		\$ 555,678,462	
2007	470,862,472	63,592,087	15,608,585	2,899,704	13,875,616			566,838,464	
2008	759,696,379	65,245,642	15,612,800	3,072,540	19,571,641			863,199,002	
2009	773,289,533	68,747,403	15,684,710	2,826,694	17,160,338			877,708,678	
2010	784,602,233	66,823,674	15,441,892	4,179,900	18,311,989			889,359,688	
2011	781,893,148	69,095,920	16,141,065	3,656,050	18,456,483			889,242,666	
2012	789,498,710	68,688,278	16,700,580	4,580,483	22,917,533			902,385,584	
2013	838,291,612	73,948,213	16,121,740	4,729,556	27,120,435			960,211,556	
2014	838,941,658	74,051,309	18,834,615	4,367,467	26,982,342			963,177,391	
2015	845,030,681	70,865,142	21,508,080	5,224,061	25,554,964			968,182,928	

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2006	\$ 0.58	\$ 3.94	\$ 0.65	\$ 0.99
2007	0.76	3.94	0.65	0.99
2008	0.48	3.94	0.65	0.99
2009	0.48	3.94	0.65	1.10
2010	0.48	3.94	0.65	1.10
2011	0.48	3.94	0.65	1.10
2012	0.48	3.94	0.65	1.10
2013	0.52	3.94	0.65	1.10
2014	0.54	3.94	0.65	1.10
2015	0.54	3.94	0.65	1.10

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of		Net Bonded Debt per Capita
					Net Bonded Debt to Assessed Value	Bonded Debt per Capita	
2006	6,630	\$ 555,678,462	\$ 2,631,195	\$ 2,631,195	0.47%	\$ 397	
2007	6,630	566,838,464	2,277,104	2,277,104	0.40%	343	
2008	6,630	863,199,002	1,927,405	1,927,405	0.22%	291	
2009	6,630	877,708,678	1,571,654	1,571,654	0.18%	237	
2010	6,945	889,359,688	1,214,975	1,214,975	0.14%	175	
2011	6,945	889,242,666	855,823	855,823	0.10%	123	
2012	6,945	902,385,584	499,362	499,362	0.06%	72	
2013	6,945	960,211,556	240,000	240,000	0.02%	35	
2014	6,945	963,177,391	-	-	N/A	N/A	
2015	6,945	968,182,928	-	-	N/A	N/A	

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

(2) From Table 6.

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



*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

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A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated December 14, 2015.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
December 14, 2015

# ROBINSON, FARMER, COX ASSOCIATES

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A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited County of King and Queen, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King and Queen, Virginia's major federal programs for the year ended June 30, 2015. County of King and Queen, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of King and Queen, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of King and Queen, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, County of King and Queen, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of County of King and Queen, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of King and Queen, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of King and Queen, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
December 14, 2015

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	950114/1350115	\$ 13,740
Temporary Assistance for Needy Families	93.558	400114/0400115	97,157
Refugee and Entrant Assistance - State Administered Programs	93.566	500114/500115	182
Low-Income Home Energy Assistance	93.568	600414/00600415	10,308
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760114/0760115	14,788
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900114/130115	731
Foster Care - Title IV-E	93.658	1100114/1100115	65,788
Adoption Assistance	93.659	1120114/1120115	43,330
Social Services Block Grant	93.667	1000114/1000115	101,643
Chafee Foster Care Independence Program	93.674	9150114/9150115	578
Children's Health Insurance Program	93.767	540114/0540115	3,734
Medical Assistance Program	93.778	1200114/1200115	137,092
Total Department of Health and Human Services			<u>\$ 489,071</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Pass-Through Payments:			
Department of Health:			
Summer Food Service Program for Children	10.559	Not available	\$ 6,278
Department of Agriculture:			
Food Distribution	10.555	Not available	21,070
Food Distribution	10.559	Not available	2,524
Department of Education:			
National School Lunch Program	10.555	17901-40623	168,546
School Breakfast Program	10.553	17901-40591	80,168
Total Child Nutrition Cluster			<u>\$ 278,586</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114/0010115	126,548
Total Department of Agriculture			<u>\$ 405,134</u>

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Virginia Department of Transportation:			
Highway and planning construction (ISTEA)	20.205	Not available	\$ 221,210
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-59250/50192	<u>10,832</u>
Total Department of Transportation			<u>\$ 232,042</u>
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 71,108</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>\$ 1,700</u>
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not available	\$ 45,147
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	203,764
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	229,810
Special Education - Preschool Grants	84.173	17901-62521	11,246
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	9,244
Twenty-First Century Community Learning Centers	84.287	17901-60565	106,783
English Language Acquisition Grant	84.365	17901-60512	2,061
Improving Teacher Quality State Grants	84.367	17901-61480	<u>27,811</u>
Total Department of Education			<u>\$ 635,866</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,834,921</u></u>

See accompanying notes to schedule of expenditures of federal awards.



County of King and Queen, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received or disbursed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 849,361
Total primary government	<u>\$ 849,361</u>

Component Unit School Board:

School Operating Fund	\$ 705,009
School Cafeteria Fund	280,551
Total Component Unit School Board	<u>\$ 985,560</u>

Total federal expenditures per basic financial statements	<u>\$ 1,834,921</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,834,921</u></u>
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County of King & Queen, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

Any findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133? \_\_\_\_\_ yes ✓ no

Identification of major programs:

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

Dollar threshold used to distinguish between type A  
and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes \_\_\_\_\_ no

**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None

County of King and Queen, Virginia

Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2015

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There were no prior year findings.

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