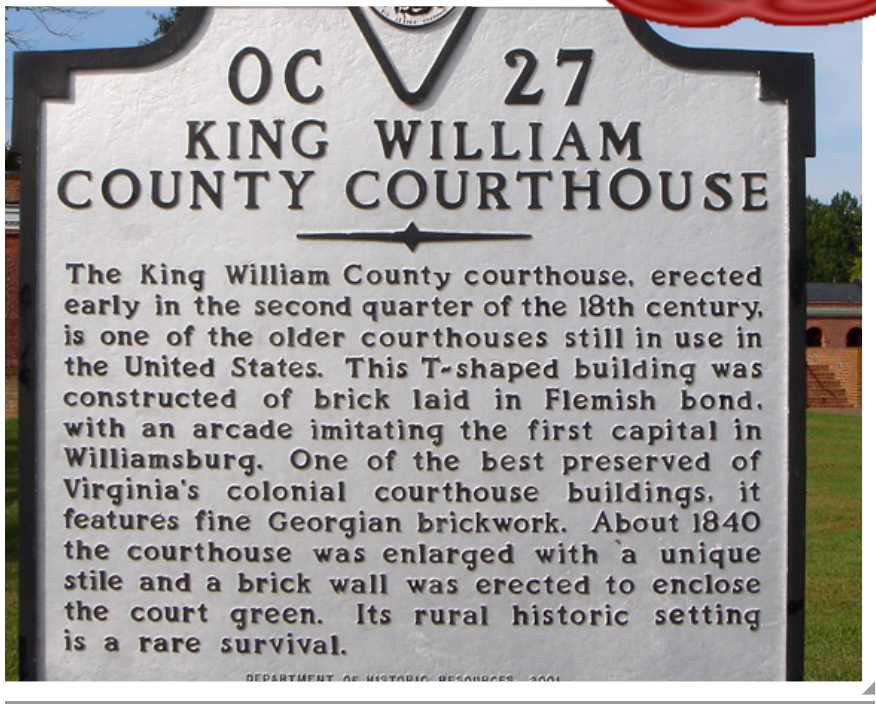


King William County, Virginia

Comprehensive Annual Financial Report



2019

*For the year ended
June 30, 2019*

**COUNTY OF KING WILLIAM, VIRGINIA
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2019 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2019

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Directory of Principal Officials

Organization of the County Government

Certificate of Achievement for Excellence in
Financial Reporting – 2018

Letter of Transmittal

COUNTY OF KING WILLIAM, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2019

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATOR

Bobbie H. Tassinari

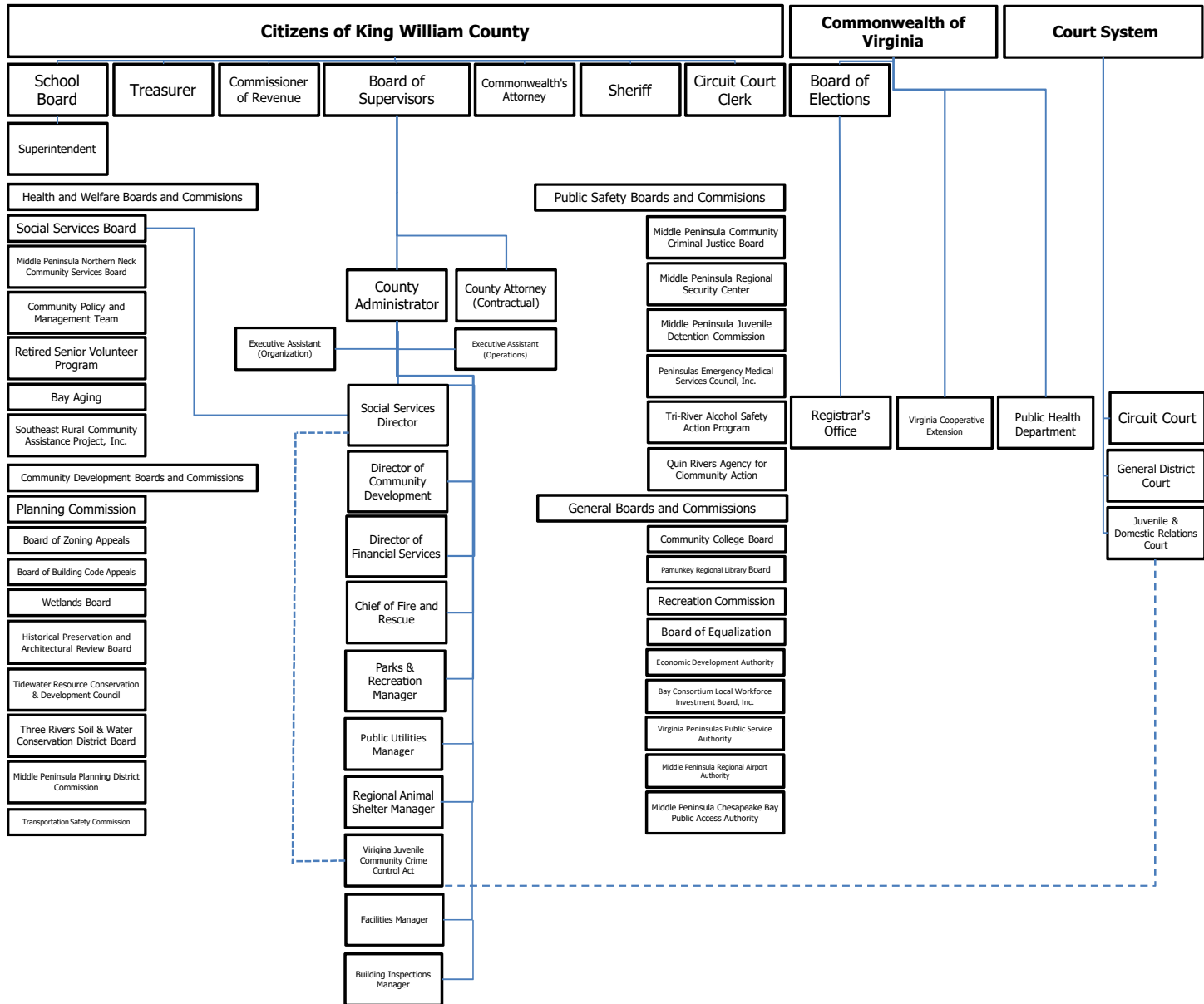
SCHOOL BOARD

Kathy H. Morrison, Chair
Steven M. Tupponce, Vice Chair
Bryan K. Major
Dr. Tara C. Roane
Lindsay M. Robinson

OTHER OFFICIALS

Andrew McRoberts County Attorney
Sally W. Pearson Commissioner of the Revenue
J. S. “Jeff” Walton Sheriff
Natasha Langston Director of Financial Services
Harry L. Whitt Treasurer
Matthew R. Kite Commonwealth Attorney
B. Elliott Bondurant..... Judge of the Circuit Court
Colleen K. Killilea..... Judge of the General District Court
George C. Fairbanks, IV Judge of the Juvenile and Domestic Relations Court
Patricia M. Norman Clerk of the Circuit Court
Anne Mitchell Director of Social Services

County of King William Organization Chart





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

King William County Government and Public Schools



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

Telephone (804) 769-4929

Fax (804) 769-4964

December __, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the “County”) for the fiscal year ended June 30, 2019. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

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

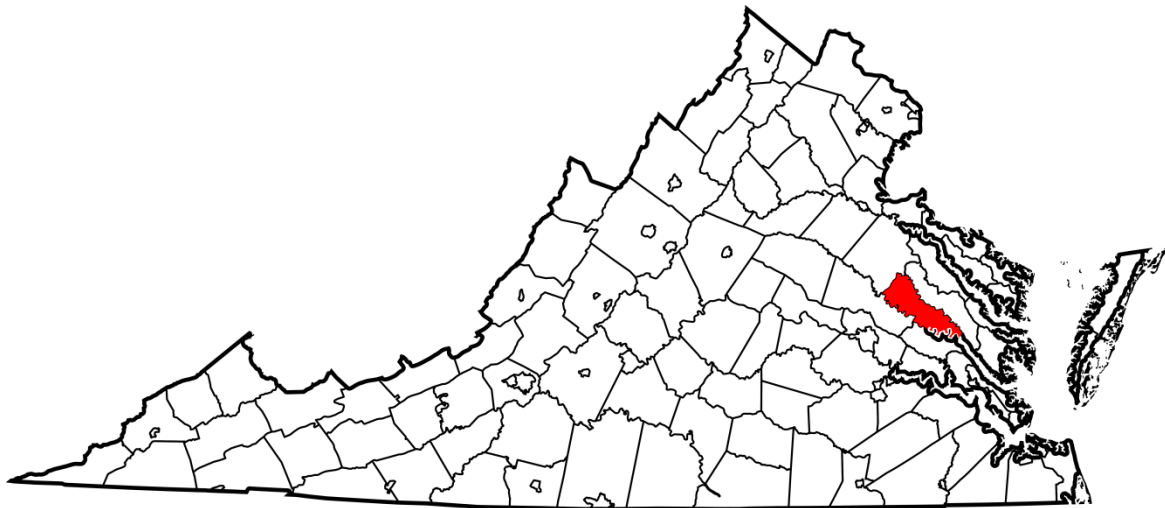
The County's financial statements have been audited by the firm of Brown, Edwards & Company, L.L.P. a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County’s financial statements are fairly presented in conformity with GAAP.

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

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

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Based on estimates calculated by the Weldon Cooper Center for Public Policy, King William County's population is estimated at 16,916 as of July 1, 2018 (published on January 28, 2019, <http://demographics.coopercenter.org/virginia-population-estimates/>). This is a 6.2% increase in population since the 2010 census was completed. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



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

Government

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

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

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

School Board

King William County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The King William County Public Schools (KWPCS) is the single largest service provided by the County. The mission of King William County Public Schools is to "provide rigorous instruction in a challenging atmosphere to meet the educational needs of all students by supporting the efforts of the professional team and encouraging community involvement."

The 21st century vision for King William County Schools is outlined in its comprehensive six-year plan, Moving Into the 21st Century: Critical Thinking, Communicating, Collaborating, Creativity. Based upon the research of what works in schools and school divisions and best instructional practices, six principle goals have been developed to guide student academic growth and achievement. King William County Public Schools priorities are as follows:

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

Each school within the division is fully accredited by the Virginia Board of Education. The school division's four year on-time graduation rate is 94.8% compared to the state average of 91.5%. By the time students graduate high school, they have well-rounded educational experiences. Approximately 35% of high school students are enrolled on advanced placement courses, dual enrollment courses, or the Governor's school. Students at the high school are also earning industry certifications and workplace readiness credentials.

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

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

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In January, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in March and the proposed operating and capital budgets in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. In May, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the general fund is provided in this report in Exhibit 7.

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

Factors Affecting Financial Condition

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

Local Economy

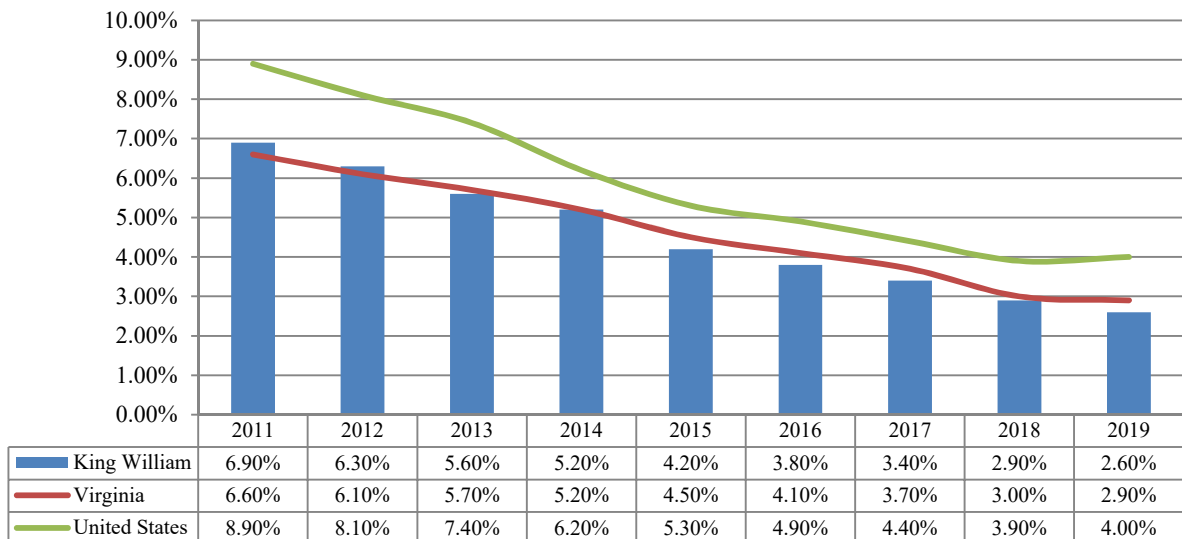
King William County's housing economy, as was the rest of the nation, was significantly impacted by the turmoil in the national housing market. The local real estate housing market continues to improve as the economic environment improves.

The County's real estate valuation is reassessed on a quadrennial basis. The Code of Virginia, Section 581.-3252 allows for localities with less than 50,000 citizens to extend the reassessment period up to six years upon approval by the governing authority. The most recent reassessment was conducted in 2014, effective January 1, 2015. In 2019 the general property taxes of the County were derived from real estate (including mobile homes and mines & minerals), personal property (including airplanes), machinery and tools, and public service. A reassessment is scheduled to be conducted in fiscal year 2019 and 2020. The reassessment will be effective January 1, 2021.

Several key economic indicators show that the County's economy continues to show signs of improvement. Local sales tax has increased 7% over the prior year which continues to be a positive sign for the King William economy. Local government revenues are prime economic indicators of the confidence of consumers. Increase spending in the county shows our citizens and visitors are feeling more confident as consumers of goods. Permits, privilege fee, and regulatory licenses in 2019 were up 7.5% from 2018.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. During calendar year 2019, unemployment in King William County has consistently posted a lower ratio than the Commonwealth. Historical patterns show unemployment peaks in the month of January and falls throughout the year with a very low rate in April that goes back up to a normal range in May each year. The County's unemployment rate is 2.6% as of August 2019. Unemployment rates are down in the Commonwealth of Virginia (June 2019 2.9%) and nationwide. While the county has a slightly lower rate of unemployment compared to the larger workforce pools it is on par with that trend.

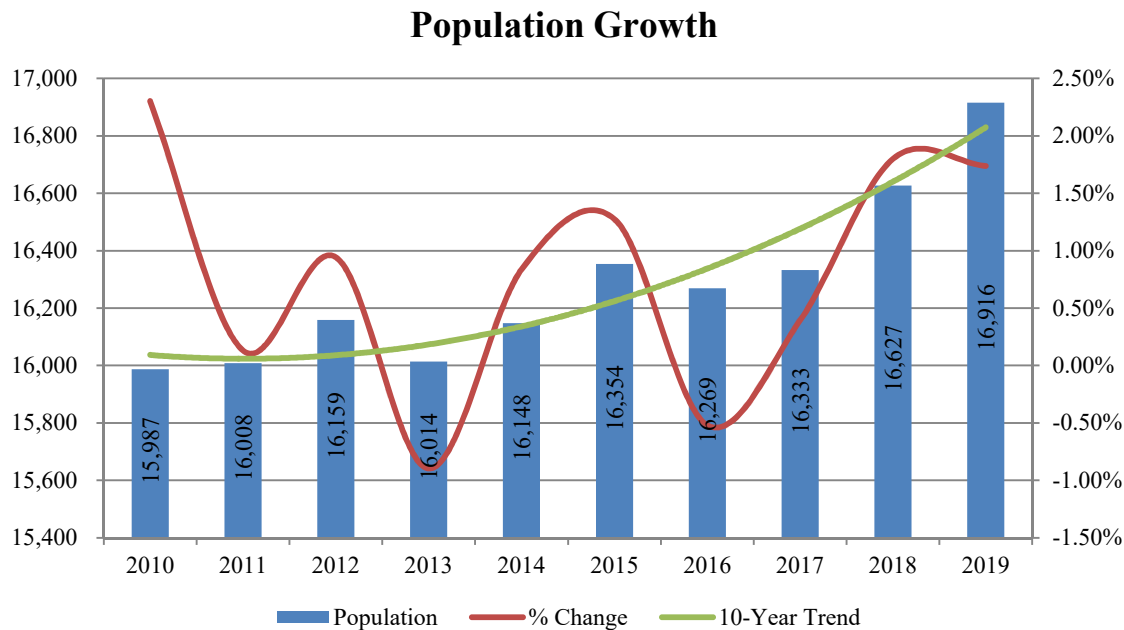
Unemployment Rates



Source: Virginia Labor Market Information (not seasonally adjusted)

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 5.8%, with an average annual growth rate of about 0.58%. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.



Source: Weldon Cooper Estimates for Virginia and its Counties and Cities, provisional estimate

The primary goal of the County’s economic development efforts is to assist the existing businesses as they grow and expand within the County. The County has joined the Middle Peninsula Alliance to collaboratively seek out economic development options as well as coordinate strategies with other localities within the region. The majority of businesses in King William County are small, with 92% having fewer than 20 employees (VEC LMI).

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

Long-Term Financial Planning

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

The Capital Needs Plan is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2019-2023 capital budget for new County and School projects totals \$16.6 million. These projects include:

- \$11.9 million for total school system projects, which includes \$8 million for renovation of Hamilton Homes Middle School
- \$4.7 million for the county government, which includes \$2 million Restricted Infrastructure for economic growth

The Capital Needs Plan defers expenditures where possible and recommends funding consistent with the Board of Supervisors’ financial policies. The FY 2019 Capital Needs budget included vehicle replacement, school bus replacement, school technology infrastructure and park and road improvements.

Relevant Financial Policies

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

During FY 2019 the County continued to improve financial practices by implementing best practice measures recommended by our audit firm. King William County has a formally adopted purchasing policy, has made improvements in documenting information that relates to employees, and has made improvements in segregation of duties where possible to create greater internal controls. County staff has worked to implement the best practices recommended by our auditors to the best of our abilities where feasible. The County has been working to develop policies and procedures that address processes and provide consistent guidance for County staff. Because the cost of internal controls should not outweigh their benefits, the County's internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

Implementation of New Accounting Requirements

In FY 2014 the County implemented GASB Statements No. 65 through No. 67, as applicable and in FY 2015, the County implemented GASB Statements No. 68, No. 69, No. 70 and No. 71, as applicable. In FY 2018, the County implemented GASB Statement No. 75.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2018. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully submitted,


Bobbie H. Tassinari
County Administrator
Natasha Langston
Director of Financial Services

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2019 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2019

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

In our opinion, the fund financial statements of the agency funds and School Board and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2019. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2019 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$22.6 million at June 30, 2019.
- The total cost of the County's programs or governmental activities, was \$36.0 million, an increase of \$3.8 million, from the prior year's cost of \$32.2 million. Total revenues for governmental activities were \$30.3 million, an increase of \$0.7 million from the prior year.
- At June 30, 2019, the County has \$25.8 million of long-term obligations outstanding, a decrease of \$5 million from the prior year. This includes \$14 million of general obligation bonds, \$8.1 million of revenue bonds, \$1.7 million of capital leases related to assets on the books, and \$1.6 million of premium bonds. In addition, \$0.4 million in compensated absences.
- The School Board component unit has positive net position of \$12.4 million at June 30, 2019. Revenues, including the County contribution, totaled \$35.1 million, an increase from the prior year of \$9.4 million, and expenses totaled \$25.5 million, an increase of \$5.2 million from the prior year.
- As of June 30, 2019, the County governmental funds reported combined fund balances of \$12.2 million, a decrease of \$10.4 million from the prior year due to \$2.1 million utilized (2) debt service pay offs and \$7.8 million of drawdowns for the Hamilton Homes Middle School project. The County's General fund had a total fund balance of \$7.7 million at June 30, 2019. Of the General Fund balance, \$0.8 million is committed fund balance, \$0.6 is restricted for fund balance, \$6.1 million is unassigned fund balance and a negligible amount is committed for assigned fund balance.
- General fund revenues were \$0.5 million over the amended budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2018 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

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

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

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

The required supplementary information includes this discussion and analysis, the Schedule of Funding Progress for the Virginia Retirement System, and the Other Postemployment Benefits Program (OPEB).

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 King William County Summary of Net Position (\$ in millions)						
	Primary Government Governmental Activities		Component Unit School Board		Total Reporting Entity Including School Board	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and Other Assets	\$ 21.8	\$ 32.1	\$ 6.0	\$ 5.1	\$ 27.8	\$ 37.2
Capital Assets	23.0	23.9	31.3	23.4	54.3	47.3
Total Assets	\$ 44.8	\$ 56.0	\$ 37.3	\$ 28.5	82.1	84.5
Deferred Outflows of Resources	0.8	0.6	3.2	3.0	4.0	3.6
Total Assets and Deferred Outflows of Resources	\$ 45.6	\$ 56.6	\$ 40.5	\$ 31.5	86.1	88.1
Liabilities:						
Current Liabilities	2.2	2.4	2.9	2.9	5.1	5.3
Long-term Liabilities	26.9	31.6	22.2	22.8	49.1	54.4
Total Liabilities	29.1	34.0	25.1	25.7	54.2	59.7
Deferred Inflows of Resources	6.3	6.6	3.0	3.0	9.3	9.6
Total Liabilities and Deferred Inflows of Resources	35.4	40.6	28.1	28.7	63.5	69.3
Net Position:						
Net Investment in Capital Assets	11.3	3.5	31.3	23.4	42.6	26.9
Restricted	5.1	1.2	-	-	5.1	1.2
Unrestricted	(6.2)	11.3	(18.9)	(20.6)	(25.1)	(9.3)
Total Net Position	\$ 10.2	\$ 16.0	\$ 12.4	\$ 2.8	\$ 22.6	\$ 18.8

Table 1 may differ from Exhibit 1 due to rounding.

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

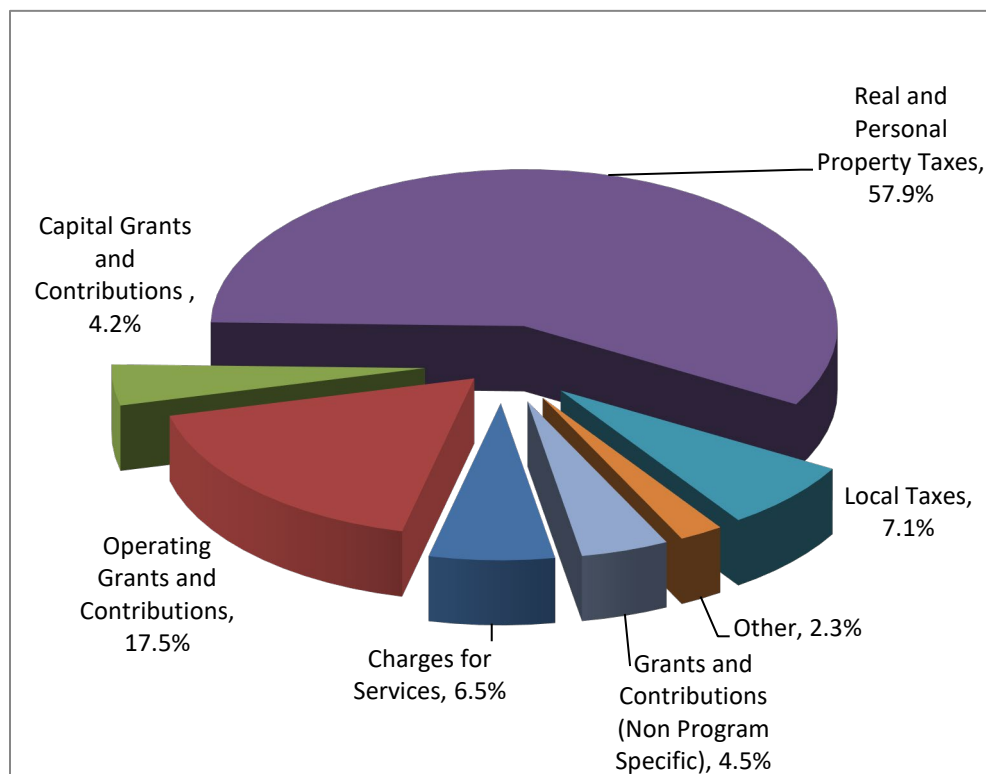
The total reporting entity, which includes the School Board component unit, had positive net position of \$22.6 million at June 30, 2019. Net position increased from the prior year, which reflects the impact of the implementation of the long term liability reporting associated with the retirement system.

The Primary Government: The primary government had net position of \$10.2 million at June 30, 2019, which reflects a decrease of \$0.5 million from the prior year. A portion of net position, \$11.3 million, represents the County's investment of \$5.7 million in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$(1.0) million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2019 totaled \$25.8 million. Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position decreased by \$5.7 million from the prior year.

Governmental Activities - Revenues

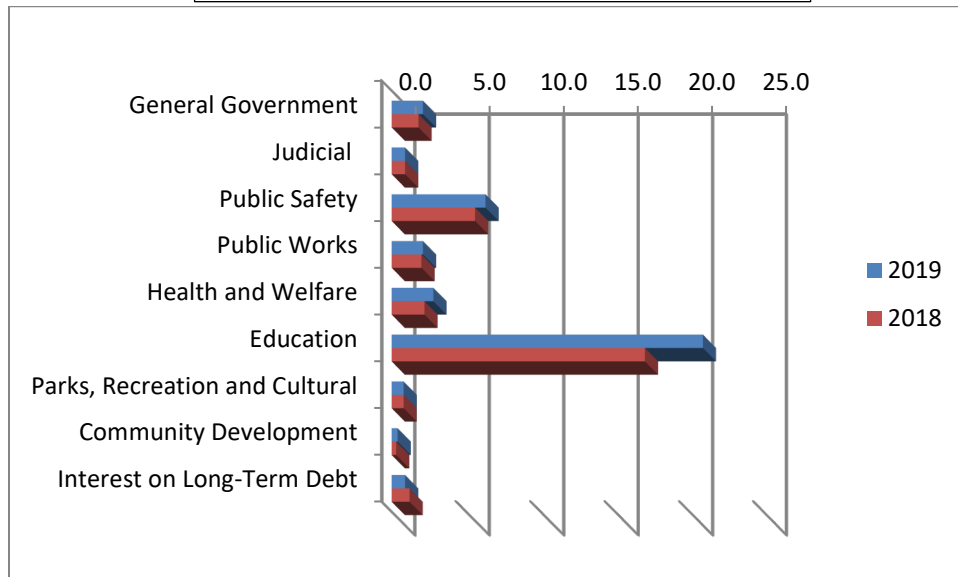


Revenues from governmental activities for fiscal year 2019 totaled \$30.3 million, an increase of \$0.7 million from fiscal year 2018. Taxes comprise the largest source of revenues, totaling \$21.0 million, of which general property taxes account for \$17.9 million, or 55% of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$7.2 million, or 28% of total revenues. Revenues from grants and contributions not restricted to specific programs totaled \$2.1 million, or 7% of total revenues.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2019 and 2018.

King William County Change in Net Position (\$ in millions)						
Table 2	Primary Government		Component Unit		Total	
	Governmental				Reporting Entity	
	Activities		School Board		Including	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	2.0	2.0	0.6	0.5	2.6	2.5
Operating Grants and Contributions	3.8	5.0	15.2	14.7	19.0	19.7
Capital Grants and Contributions	1.5	0.2	8.1	-	9.6	0.2
General Revenues:						
Real and Personal Property Taxes	17.9	17.8	11.2	10.5	29.1	28.3
Other Taxes	3.0	2.8	-	-	3.0	2.8
Other	0.5	0.2	-	-	0.5	0.2
Grants and Contributions (Non Program Specific)	1.6	1.6	-	-	1.6	1.6
Total Revenues	30.3	29.6	35.1	25.7	65.4	55.3
Expenses						
General Government	2.1	1.9	-	-	2.1	1.9
Judicial	0.9	0.9	-	-	0.9	0.9
Public Safety	6.4	5.6	-	-	6.4	5.6
Public Works	2.8	2.0	-	-	2.8	2.0
Health and Welfare	2.8	2.2	-	-	2.8	2.2
Education	18.9	17.0	25.5	20.3	44.4	37.3
Parks, Recreation and Cultural	0.8	0.8	-	-	0.8	0.8
Community Development	0.4	0.3	-	-	0.4	0.3
Interest on Long-Term Debt	0.9	1.4	-	-	0.9	1.4
Total Expenses	36.0	32.1	25.5	20.3	61.5	52.4
Change in Net Position	-5.7	-2.5	9.6	5.4	3.9	2.9
Beginning Net Position	16.0	18.5	2.8	-2.6	18.8	15.9
Ending Net Position	10.3	16.0	12.4	2.8	22.7	18.8
<i>Table 2 may differ from Exhibit 2 due to rounding.</i>						

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$36.0 million, an increase of 12% from \$32.1 million in fiscal year 2018. The primary increase of \$3.9 million is due to Hamilton Homes Middle School Renovation and Construction Project.

- Increase in Education expenses was due to Capital Project, Hamilton Homes Middle School Renovation project. The County issued Bond Series 2017 to assist with the costs connected to the project.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$18.9 million, or 56% of total expenses. Public safety expenses, which total \$6.3 million or 17%, represent the second largest expense category for governmental activities.

Governmental Activities- Functional Expenses For the Fiscal Year Ended June 30, 2019

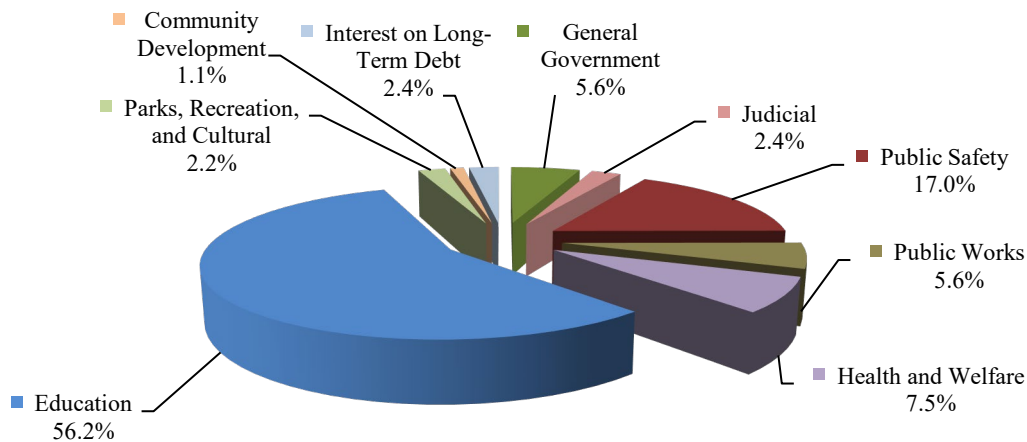


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the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

Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2019 and 2018 (\$ in millions)					
	Total Cost of Services		Net Cost of Services		
	2019	2018	2019	2018	
General government	\$ 2.1	\$ 1.9	\$ 1.6	\$ 1.4	
Judicial	0.9	0.9	0.4	0.4	
Public safety	6.4	5.6	3.2	4.2	
Public works	2.8	2.0	2.2	1.2	
Health and welfare	2.8	2.2	1.2	0.8	
Education	18.9	17.0	18.6	11.9	
Parks, recreation and cultural	0.8	0.8	0.6	0.5	
Community development	0.4	0.3	0.1	0.1	
Interest on long-term debt and other	0.9	1.4	0.9	1.4	
Total	\$ 36.0	\$ 32.1	\$ 28.8	\$ 21.9	
<i>Table 3 may differ from Exhibit 2 due to rounding</i>					

After recognizing the effect of revenue from these fees, grants, and contributions, the net cost of governmental activities was \$28.8 million, compared to a total cost of \$36.0 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds: As of June 30, 2019, the County's governmental funds reported a combined ending fund balance of \$12.2 million (Exhibit 3), a decrease of \$10.4 million from the prior year. The decrease is primarily associated with a drawdowns from Hamilton Holmes Middle School project bond and debt services pay offs for 2002A and 2002B bond.

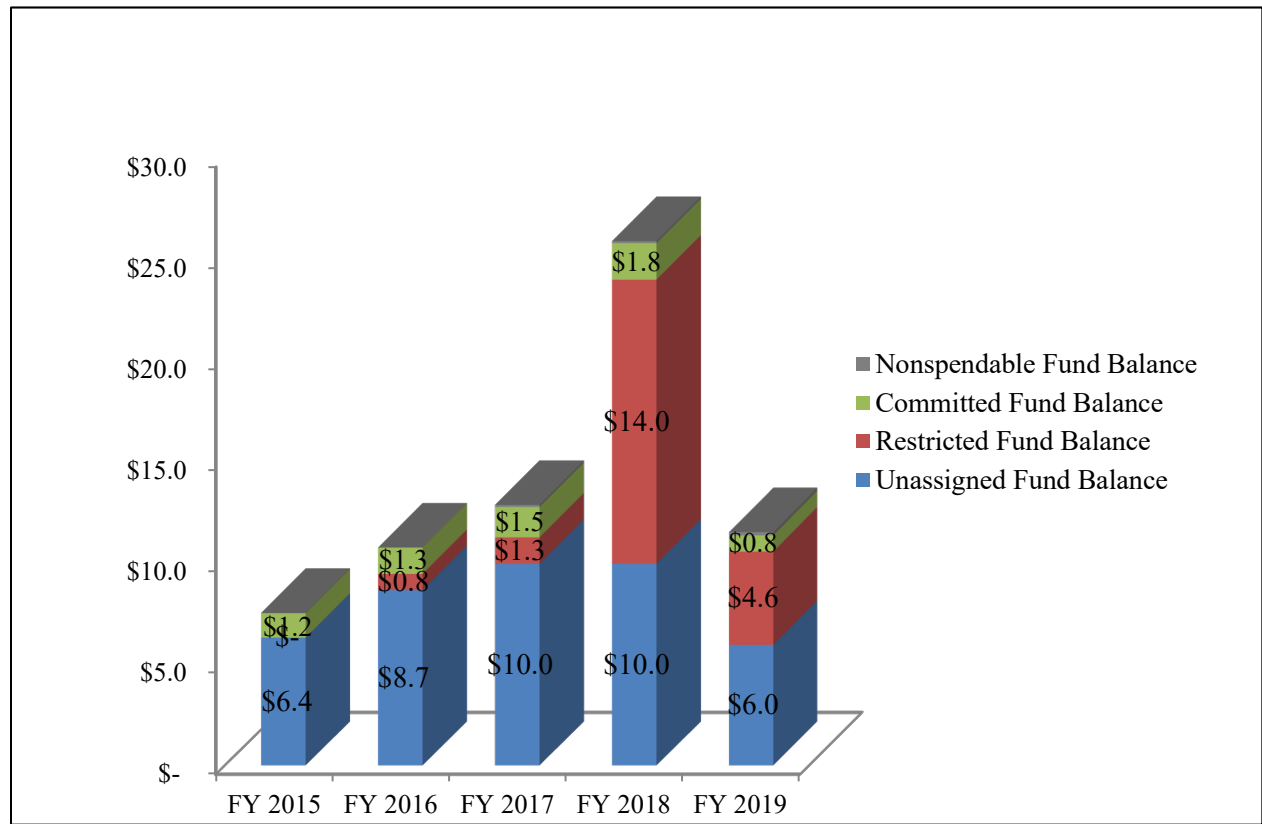
Other significant outlays in fiscal year 2019 included the following:

- The General Fund contributed \$9.2 million in operating funds to finance the Schools operations and debt service.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$6.1 million (Exhibit 3). This represents 23% of general operating revenues budgeted for the coming year in the General Fund. At this level, when combined with committed and nonspendable fund balances, the County has sufficient funds to operate approximately four months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.

The Restricted Fund Balance includes \$0.1 million for County Debt Service, \$3.4 million for County Capital Projects and \$1.1 million for School Capital Projects.

Composition of General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2019 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 20.5	\$ 20.5	\$ 20.9
Other	1.4	1.4	2.0
Intergovernmental	5.2	5.2	4.8
Total revenues	<u>27.1</u>	<u>27.1</u>	<u>27.7</u>
<u>Expenditures</u>			
Expenditures	<u>24.1</u>	<u>24.1</u>	<u>23.5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3.0</u>	<u>3.0</u>	<u>4.2</u>
<u>Other financing sources (uses)</u>			
Transfers in	-	-	-
Transfers out	<u>(9.00)</u>	<u>(9.00)</u>	<u>(9.80)</u>
Change in fund balance	\$ <u>(6.00)</u>	\$ <u>(6.00)</u>	\$ <u>(5.60)</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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

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

Final amended budget revenues remained level. Actual expenditures for the General Fund totaled \$25.5 million or \$1.4 million more than the amended budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

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

Table 5	King William County Capital Assets (\$ in millions)					
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2019	2018	2019	2018	2019	2018
Land	\$0.8	\$0.8	\$0.1	\$0.1	\$0.9	\$0.9
Buildings and improvements	12.4	10.9	18.0	5.3	30.4	16.2
Equipment	6.1	5.5	4.0	3.7	10.1	9.2
Jointly owned assets	7.4	8.9	31.3	29.8	38.7	38.7
Land improvements	-	-	0.3	0.4	0.3	0.4
Infrastructure	12.8	13.6	0.8	0.3	13.6	13.9
Construction in progress	-	-	-	5.3	-	5.3
Total Capital Assets	39.5	39.7	54.5	44.9	94.0	84.6
Less: Accumulated depreciation/ amortization	(16.6)	(15.9)	(23.2)	(21.5)	(39.8)	(37.4)
Net Capital Assets	\$22.9	\$23.8	\$31.3	\$23.4	\$54.2	\$47.2

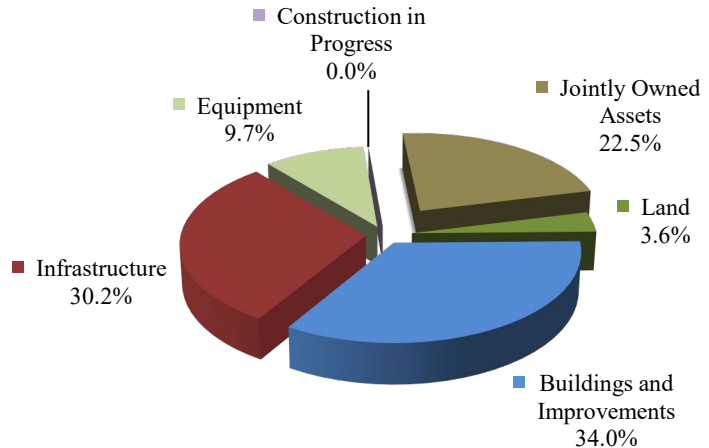
Table 5 may differ from Note 5 due to rounding.

As of June 30, 2019, the total reporting entity had net capital assets of \$54.2 million in capital assets, an increase of \$7.0 million from the prior year. This increase is due to the Hamilton Homes Middle School Renovation project.

Governmental Activities - Net Capital Assets at June 30, 2019

*Chart represents only
Governmental Activities-Primary Government

For governmental activities, the County's investment in non-depreciable assets totaled \$0.8 million, while depreciable assets totaled \$22.1 million (net of depreciation). Total net capital assets for governmental activities decreased by \$0.9 million when compared to the prior year.



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

- Governmental activity Building and Improvements additions include \$1.5 million for Station King William Fire and Rescue property
- Governmental activity Equipment additions total \$0.7 million includes Fire & EMS equipment purchased from King William Volunteer Auxiliary for \$0.3 million, \$0.2 million for new Ambulance, \$0.2 million for Tractor, Towable Boom, and vehicle purchases
- Governmental activity included a decrease of \$1.5 million jointly owned assets. School Board capital assets are jointly owned by the County and the School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2019, the County transferred assets with costs of \$1,518,533 and accumulated depreciation of \$551,577 to the School Board.

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

Long-term Obligations

Table 6 provides an overview of the Long-Term obligations for the primary government.

Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	July 1, 2018	Net Increase (Decrease)	June 30, 2019
Governmental Activities:			
General obligation bonds	\$ 17.9	\$ (3.9)	\$ 14.0
Revenue bonds	8.5	(0.5)	8.0
State literary fund loans	0.3	(0.3)	-
Capital leases	1.9	(0.2)	1.7
County's premium on bonds	1.8	(0.2)	1.6
Subtotal	30.4	(5.1)	25.3
Compensated absences	0.40	-	0.40
Total long-term obligations	\$ 30.8	\$ (5.1)	\$ 25.7

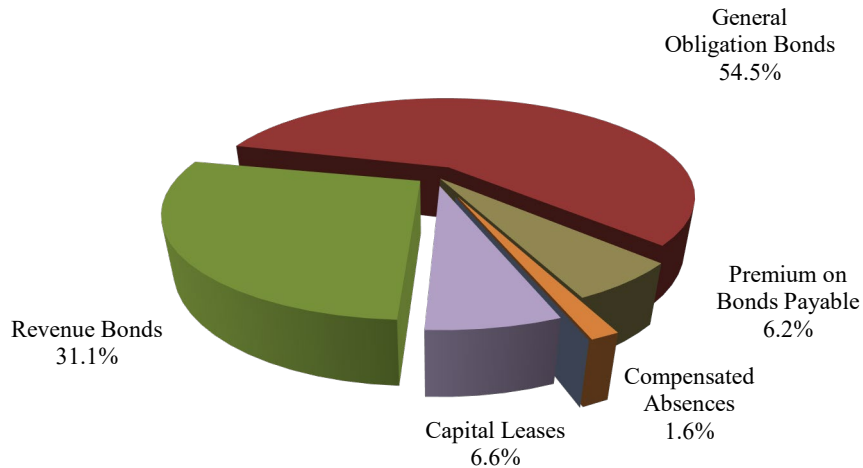
Table 6 may differ from Note 6 due to rounding.

As of June 30, 2019, the County's governmental activities had long-term obligations totaling \$25.7 million, of which \$25.3 million represents indebtedness related to capital leases, long-term commitments, and issuances of bonds on behalf of the county and the School Board component unit. This represents a decrease of \$5.1 million, or 17% in long-term obligations from the prior year. The decrease is due primarily to the following activities during the fiscal year:

- The use of fund balance to pay off \$3.5 million of debt, in addition to normal debt payments.
- Compensated absences remained constant.

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

Governmental Activities – Total Debt
As of June 30, 2019



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for King William County in August 2019 was 2.6%, down .30% from August 2018. This compares favorably to the National average rate of 4%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,916, an increase of .02% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report. <http://demographics.coopercenter.org/virginia-population-estimates/?q=demographics/virginia-population-estimates>.
- The enrollment in public schools decreased in fiscal year 2019 to 2,173 from fiscal year 2018 of 2,181. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$45,300 as of 2017, compared to \$54,597 for the Richmond Metropolitan Area, as reported by Bureau of Economic Analysis. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2020 Budget and Rates

- For fiscal year 2020, the adopted budget for the General Fund is \$25.6 million, a decrease of 7.4% from fiscal year 2019. In fiscal year 2019 \$2 million was appropriated to Capital Fund for Infrastructure and will roll forward into fiscal year 2020.

Revenues in FY2020 are comprised primarily of general property taxes at 72%, other local taxes at 12%, permits, privilege fees, regulatory licenses, and fines at 2%, State assistance at 12%, and other revenues at 1% of which includes \$0.7 million of general fund balance for capital items.

- In fiscal year 2020, funding for the King William County Public Schools operations represents 39% of the General Fund. The recommended operational transfer for the King William County Public Schools is \$10,012,161. Funding for School debt service including the anticipated Hamilton Homes Middle School debt service totals \$1,593,705. Total funds committed to School for FY2020 is \$11,605,866 or a 4% increase from the prior year. The King William County Public Schools debt service is managed and payments made by the County.
- Public safety accounts for 17% of appropriations in fiscal year 2020, the second largest component of budgeted expenditures.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,045,209	\$ 4,595,720
Receivables, net: (Note 3)		
Property taxes, including penalties	7,798,176	-
Accounts receivable	133,836	20,423
Due from other governments (Note 4)	1,387,471	960,984
Prepays	60,067	1,332
Cash and cash equivalents, restricted (Note 2)	5,428,913	-
Net pension asset (Notes 7 and 10)	-	388,503
Capital assets: (Note 5)		
Nondepreciable	825,098	76,340
Depreciable, net	22,158,475	31,244,527
Total assets	44,837,245	37,287,829
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	208,616	-
Deferred outflows related to pensions (Notes 7 and 10)	556,585	2,428,080
Deferred outflows related to other postemployment benefits (Notes 8, 9, and 10)	50,825	808,684
Total deferred outflows of resources	816,026	3,236,764
LIABILITIES		
Accounts payable and accrued liabilities	1,555,416	280,286
Accrued payroll and related liabilities	4,054	2,425,940
Due to other governments (Note 4)	151,290	-
Deposits	138,986	-
Unearned revenue (Note 3)	570	-
Insurance and benefit claims	-	254,324
Accrued interest payable	379,532	-
Noncurrent liabilities:		
Net pension liability (Notes 7 and 10)	596,643	17,421,000
Net other postemployment benefit liability (Notes 8, 9, and 10)	492,302	4,587,370
Due within one year (Note 6)	1,799,610	123,147
Due in more than one year (Note 6)	23,992,189	61,574
Total liabilities	29,110,592	25,153,641
DEFERRED INFLOWS OF RESOURCES		
Property taxes (Note 3)	6,015,537	-
Deferred inflows related to pensions (Notes 7 and 10)	215,338	2,775,286
Deferred inflows related to other postemployment benefits (Notes 8, 9, and 10)	30,844	220,025
Total deferred inflows of resources	6,261,719	2,995,311
NET POSITION		
Net investment in capital assets	11,351,123	31,320,867
Restricted:		
General Government	610,618	-
Debt service	117,397	-
Capital projects	4,449,716	-
Unrestricted (deficit)	(6,247,894)	(18,945,226)
Total net position	\$ 10,280,960	\$ 12,375,641

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Discretely Presented Component Unit
					Governmental Activities	School Board
Primary Government:						
Governmental activities:						
General government administration	\$ 2,104,830	\$ 332,792	\$ 211,956	\$ -	\$ (1,560,082)	\$ -
Judicial administration	873,220	25,309	436,342	-	(411,569)	-
Public safety	6,362,331	599,811	1,336,543	1,249,580	(3,176,397)	-
Public works	2,799,756	461,125	121,779	33,168	(2,183,684)	-
Health and welfare	2,784,955	1,071	1,619,292	-	(1,164,592)	-
Education	18,861,910	-	-	195,005	(18,666,905)	-
Parks, recreation, and cultural	844,000	218,695	-	-	(625,305)	-
Planning and community development	426,016	315,527	-	-	(110,489)	-
Interest	905,111	-	-	-	(905,111)	-
Total governmental activities	<u>\$ 35,962,129</u>	<u>\$ 1,954,330</u>	<u>\$ 3,725,912</u>	<u>\$ 1,477,753</u>	<u>\$ (28,804,134)</u>	<u>\$ -</u>
Component Unit:						
School Board	<u>\$ 25,496,327</u>	<u>\$ 637,265</u>	<u>\$ 15,134,620</u>	<u>\$ 8,068,893</u>	<u>-</u>	<u>\$ (1,655,549)</u>
General revenues:						
Taxes:						
General property taxes					17,946,512	-
Other local taxes:						
Local sales and use					1,084,402	-
Business license taxes					501,619	-
Consumer's utility tax					255,977	-
Motor vehicle license taxes					438,264	-
Recordation and wills					226,000	-
Other					520,012	-
Appropriation from primary government					-	11,184,294
Intergovernmental, non-categorical aid					1,596,248	-
Revenue from use of money and property					462,598	427
Miscellaneous					46,130	47,053
Total general revenues					<u>23,077,762</u>	<u>11,231,774</u>
Change in net position					<u>(5,726,372)</u>	<u>9,576,225</u>
NET POSITION, BEGINNING					<u>16,007,332</u>	<u>2,799,416</u>
NET POSITION, ENDING					<u>\$ 10,280,960</u>	<u>\$ 12,375,641</u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2019**

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,045,209	\$ -	\$ -	\$ -	\$ 7,045,209
Receivables, net:					
Property taxes	7,798,176	-	-	-	7,798,176
Accounts receivable	133,836	-	-	-	133,836
Due from other governments	989,336	-	-	398,135	1,387,471
Prepaid items	60,067	-	-	-	60,067
Cash and cash equivalents, restricted	-	138,154	3,426,919	1,863,840	5,428,913
Total assets	<u>\$ 16,026,624</u>	<u>\$ 138,154</u>	<u>\$ 3,426,919</u>	<u>\$ 2,261,975</u>	<u>\$ 21,853,672</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 295,481	\$ 20,757	\$ 35,893	\$ 1,203,285	\$ 1,555,416
Accrued payroll and related liabilities	4,054	-	-	-	4,054
Due to other governments	151,290	-	-	-	151,290
Deposits	138,986	-	-	-	138,986
Unearned revenue	212,837	-	-	-	212,837
Total liabilities	<u>802,648</u>	<u>20,757</u>	<u>35,893</u>	<u>1,203,285</u>	<u>2,062,583</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>7,543,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,543,320</u>
Total deferred inflows of resources	<u>7,543,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,543,320</u>
FUND BALANCES					
Nonspendable	60,067	-	-	-	60,067
Restricted	610,618	117,397	3,391,026	1,058,690	5,177,731
Committed	772,658	-	-	-	772,658
Assigned	117,812	-	-	-	117,812
Unassigned	6,119,501	-	-	-	6,119,501
Total fund balances	<u>7,680,656</u>	<u>117,397</u>	<u>3,391,026</u>	<u>1,058,690</u>	<u>12,247,769</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,026,624</u>	<u>\$ 138,154</u>	<u>\$ 3,426,919</u>	<u>\$ 2,261,975</u>	<u>\$ 21,853,672</u>

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total Fund Balances - Governmental Funds \$ 12,247,769

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

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

Nondepreciable	\$ 825,098	
Depreciable, net	22,158,475	
		22,983,573

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

Property taxes		1,740,050
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Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to:

Pensions	556,585	
Other postemployment benefits	50,825	

Deferred inflows related to:

Pensions	(215,338)	
Other postemployment benefits	(30,844)	

Net pension liability	(596,643)	
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Net other post employment benefit liability	(492,302)	
		(727,717)

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

General obligation and revenue bonds, including unamortized premiums	(23,644,905)	
Deferred charge on refunding	208,616	
Capital leases	(1,715,000)	
Compensated absences	(431,894)	
Interest payable	(379,532)	
		(25,962,715)

Total Net Position - Governmental Activities		\$ 10,280,960
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COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
REVENUES					
General property taxes	\$ 17,897,750	\$ -	\$ -	\$ -	\$ 17,897,750
Other local taxes	3,026,274	-	-	-	3,026,274
Permits, privilege fees, proffers and regulatory licenses	321,298	-	332,792	-	654,090
Fines and forfeitures	81,656	-	-	-	81,656
Revenue from use of money and property	197,964	6,724	-	257,910	462,598
Charges for service	1,039,414	-	-	-	1,039,414
Miscellaneous	46,130	-	-	-	46,130
Reimbursements from component unit	-	-	-	195,005	195,005
Recovered costs	293,079	-	-	-	293,079
Intergovernmental	4,810,115	-	-	398,136	5,208,251
Total revenues	<u>27,713,680</u>	<u>6,724</u>	<u>332,792</u>	<u>851,051</u>	<u>28,904,247</u>
EXPENDITURES					
Current:					
General government	1,715,668	-	-	-	1,715,668
Judicial administration	737,218	-	-	-	737,218
Public safety	5,758,055	-	-	-	5,758,055
Public works	2,025,533	-	-	-	2,025,533
Health and welfare	2,773,911	-	-	-	2,773,911
Education	9,142,876	-	-	-	9,142,876
Parks, recreation, and cultural	806,933	-	-	-	806,933
Community development	435,974	-	-	-	435,974
Nondepartmental	68,581	-	-	-	68,581
Capital outlays	-	-	962,444	8,567,880	9,530,324
Debt service:					
Principal	-	5,087,410	-	-	5,087,410
Interest and fiscal charges	-	1,223,719	-	-	1,223,719
Total expenditures	<u>23,464,749</u>	<u>6,311,129</u>	<u>962,444</u>	<u>8,567,880</u>	<u>39,306,202</u>
Excess (deficiency) of revenues over expenditures	<u>4,248,931</u>	<u>(6,304,405)</u>	<u>(629,652)</u>	<u>(7,716,829)</u>	<u>(10,401,955)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	6,408,638	3,290,000	1,055,909	10,754,547
Transfers out	(9,847,219)	-	-	(907,328)	(10,754,547)
Total other financing sources (uses)	<u>(9,847,219)</u>	<u>6,408,638</u>	<u>3,290,000</u>	<u>148,581</u>	<u>-</u>
Net change in fund balances	<u>(5,598,288)</u>	<u>104,233</u>	<u>2,660,348</u>	<u>(7,568,248)</u>	<u>(10,401,955)</u>
FUND BALANCES, BEGINNING	<u>13,278,944</u>	<u>13,164</u>	<u>730,678</u>	<u>8,626,938</u>	<u>22,649,724</u>
FUND BALANCES, ENDING	<u>\$ 7,680,656</u>	<u>\$ 117,397</u>	<u>\$ 3,391,026</u>	<u>\$ 1,058,690</u>	<u>\$ 12,247,769</u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ (10,401,955)

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

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

Capital outlays	\$ 654,911	
Depreciation expense	(1,407,610)	
		(752,699)

Governmental funds do not report capital contributions as they do not provide current financial resources, however in the Statement of Activities they are recorded as capital asset additions and contribution revenue.

Contributed capital asset	1,494,360	
Debt assumed	(244,780)	
		1,249,580

Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets. (682,962)

Transfer of joint tenancy assets from Primary Government to the Component Unit. (966,957)

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

Property taxes		48,763
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Developer agreements represent capital assets contributed in previous years for future service (long-term credits)		33,168
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences. 5,087,410

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.

Employer other postemployment benefit contributions	23,967	
Other post employment benefit expense	(26,052)	
		(2,085)

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions **\$370,815** exceed pension expense **\$10,219** in the current period. 360,596

Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (17,839)

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

Amortization of premiums	135,707	
Amortization of deferred charge on refunding	(19,973)	
Change in accrued interest payable	202,874	
		318,608

Changes in Net Position - Governmental Activities \$ (5,726,372)

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 17,695,990	\$ 17,695,990	\$ 17,897,750	\$ 201,760
Other local taxes	2,800,956	2,800,956	3,026,274	225,318
Permits, privilege fees, and regulatory licenses	297,250	297,250	321,298	24,048
Fines and forfeitures	80,500	80,500	81,656	1,156
Revenue from the use of money and property	105,000	105,000	197,964	92,964
Charges for services	810,850	810,850	1,039,414	228,564
Miscellaneous	19,075	19,075	46,130	27,055
Recovered costs	192,699	192,699	293,079	100,380
Intergovernmental	5,180,554	5,180,554	4,810,115	(370,439)
Total revenues	27,182,874	27,182,874	27,713,680	530,806
EXPENDITURES				
Current				
General government administration	1,930,487	1,930,487	1,715,668	214,819
Judicial administration	806,435	806,435	737,218	69,217
Public safety	5,951,027	5,951,027	5,758,055	192,972
Public works	2,136,998	2,136,998	2,025,533	111,465
Health and welfare	2,761,092	2,761,092	2,773,911	(12,819)
Education	9,249,205	9,249,205	9,142,876	106,329
Parks, recreation, and cultural	780,783	780,783	806,933	(26,150)
Community development	448,242	448,242	435,974	12,268
Nondepartmental	105,000	105,000	68,581	36,419
Total expenditures	24,169,269	24,169,269	23,464,749	704,520
Excess of revenues over expenditures	3,013,605	3,013,605	4,248,931	1,235,326
OTHER FINANCING USES				
Transfers out	(8,988,437)	(8,988,437)	(9,847,219)	(858,782)
Total other financing uses	(8,988,437)	(8,988,437)	(9,847,219)	(858,782)
Net change in fund balance	\$ (5,974,832)	\$ (5,974,832)	\$ (5,598,288)	\$ 376,544

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 219,411
Due from other governments	6,791
Due from fiscal agent	<u>20,968</u>
Total assets	<u><u>\$ 247,170</u></u>
LIABILITIES	
Amounts held for others	\$ 241,667
Amounts payable	<u>5,503</u>
Total liabilities	<u><u>\$ 247,170</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2019. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2019 was approximately \$60,005.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of \$50,325 annually.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Middle Peninsula Regional Airport Authority

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

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

Bridging Communities Regional Career and Technical Center

The Town of West Point school division, Charles City school division and the county school divisions of King and Queen, Middlesex, New Kent, and King William participate in supporting the Center. The County of New Kent serves as the fiscal agent of the Center. The Center provides vocational training to secondary and adult students. The Center is governed by a six member board of control, which is comprised of one school board member from each of the six school divisions. The School Board's contribution for fiscal year 2019 was approximately \$248,000.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

B. Financial Statement Presentation

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The County reports the following major governmental funds:

a. General Fund

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

b. Capital Projects Funds

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

c. Debt Service Fund

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

Fiduciary Funds (Agency Funds)

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

D. Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level, which is the level presented in Exhibit 5. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and the School Board is authorized to transfer budgeted amounts within the school systems categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the School Fund, and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

E. Cash and Cash Equivalents

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

F. Receivables

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

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. These items represent consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to a future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

H. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pensions and OPEB plans, information about the fiduciary net position of the County of King William and its component unit, the King William County School Board retirement plans and the additions to/deductions from the County, and the King William County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

I. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings and improvements, infrastructure, and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Assets received in a service concession arrangement are reported at acquisition value.

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

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

County employees earn vacation and sick leave at various rates. After five years of service with the County, employees are paid out for voluntary separation, non-disciplinary separation, and retirement. The rate paid out varies by years of service.

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

K. Long-Term Obligations

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

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

L. Fund Equity

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Equity (Continued)

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

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

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Use of Estimates

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

O. Net Position

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

Net investments in capital assets for governmental activities excludes \$11,655,000 of School Board debt reported by the County because the related assets are reported by the School Board.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Q. Interfund Transfers

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

Note 2. Deposits and Investments

Deposits

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

Restricted Cash

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

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

Investments

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

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The carrying value of the position in LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB 79. The maturity of the LGIP is less than one year.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2019, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

Credit Risk

As of June 30, 2019, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits:	
Demand deposits	\$ 10,582,574
Cash on hand	<u>70</u>
	10,582,644
Investments (Carrying Value):	
SNAP	1,863,839
LGIP	<u>27,639</u>
Total deposits and investments	<u><u>\$ 12,474,122</u></u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and cash equivalents	\$ 7,045,209
Cash and cash equivalents, restricted	<u>5,428,913</u>
Total deposits and investments	<u><u>\$ 12,474,122</u></u>

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

Deposits:	
Demand deposits	<u>\$ 4,595,720</u>
Total per Exhibit 1	<u><u>\$ 4,595,720</u></u>

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, the majority of investments were in SNAP.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk

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

The County's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk does not apply to the LGIP and SNAP.

Note 3. Receivables

Receivables are as follows:

	<u>General</u>	<u>School Board</u>	<u>Total</u>
Taxes	\$ 7,974,809	\$ -	\$ 7,974,809
Accounts	133,836	20,423	154,259
Gross receivables	8,108,645	20,423	8,129,068
Less allowance for uncollectible accounts	(176,633)	-	(176,633)
Net receivables	<u>\$ 7,932,012</u>	<u>\$ 20,423</u>	<u>\$ 7,952,435</u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,740,050	\$ -
Advance collection of 2019-2020 taxes	-	212,267
2019-2020 property tax receivable	5,803,270	5,803,270
Equitable sharing program	-	570
	<u>\$ 7,543,320</u>	<u>\$ 6,016,107</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 4. Due to/from Other Governments

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

	Governmental Activities	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 199,001
Public assistance	32,953	-
Comprehensive services	68,392	-
Shared Costs	106,347	-
Communications tax	25,229	-
Sales and use tax	585,805	-
VPSA	398,135	-
Other	67,939	-
Federal Government:		
School funds	-	761,983
Public assistance	70,328	-
Other	229	-
Other Governments:		
County of King and Queen	8,355	-
Other	23,759	-
	<u>\$ 1,387,471</u>	<u>\$ 960,984</u>

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

Other governments:	
Town of West Point	<u>\$ 151,290</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

Primary Government – Governmental Activities

Governmental Activities	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 825,098	\$ -	\$ -	\$ 825,098
Total capital assets, not depreciated	825,098	-	-	825,098
Capital assets, depreciated and amortized:				
Buildings and improvements	10,930,248	1,494,360	-	12,424,608
Equipment	5,522,139	654,911	(21,169)	6,155,881
Intangibles	9,800	-	-	9,800
Infrastructure	13,583,176	-	(822,738)	12,760,438
Jointly owned assets	8,886,410	-	(1,518,533)	7,367,877
Total capital assets depreciated	38,931,773	2,149,271	(2,362,440)	38,718,604
Less accumulated depreciation and amortization for:				
Buildings and improvements	(4,320,587)	(278,235)	-	(4,598,822)
Equipment	(3,506,471)	(439,981)	13,537	(3,932,915)
Intangibles	(9,800)	-	-	(9,800)
Infrastructure	(5,467,576)	(505,197)	147,408	(5,825,365)
Jointly owned assets	(2,560,606)	(184,197)	551,576	(2,193,227)
Total accumulated depreciation or amortization	(15,865,040)	(1,407,610)	712,521	(16,560,129)
Total capital assets depreciated, net	23,066,733	741,661	(1,649,919)	22,158,475
Governmental activities capital assets, net	<u>\$ 23,891,831</u>	<u>\$ 741,661</u>	<u>\$ (1,649,919)</u>	<u>\$ 22,983,573</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government administration	\$ 346,256
Judicial administration	162,262
Public safety	514,097
Public works	146,448
Health and welfare	10,519
Education	184,197
Parks, recreation, and cultural	41,940
Planning and community development	<u>1,891</u>
Total depreciation expense – governmental activities	<u>\$ 1,407,610</u>

Discretely Presented Component Unit – School Board

School Board	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 76,340	\$ -	\$ -	\$ 76,340
Construction in progress	<u>5,280,500</u>	<u>7,234,892</u>	<u>(12,515,392)</u>	<u>-</u>
Total capital assets, not depreciated	<u>5,356,840</u>	<u>7,234,892</u>	<u>(12,515,392)</u>	<u>76,340</u>
Capital assets, depreciated and amortized:				
Buildings and improvements	5,393,944	12,515,392	-	17,909,336
Equipment	3,692,170	387,076	-	4,079,246
Infrastructure	310,026	446,925	-	756,951
Land improvements	376,934	-	-	376,934
Jointly owned assets	<u>29,770,414</u>	<u>-</u>	<u>1,518,533</u>	<u>31,288,947</u>
Total capital assets, depreciated	<u>39,543,488</u>	<u>13,349,393</u>	<u>1,518,533</u>	<u>54,411,414</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(4,230,099)	-	32,840	(4,197,259)
Equipment	(2,781,302)	(218,027)	-	(2,999,329)
Infrastructure	(810,020)	(100,969)	-	(910,989)
Land improvements	(124,233)	(28,445)	-	(152,678)
Jointly owned assets	<u>(13,572,832)</u>	<u>(782,224)</u>	<u>(551,576)</u>	<u>(14,906,632)</u>
Total accumulated depreciation or amortization	<u>(21,518,486)</u>	<u>(1,129,665)</u>	<u>(518,736)</u>	<u>(23,166,887)</u>
Total capital assets depreciated, net	<u>18,025,002</u>	<u>12,219,728</u>	<u>999,797</u>	<u>31,244,527</u>
Governmental activities capital assets, net	<u>\$ 23,381,842</u>	<u>\$ 19,454,620</u>	<u>\$ (11,515,595)</u>	<u>\$ 31,320,867</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 5. Capital Assets (Continued)

Discretely Presented Component Unit – School Board (Continued)

The County has a tenancy in common with the School Board due to the County incurring debt on behalf of the School Board for capital projects. As a result, School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2019, the County transferred assets with costs of \$1,518,533 and accumulated depreciation of \$551,576 to the Component Unit – School Board.

Component Unit – School Board:

Depreciation expense	\$ 1,129,665
Accumulated depreciation on joint-tenancy asset transfer	<u>551,576</u>
Total depreciation and amortization – School Board	<u>\$ 1,681,241</u>

Construction Commitments: The School Board has entered into various construction contracts with \$1,863,839 still outstanding to be completed at year-end.

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 17,890,410	\$ 244,780	\$ (4,170,410)	\$ 13,964,780	\$ 829,681
Revenue bonds	8,491,100	-	(442,000)	8,049,100	452,000
State Literary Fund loans	250,000	-	(250,000)	-	-
Capital leases	1,940,000	-	(225,000)	1,715,000	230,000
Premium on bonds payable	1,766,732	-	(135,707)	1,631,025	-
Compensated absences	414,055	293,876	(276,037)	431,894	287,929
	<u>\$ 30,752,297</u>	<u>\$ 538,656</u>	<u>\$ (5,499,154)</u>	<u>\$ 25,791,799</u>	<u>\$ 1,799,610</u>
Component Unit – School Board					
Compensated absences	<u>\$ 196,696</u>	<u>\$ 119,156</u>	<u>\$ (131,131)</u>	<u>\$ 184,721</u>	<u>\$ 123,147</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 6. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 230,000	\$ 33,477	\$ 452,000	\$ 279,294
2021	235,000	28,987	472,000	263,985
2022	240,000	24,400	492,000	246,735
2023	245,000	19,715	507,000	228,398
2024	250,000	14,933	817,700	210,279
2025-2029	515,000	15,128	4,469,400	608,646
2030-2034	-	-	839,000	49,752
	<u>\$ 1,715,000</u>	<u>\$ 136,640</u>	<u>\$ 8,049,100</u>	<u>\$ 1,887,089</u>
Fiscal Year Ending	General Obligation Bonds			
	Principal	Interest		
2020	\$ 829,681	\$ 570,921		
2021	851,758	530,289		
2022	878,872	487,741		
2023	901,081	443,885		
2024	928,388	398,738		
2025-2029	2,885,000	1,504,684		
2030-2034	3,480,000	774,540		
2035-2039	3,210,000	199,618		
	<u>\$ 13,964,780</u>	<u>\$ 4,910,416</u>		

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 6. Long-Term Liabilities (Continued)

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

	<u>Original Issuance</u>	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Revenue bonds:				
Series 2011	\$ 5,220,100	2011	3.00%	\$ 4,430,100
Series 2013	1,375,000	2013	3.175	1,044,000
Series 2017	2,790,000	2017	2.82-5.13	2,575,000
Total Revenue Bonds:				<u>\$ 8,049,100</u>
General Obligation Bonds:				
Series 2003	\$ 7,055,000	2003	4.60-5.35	\$ 1,750,000
Series 2004	605,000	2004	4.10-5.10	180,000
Series 2010	270,000	2010	-	135,000
Series 2017	11,925,000	2017	2.05-5.05	11,655,000
Series 2019	244,780	2019	4.43	244,780
Total General Obligation Bonds:				<u>\$ 13,964,780</u>
Capital Leases:				
911 Communications Facilities	3,000,000	2013	1.952	<u>\$ 1,715,000</u>

The County's outstanding note from direct borrowings of \$244,780 are secured by various pieces of equipment used by the County's fire and rescue department. In the event of default, the lender can make all outstanding amounts immediately due and take full possession of the collateral and sell the collateral at their discretion. Any deficiency that remains after the sale of the collateral can also be collected by the lender.

Note 7. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the County of King William, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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 available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>53</u>
Inactive members:	
Vested inactive members	19
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>58</u>
Total inactive members	91
Active members	<u>86</u>
Total covered employees	<u><u>230</u></u>

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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 7.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$370,815 and \$304,470 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, 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 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: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

Long-Term Expected Rate of Return

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

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

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$ 15,745,111	\$ 15,356,644	\$ 388,467
Changes for the year:			
Service cost	454,526	-	454,526
Interest	1,079,622	-	1,079,622
Benefit changes	-	-	-
Differences between expected and actual experience	291,924	-	291,924
Assumption changes	-	-	-
Contributions – employer	-	304,470	(304,470)
Contributions – employee	-	190,664	(190,664)
Net investment income	-	1,133,488	(1,133,488)
Benefit payments, including refunds of employee contributions	(643,892)	(643,892)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(9,712)	9,712
Other changes	-	(1,014)	1,014
Net changes	1,182,180	974,004	208,176
Balances at June 30, 2018	\$ 16,927,291	\$ 16,330,648	\$ 596,643

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	\$ 2,780,592	\$ 596,643	\$ (1,219,065)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$10,219. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 185,770	\$ 71,671
Change in assumptions	-	4,682
Net difference between projected and actual earnings on pension plan investments	-	138,985
Employer contributions subsequent to the measurement date	<u>370,815</u>	<u>-</u>
Total	<u>\$ 556,585</u>	<u>\$ 215,338</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$370,815 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ 76,212
2021	64,054
2022	(157,013)
2023	(12,821)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the City of Colonial Heights, Virginia, (the "School division") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in the primary government defined benefits pension plan.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>20</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	13
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	23
Active members	<u>63</u>
Total covered employees	<u><u>106</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2019 was 4.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Contributions to the pension plan from the school division were \$53,876 and \$58,831 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2017	\$ 3,093,858	\$ 3,351,685	\$ (257,827)
Changes for the year:			
Service cost	132,918	-	132,918
Interest	212,564	-	212,564
Benefit changes	-	-	-
Differences between expected and actual experience	(109,826)	-	(109,826)
Assumption changes	-	-	-
Contributions – employer	-	58,831	(58,831)
Contributions – employee	-	61,738	(61,738)
Net investment income	-	248,079	(248,079)
Benefit payments, including refunds of employee contributions	(114,463)	(114,463)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(2,092)	2,092
Other changes	-	(224)	224
Net changes	121,193	251,869	(130,676)
Balances at June 30, 2018	\$ 3,215,051	\$ 3,603,554	\$ (388,503)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

The following presents the net pension liability (asset) of the school division using the discount rate of 7.00%, as well as what the net pension liability 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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's net pension liability (asset)	\$ 21,325	\$ (388,503)	\$ (731,858)

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

For the year ended June 30, 2019, the school division recognized pension expense of \$(7,354). At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,143	\$ 101,945
Change in assumptions	-	36,293
Net difference between projected and actual earnings on pension plan investments	-	32,048
Employer contributions subsequent to the measurement date	<u>53,876</u>	<u>-</u>
Total	<u>\$ 80,019</u>	<u>\$ 170,286</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

The \$53,876 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ (23,131)
2021	(51,257)
2022	(63,633)
2023	(6,122)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including the City of Colonial Heights, Virginia, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is 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 employers 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 in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in the primary government defined benefits pension plan.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,874,061 and \$1,895,365 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2019, the school division reported a liability of \$17,421,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.14814% as compared to 0.14995% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,174,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,490,000
Change in assumptions	208,000	-
Net difference between projected and actual earnings on pension plan investments	-	369,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	266,000	746,000
Employer contributions subsequent to the measurement date	1,874,061	-
Total	<u>\$ 2,348,061</u>	<u>\$ 2,605,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$1,874,061 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ (225,000)
2021	(580,000)
2022	(935,000)
2023	(305,000)
2024	(86,000)
Thereafter	-

Net Pension Liability

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

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 26,611,000	\$ 17,421,000	\$ 9,814,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan

County

Plan Description and Benefits Provided

The County provides other postemployment benefits (OPEB) for employees who are eligible for retirement benefits through a single-employer plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the County and can be amended through the personnel manual.

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

- Have attained age 50 and 10 years of service with the Virginia Retirement System.
- Be between age 55 and 65.

The plans do not issue stand-alone financial reports.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Employees	87
Retirees	-
	<u>87</u>

Total OPEB Liability

The County's total OPEB liability of \$179,302 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of June 30, 2018.

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	3.00%
Healthcare cost trend rates	5.70%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 152,167
Changes for the year:	
Service cost	16,429
Interest	5,476
Experience losses/(gains)	(1,800)
Changes in assumptions	7,030
Net changes	27,135
Balance at June 30, 2019	\$ 179,302

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	<u>1.00% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1.00% Increase (4.13%)</u>
Total OPEB liability	\$ 194,552	\$ 179,302	\$ 165,259

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.70%) or one percentage point higher (4.70%) than the current healthcare cost trend rates:

	1.00% Decrease (4.70%)	Current Healthcare Cost Trend Rates (5.70%)	1.00% Increase (6.70%)
Total OPEB liability	\$ 157,488	\$ 179,302	\$ 204,841

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County recognized OPEB expense of \$22,691. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,500
Change in assumptions	5,858	344
Employer contributions subsequent to the measurement date	-	-
Total	\$ 5,858	\$ 1,844

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ 786
2021	786
2022	786
2023	786
2024	870
Thereafter	-

School Board

Plan Description and Benefits Provided

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

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

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

The plans do not issue stand-alone financial reports.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

Plan Description and Benefits Provided (Continued)

Funding Policy

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

Employees Covered by Benefit Terms

As of the July 1, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Employees	264
Retirees	<u>23</u>
	<u><u>287</u></u>

Total OPEB Liability

The Schools' total OPEB liability of \$1,644,370 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of July 1, 2019.

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Healthcare cost trend rates	4.10 – 7.10%

Mortality rates were the same rates from the VRS valuation. (See Note 7)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study as of July 1, 2018.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 1,240,999
Changes for the year:	
Service cost	54,563
Interest	57,694
Effect of economic/demographic gains or losses	369,582
Effect of assumptions changes or inputs	273,532
Benefit payments	(352,000)
Net changes	403,371
Balance at June 30, 2019	\$ 1,644,370

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

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>1.00% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1.00% Increase (4.50%)</u>
Total OPEB liability	\$ 1,715,533	\$ 1,644,370	\$ 1,573,914

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

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

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
Total OPEB liability	\$ 1,511,868	\$ 1,644,370	\$ 1,798,175

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Schools recognized OPEB expense of \$212,327. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 229,414	\$ 19,025
Differences between expected and actual experience	<u>309,972</u>	<u>-</u>
Total	<u><u>\$ 539,386</u></u>	<u><u>\$ 19,025</u></u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ 100,070
2021	100,070
2022	100,070
2023	100,070
2024	100,070
Thereafter	20,011

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans

County

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the County also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$23,967
June 30, 2018 Contribution	\$20,360

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2019 proportionate share of liability	\$313,000
June 30, 2018 proportion	0.02059%
June 30, 2017 proportion	0.02020%
June 30, 2019 expense	\$3,000

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,000	\$ 6,000
Change in assumptions	-	13,000
Net difference between projected and actual earnings on OPEB plan investments	-	10,000
Changes in proportion	6,000	-
Employer contributions subsequent to the measurement date	-	-
	<u>23,967</u>	<u>-</u>
Total	<u>\$ 44,967</u>	<u>\$ 29,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (4,000)
2021	(4,000)
2022	(4,000)
2023	(1,000)
2024	2,000
Thereafter	3,000

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%;

- * 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	\$ 1,594,773
Employers' net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

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

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

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities 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 OPEB plans' 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 OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 409,000	\$ 313,000	\$ 235,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Schools also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

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

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$63,539 Professional; \$6,687 Non-professional
June 30, 2018 Contribution	\$62,360 Professional; \$6,711 Non-professional

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.20% of covered employee compensation.
June 30, 2019 Contribution	\$147,072
June 30, 2018 Contribution	\$147,506

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2019 proportionate share of liability	\$958,000 Professional / \$103,000 Non-professional
June 30, 2018 proportion	0.06307 Professional / 0.00679% Non-professional
June 30, 2017 proportion	0.06406% Professional / 0.00714% Non-professional
June 30, 2019 expense	\$2,000 Professional / \$(1,000) Non-professional

Teacher Health Insurance Credit Program

June 30, 2019 proportionate share of liability	\$1,882,000
June 30, 2018 proportion	0.14828%
June 30, 2017 proportion	0.14973%
June 30, 2019 expense	\$146,000

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,000	\$ 17,000
Change in assumptions	-	40,000
Net difference between projected and actual earnings on OPEB plan investments	-	31,000
Changes in proportion	-	23,000
Employer contributions subsequent to the measurement date	63,539	-
Total	<u>\$ 110,539</u>	<u>\$ 111,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

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

Group Life Insurance Program – Non-Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,000	\$ 3,000
Change in assumptions	-	4,000
Net difference between projected and actual earnings on OPEB plan investments	-	3,000
Changes in proportion	-	9,000
Employer contributions subsequent to the measurement date	6,687	-
Total	<u>\$ 11,687</u>	<u>\$ 19,000</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,000
Change in assumptions	-	16,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,000
Changes in proportion	-	44,000
Employer contributions subsequent to the measurement date	147,072	-
Total	<u>\$ 147,072</u>	<u>\$ 71,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)
Schools (Continued)

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

The deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program – Professionals

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (19,000)
2021	(19,000)
2022	(19,000)
2023	(10,000)
Thereafter	3,000

Group Life Insurance Program – Non-Professionals

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (4,000)
2021	(4,000)
2022	(4,000)
2023	(2,000)
2024	-
Thereafter	-

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

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

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (12,000)
2021	(12,000)
2022	(12,000)
2023	(11,000)
2024	(11,000)
Thereafter	(13,000)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Actuarial Assumptions and Other Inputs (Continued)

- * 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program - Professionals	Group Life Insurance Program – Non- Professionals	Teacher Employee HIC – OPEB Plan
Total OPEB Liability	\$ 3,113,508	\$ 3,113,508	\$ 1,381,313
Plan fiduciary net position	\$ 1,594,773	\$ 1,594,773	\$ 111,639
Employers' net OPEB liability (asset)	\$ 958	\$ 103	\$ 1,269,674
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	51.22%	8.08%

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

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

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities 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 OPEB plans' 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 OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability - Professional	\$ 1,252,000	\$ 958,000	\$ 719,000
GLI Net OPEB liability – Non-professional	\$ 135,000	\$ 103,000	\$ 78,000
Teacher HIC Net OPEB liability	\$ 2,102,000	\$ 1,882,000	\$ 1,695,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 10. Summary of Pension and Other Postemployment Benefit Elements

A summary of the pension-related financial statement elements is as follows:

	Governmental Activities	School Board - Professional	School Board - Non- Professional	Total School Board
Net pension (liability) asset				
VRS Basic Pension Plan	\$ (596,643)	\$ (17,421,000)	\$ -	\$ (17,421,000)
VRS Basic Pension Plan	-	-	388,503	388,503
Total net pension (liability) asset	<u>\$ (596,643)</u>	<u>\$ (17,421,000)</u>	<u>\$ 388,503</u>	<u>\$ (17,032,497)</u>
Deferred outflows of resources				
Change in assumptions	\$ -	\$ 208,000	\$ -	\$ 208,000
Differences between expected and actual experience	185,770	-	26,143	26,143
Changes in proportionate share	-	266,000	-	266,000
Pension contributions subsequent to measurement date	370,815	1,874,061	53,876	1,927,937
Total deferred outflows of resources	<u>\$ 556,585</u>	<u>\$ 2,348,061</u>	<u>\$ 80,019</u>	<u>\$ 2,428,080</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ (71,671)	\$ (1,490,000)	\$ (101,945)	\$ (1,591,945)
Changes of assumptions	(4,682)	-	(36,293)	(36,293)
Net difference between projected and actual earnings on plan investments	(138,985)	(369,000)	(32,048)	(401,048)
Change in proportionate share	-	(746,000)	-	(746,000)
Total deferred inflows of resources	<u>\$ (215,338)</u>	<u>\$ (2,605,000)</u>	<u>\$ (170,286)</u>	<u>\$ (2,775,286)</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 10. Summary of Pension and Other Postemployment Benefit Elements (Continued)

A summary of the other post-employment benefits-related financial statement elements is as follows:

	Governmental Activities	School Board - Professional	School Board - Non- Professional	Total School Board
Net other post-employment benefits liability				
Local Sponsored Health Insurance	\$ (179,302)	\$ (1,644,370)	\$ -	\$ (1,644,370)
VRS – Group Life Insurance	(313,000)	(958,000)	(103,000)	(1,061,000)
VRS – HIC	-	(1,882,000)	-	(1,882,000)
Total net other postemployment benefit liability	<u>\$ (492,302)</u>	<u>\$ (4,484,370)</u>	<u>\$ (103,000)</u>	<u>\$ (4,587,370)</u>
Deferred outflows of resources				
Change in proportion –				
VRS – Group Life Insurance	\$ 6,000	\$ -	\$ -	\$ -
Contributions subsequent to measurement date-				
VRS – Group Life Insurance	23,967	63,539	6,687	70,226
VRS – HIC	-	147,072	-	147,072
Difference between expected and actual experience-				
VRS – Group Life Insurance	15,000	47,000	5,000	52,000
Local Sponsored Health Insurance	-	309,972	-	309,972
Changes in actuarial assumptions-				
Local Sponsored Health Insurance	5,858	229,414	-	229,414
Total deferred outflows of resources	<u>\$ 50,825</u>	<u>\$ 796,997</u>	<u>\$ 11,687</u>	<u>\$ 808,684</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Sponsored Health Insurance	\$ (1,500)	\$ -	\$ -	\$ -
VRS – Group Life Insurance	(6,000)	(17,000)	(3,000)	(20,000)
VRS – HIC	-	(10,000)	-	(10,000)
Net difference between projected and actual investment earnings-				
VRS – Group Life Insurance	(10,000)	(31,000)	(3,000)	(34,000)
VRS – HIC	-	(1,000)	-	(1,000)
Change in actuarial assumptions-				
Local Sponsored Health Insurance	(344)	(19,025)	-	(19,025)
VRS – Group Life Insurance	(13,000)	(40,000)	(4,000)	(44,000)
VRS – HIC	-	(16,000)	-	(16,000)
Change in proportionate share -				
VRS – Group Life Insurance	-	(23,000)	(9,000)	(32,000)
VRS – HIC	-	(44,000)	-	(44,000)
Total deferred inflows of resources	<u>\$ (30,844)</u>	<u>\$ (201,025)</u>	<u>\$ (19,000)</u>	<u>\$ (220,025)</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Fund Balances

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>
Nonspendable	\$ 60,067	\$ -	\$ -	\$ -
Restricted:				
General government	610,618	-	-	-
Other capital projects	-	117,397	3,391,026	1,058,690
Total restricted	<u>610,618</u>	<u>117,397</u>	<u>3,391,026</u>	<u>1,058,690</u>
Committed:				
School operations and capital projects	177,808	-	-	-
Regional animal shelter	42,882	-	-	-
Asset forfeiture – comm att	609	-	-	-
Asset forfeiture – sheriff	15,217	-	-	-
Four-for-life programs	26,783	-	-	-
Fire programs	44,225	-	-	-
Water utility	192,582	-	-	-
Recreation programs	206,463	-	-	-
EMS billings	66,089	-	-	-
Total committed	<u>772,658</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
Public safety	117,812	-	-	-
Unassigned	<u>6,119,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u><u>\$ 7,680,656</u></u>	<u><u>\$ 117,397</u></u>	<u><u>\$ 3,391,026</u></u>	<u><u>\$ 1,058,690</u></u>

Note 12. Risk Management

County

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 12. Risk Management (Continued)

County (Continued)

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

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

Health Insurance – School Board

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

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

The School Board records an estimated liability for healthcare claims. The following represents the change in the fund's claims liability for 2019, 2018, and 2017:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2019	\$ 215,000	\$ 2,966,142	\$ (2,926,818)	\$ 254,324
June 30, 2018	215,000	2,933,764	(2,933,764)	215,000
June 30, 2017	215,000	2,723,255	(2,723,255)	215,000

Note 13. Commitments and Contingencies

Operating Leases

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 13. Commitments and Contingencies (Continued)

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. According to the agreements, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2019, all credits in connection with these agreements had been fully earned and were recorded as revenue on the Statement of Revenues, Expenditures and Changes in Fund balances.

Federal and State Assisted Programs

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

Note 14. Subsequent Events

In July 2019, the School Board began leasing equipment as part of an agreement signed on June 10, 2019. The agreement provides for the leasing of \$4,920,595 which will be acquired in installments between July 2019 and December 2020. The School Board will begin making payments on the lease in December 2020. The agreement expires in June 2035.

Note 15. New Accounting Standards

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

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. New Accounting Standards (Continued)

The GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – LOCAL PLANS
June 30, 2019

	Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools
	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan
Total OPEB Liability				
Service cost	\$ 16,429	\$ 54,563	\$ 15,947	\$ 65,813
Interest on total OPEB liability	5,476	57,694	4,726	46,173
Difference between expected and actual experience	-	-	-	-
Experience losses/(gains)	(1,800)	369,582	-	-
Changes in assumptions	7,030	273,532	(516)	(26,341)
Benefit payments	-	(352,000)	-	(194,429)
Net change in total OPEB liability	27,135	403,371	20,157	(108,784)
Total OPEB liability - beginning	152,167	1,240,999	132,010	1,349,783
Total OPEB liability - ending	\$ 179,302	\$ 1,644,370	\$ 152,167	\$ 1,240,999
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	0%	0%
Covered payroll	N/A	\$ 11,731,946	N/A	\$ 11,906,700
Net OPEB liability as a percentage of covered payroll	N/A	14.02%	N/A	10.42%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2019 (plan year 2018) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2019

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	0.14828%	\$ 1,882,000	\$ 12,219,038	15.18%	8.08%
2018	0.14937%	1,899,000	12,292,167	16.14%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	0.02059%	\$ 313,000	4,609,038	6.70%	51.22%
2018	0.02020%	304,000	3,915,385	8.17%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2019	0.06307%	\$ 958,000	12,219,038	7.73%	51.22%
2018	0.06406%	964,000	11,992,308	8.19%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
2019	0.00679%	\$ 103,000	1,285,962	7.99%	51.22%
2018	0.00714%	107,000	1,290,577	7.98%	48.86%

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – VRS
June 30, 2019

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	\$ 147,072	147,072	\$ -	\$ 12,219,038	1.20%
2018	147,506	147,506	\$ -	12,292,167	1.20%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	\$ 23,967	23,967	\$ -	4,609,038	0.52%
2018	20,360	20,360	-	3,915,385	0.52%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2019	\$ 63,539	63,539		12,219,038	0.52%
2018	62,360	62,360	-	11,992,308	0.52%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
2019	\$ 6,687	6,687	\$ -	1,285,962	0.52%
2018	6,711	6,711	-	1,290,577	0.52%

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2019

	Primary Government				
	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 454,526	\$ 413,783	\$ 399,804	\$ 427,980	\$ 425,539
Interest on total pension liability	1,079,622	1,036,388	1,005,764	960,437	900,618
Changes of assumptions	-	(16,844)	-	-	-
Difference between expected and actual experience	291,924	(178,886)	(409,236)	(251,096)	-
Benefit payments, including refunds of employee contributions	(643,892)	(629,749)	(487,936)	(491,661)	(451,521)
Net change in total pension liability	1,182,180	624,692	508,396	645,660	874,636
Total pension liability - beginning	<u>15,745,111</u>	<u>15,120,419</u>	<u>14,612,023</u>	<u>13,966,363</u>	<u>13,091,727</u>
Total pension liability - ending	<u>16,927,291</u>	<u>15,745,111</u>	<u>15,120,419</u>	<u>14,612,023</u>	<u>13,966,363</u>
Plan Fiduciary Net Position					
Contributions - employer	304,470	294,179	372,193	365,362	393,290
Contributions - employee	190,664	199,433	180,702	172,177	172,426
Net investment income	1,133,488	1,683,245	241,338	593,824	1,752,531
Benefit payments, including refunds of employee contributions	(643,892)	(629,749)	(487,936)	(491,661)	(451,521)
Administrative expenses	(9,712)	(9,652)	(8,272)	(7,965)	(9,260)
Other	(1,014)	(1,501)	(101)	(128)	92
Net change in plan fiduciary net position	974,004	1,535,955	297,924	631,609	1,857,558
Plan fiduciary net position - beginning	<u>15,356,644</u>	<u>13,820,689</u>	<u>13,522,765</u>	<u>12,891,156</u>	<u>11,033,598</u>
Plan fiduciary net position - ending	<u>16,330,648</u>	<u>15,356,644</u>	<u>13,820,689</u>	<u>13,522,765</u>	<u>12,891,156</u>
Net pension liability - ending	<u><u>\$ 596,643</u></u>	<u><u>\$ 388,467</u></u>	<u><u>\$ 1,299,730</u></u>	<u><u>\$ 1,089,258</u></u>	<u><u>\$ 1,075,207</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u>96.48%</u>	<u>97.53%</u>	<u>91.40%</u>	<u>92.55%</u>	<u>92.30%</u>
Covered payroll	<u><u>\$ 3,754,254</u></u>	<u><u>\$ 3,721,702</u></u>	<u><u>\$ 3,577,844</u></u>	<u><u>\$ 3,598,101</u></u>	<u><u>\$ 3,734,948</u></u>
Net pension liability as a percentage of covered payroll	<u>15.89%</u>	<u>10.44%</u>	<u>36.33%</u>	<u>30.27%</u>	<u>28.79%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2016 (plan year 2015) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

COUNTY OF KING WILLIAM, VIRGINIA

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

June 30, 2019

	Schools -- Nonprofessional Employees Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 132,918	\$ 135,196	\$ 147,006	\$ 149,564	\$ 148,866
Interest on total pension liability	212,564	199,924	185,682	162,279	146,068
Changes of assumptions	-	(67,991)	-	-	-
Difference between expected and actual experience	(109,826)	19,693	(47,205)	90,966	-
Benefit payments, including refunds of employee contributions	(114,463)	(98,040)	(66,013)	(70,936)	(55,770)
Net change in total pension liability	121,193	188,782	219,470	331,873	239,164
Total pension liability - beginning	<u>3,093,858</u>	<u>2,905,076</u>	<u>2,685,606</u>	<u>2,353,733</u>	<u>2,114,569</u>
Total pension liability - ending	<u>3,215,051</u>	<u>3,093,858</u>	<u>2,905,076</u>	<u>2,685,606</u>	<u>2,353,733</u>
Plan Fiduciary Net Position					
Contributions - employer	58,831	61,425	86,210	87,689	112,627
Contributions - employee	61,738	63,992	66,926	68,007	67,436
Net investment income	248,079	363,846	52,781	122,327	348,354
Benefit payments, including refunds of employee contributions	(114,463)	(98,040)	(66,013)	(70,936)	(55,770)
Administrative expenses	(2,092)	(2,028)	(1,679)	(1,565)	(1,757)
Other	(224)	(328)	(22)	(29)	19
Net change in plan fiduciary net position	251,869	388,867	138,203	205,493	470,909
Plan fiduciary net position - beginning	<u>3,351,685</u>	<u>2,962,818</u>	<u>2,824,615</u>	<u>2,619,122</u>	<u>2,148,213</u>
Plan fiduciary net position - ending	<u>3,603,554</u>	<u>3,351,685</u>	<u>2,962,818</u>	<u>2,824,615</u>	<u>2,619,122</u>
Net pension (asset) liability - ending	<u>\$ (388,503)</u>	<u>\$ (257,827)</u>	<u>\$ (57,742)</u>	<u>\$ (139,009)</u>	<u>\$ (265,389)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>112.08%</u>	<u>108.33%</u>	<u>101.99%</u>	<u>105.18%</u>	<u>111.28%</u>
Covered payroll	<u>\$ 1,214,486</u>	<u>\$ 1,340,453</u>	<u>\$ 1,366,858</u>	<u>\$ 1,391,726</u>	<u>\$ 1,751,586</u>
Net pension (asset) liability as a percentage of covered payroll	<u>-31.99%</u>	<u>-19.23%</u>	<u>-4.22%</u>	<u>-9.99%</u>	<u>-15.15%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2016 (plan year 2015) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

COUNTY OF KING WILLIAM, VIRGINIA

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

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.14814%	\$ 17,421,000	\$ 11,613,756	150.00%	74.81%
2017	0.14995%	18,441,000	11,764,523	156.75%	72.92%
2016	0.15270%	21,399,000	11,677,255	183.25%	68.28%
2015	0.15775%	19,855,000	11,655,579	170.35%	70.68%
2014	0.15381%	18,588,000	9,045,366	205.50%	70.88%

This schedule is intended to show information for 10 years. Since fiscal year 2016 (plan year 2015) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2019	\$ 370,815	\$ 370,815	\$ -	\$ 4,644,318	7.98%
2018	304,470	304,470	-	3,754,254	8.11%
2017	294,179	294,179	-	3,721,702	7.90%
2016	376,747	376,747	-	3,577,844	10.53%
2015	378,880	378,880	-	3,598,101	10.53%
Schools - Nonprofessional Employees					
2019	\$ 53,876	\$ 53,876	\$ -	\$ 1,288,422	4.18%
2018	58,831	58,831	-	1,214,486	4.84%
2017	61,425	61,425	-	1,340,453	4.58%
2016	87,889	87,889	-	1,366,858	6.43%
2015	89,488	89,488	-	1,391,726	6.43%

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

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

COUNTY OF KING WILLIAM, VIRGINIA

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

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 1,874,061	\$ 1,874,061	\$ -	\$ 12,395,075	15.12%
2018	1,895,365	1,895,365	-	11,613,756	16.32%
2017	1,706,234	1,706,234	-	11,764,523	14.50%
2016	1,641,822	1,641,822	-	11,677,255	14.06%
2015	1,690,059	1,690,059	-	11,655,579	14.50%

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

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB
-

SUPPLEMENTAL INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION - AGENCY FUNDS
June 30, 2019

	Agency Funds							Totals
	Special Welfare	VJCCCA	Project Lifesaver	D. A. R. E.	Donation to Sherriff's Office	Horse Rescue	Fire & EMS Donations	
ASSETS								
Cash and cash equivalents	\$ 1,140	\$ 207,893	\$ 7,634	\$ 690	\$ 904	\$ -	\$ 1,150	\$ 219,411
Due from other governments	-	6,791	-	-	-	-	-	6,791
Due from fiscal agent	-	-	-	-	-	20,968	-	20,968
Total assets	<u>\$ 1,140</u>	<u>\$ 214,684</u>	<u>\$ 7,634</u>	<u>\$ 690</u>	<u>\$ 904</u>	<u>\$ 20,968</u>	<u>\$ 1,150</u>	<u>\$ 247,170</u>
LIABILITIES								
Amounts held for others	\$ 959	\$ 209,362	\$ 7,634	\$ 690	\$ 904	\$ 20,968	\$ 1,150	\$ 241,667
Accounts payable	181	5,322	-	-	-	-	-	5,503
Total liabilities	<u>\$ 1,140</u>	<u>\$ 214,684</u>	<u>\$ 7,634</u>	<u>\$ 690</u>	<u>\$ 904</u>	<u>\$ 20,968</u>	<u>\$ 1,150</u>	<u>\$ 247,170</u>

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF CHANGES IN

ASSETS AND LIABILITIES –

AGENCY FUNDS

Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
SPECIAL WELFARE FUND				
ASSETS				
Cash and cash equivalents	\$ 1,138	\$ 2	\$ -	\$ 1,140
Total assets	<u>\$ 1,138</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,140</u>
LIABILITIES				
Amounts held for others	\$ 957	\$ 2	\$ -	\$ 959
Accounts payable	181	-	-	181
Total liabilities	<u>\$ 1,138</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,140</u>
VJCCCA FUND				
ASSETS				
Cash and cash equivalents	\$ 194,649	\$ 175,265	\$ 162,021	\$ 207,893
Due from other governments	17,110	11,916	22,235	6,791
Total assets	<u>\$ 211,759</u>	<u>\$ 187,181</u>	<u>\$ 184,256</u>	<u>\$ 214,684</u>
LIABILITIES				
Amounts held for others	\$ 207,510	\$ 169,853	\$ 168,001	\$ 209,362
Accounts payable	4,249	24,770	23,697	5,322
Total liabilities	<u>\$ 211,759</u>	<u>\$ 194,623</u>	<u>\$ 191,698</u>	<u>\$ 214,684</u>
PROJECT LIFESAVER				
ASSETS				
Cash and cash equivalents	<u>\$ 6,847</u>	<u>\$ 2,746</u>	<u>\$ 1,959</u>	<u>\$ 7,634</u>
LIABILITIES				
Amounts held for others	<u>\$ 6,847</u>	<u>\$ 2,746</u>	<u>\$ 1,959</u>	<u>\$ 7,634</u>
D. A. R. E.				
ASSETS				
Cash and cash equivalents	<u>\$ 56</u>	<u>\$ 2,100</u>	<u>\$ 1,466</u>	<u>\$ 690</u>
LIABILITIES				
Amounts held for D. A. R. E.	<u>\$ 56</u>	<u>\$ 2,100</u>	<u>\$ 1,466</u>	<u>\$ 690</u>

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
DONATIONS TO SHERIFF'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 789	\$ 380	\$ 265	\$ 904
LIABILITIES				
Amounts held for others	\$ 789	\$ 380	\$ 265	\$ 904
HORSE RESCUE				
ASSETS				
Due from fiscal agent	\$ 20,968	\$ -	\$ -	\$ 20,968
LIABILITIES				
Amounts held for others	\$ 20,968	\$ -	\$ -	\$ 20,968
FIRE AND EMS DONATIONS				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,150	\$ -	\$ 1,150
LIABILITIES				
Amounts held for others	\$ -	\$ 1,150	\$ -	\$ 1,150
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 203,479	\$ 181,643	\$ 165,711	\$ 219,411
Due from other governments	17,110	11,916	22,235	6,791
Due from fiscal agent	20,968	-	-	20,968
Total assets	\$ 241,557	\$ 193,559	\$ 187,946	\$ 247,170
LIABILITIES				
Amounts held for others	\$ 237,127	\$ 176,231	\$ 171,691	\$ 241,667
Accounts payable	4,430	24,770	23,697	5,503
Total liabilities	\$ 241,557	\$ 201,001	\$ 195,388	\$ 247,170

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 1,462,358	\$ 161,188	\$ 412,037	\$ 2,035,583
Accounts receivable	20,423	-	-	20,423
Prepays	1,332	-	-	1,332
Due from other funds	287,495	-	-	287,495
Due from other governments	960,984	-	-	960,984
Total assets	\$ 2,732,592	\$ 161,188	\$ 412,037	\$ 3,305,817
LIABILITIES				
Accounts payable	\$ 236,265	\$ -	428	\$ 236,693
Accrued liabilities	2,424,602	-	-	2,424,602
Total liabilities	2,660,867	-	428	2,661,295
FUND BALANCES				
Nonspendable	1,332	-	-	1,332
Assigned				
Cafeteria	-	161,188	-	161,188
Textbook	-	-	411,609	411,609
School operating	70,393	-	-	70,393
Total fund balances	71,725	161,188	411,609	644,522
Total liabilities and fund balances	\$ 2,732,592	\$ 161,188	\$ 412,037	\$ 3,305,817
Adjustments for the Statement of Net Position (Exhibit 1):				
Total fund balances – School Board				\$ 644,522
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:				
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Net pension asset				388,503
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Nondepreciable			76,340	
Depreciable, net			31,244,527	
Net capital assets				31,320,867
Financial statement elements related to other postemployment benefits and pension are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to:				
Pensions			2,428,080	
Other postemployment benefits			808,684	
Deferred inflows related to:				
Pensions			(2,775,286)	
Other postemployment benefits			(220,025)	
Net pension liability			(17,421,000)	
Net other postemployment benefits liability			(4,587,370)	
				(21,766,917)
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,973,387
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences				(184,721)
Net position of governmental activities				\$ 12,375,641

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
REVENUES				
Revenue from the use of money and property	\$ 363	\$ 64	\$ -	\$ 427
Charges for services	91,851	478,616	-	570,467
Miscellaneous revenues	41,515	5,538	-	47,053
Recovered costs	66,798	-	-	66,798
Intergovernmental:				
Appropriation from primary government	11,184,294	-	-	11,184,294
Commonwealth	13,695,027	10,165	147,754	13,852,946
Federal	829,135	452,539	-	1,281,674
Total revenues	25,908,983	946,922	147,754	27,003,659
EXPENDITURES				
Current:				
Education	25,833,652	915,281	392,343	27,141,276
Excess (deficiency) of revenues over expenditures	75,331	31,641	(244,589)	(137,617)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,606	-	3,606
Transfers out	(3,606)	-	-	(3,606)
Total other financing sources (uses), net	(3,606)	3,606	-	-
Changes in fund balance	71,725	35,247	(244,589)	(137,617)
FUND BALANCES, BEGINNING	-	125,941	656,198	782,139
FUND BALANCES, ENDING	\$ 71,725	\$ 161,188	\$ 411,609	\$ 644,522
Reconciliation to the Statement of Activities (Exhibit 2):				
Net change in Fund Balance - School Board				\$ (137,617)
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. Governmental funds also do not report capital contributions as they do not provide current financial resources, however in the Statement of Activities they are recorded as capital asset additions and contribution revenue.				
Capital outlays and contributions			8,068,893	
Depreciation expense			(1,096,825)	
				6,972,068
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit				966,957
Governmental funds report employer other postemployment benefits contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.				
Employer other postemployment benefit contributions			\$ 217,298	
Other postemployment benefits expense			(6,385)	
				210,913
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. These activities consist of an increase in compensated absences.				
				11,975
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$1,927,937 is less than pension expense of \$1,145,204 in the current period.				
				782,733
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.				
Total revenues			3,749,194	
Total expenses			(2,979,998)	
				769,196
Change in net position of governmental activities				\$ 9,576,225

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019**

	School Operating Fund				School Cafeteria Fund				School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 300	\$ 300	\$ 363	\$ 63	\$ 70	\$ 70	\$ 64	\$ (6)	\$ -	\$ -	\$ -	\$ -
Charges for services	60,000	60,000	91,851	31,851	452,000	452,000	478,616	26,616	-	-	-	-
Miscellaneous revenues	-	-	41,515	41,515	5,500	5,500	5,538	38	-	-	-	-
Recovered costs	64,200	64,200	66,798	2,598	-	-	-	-	-	-	-	-
Intergovernmental:												
Appropriation from primary government	9,241,390	9,241,390	11,184,294	1,942,904	-	-	-	-	-	-	-	-
Commonwealth	13,402,860	13,402,860	13,695,027	292,167	8,000	8,000	10,165	2,165	-	-	147,754	147,754
Federal	957,230	957,230	829,135	(128,095)	489,500	489,500	452,539	(36,961)	-	-	-	-
Total revenues	23,725,980	23,725,980	25,908,983	2,183,003	955,070	955,070	946,922	(8,148)	-	-	147,754	147,754
EXPENDITURES												
Current:												
Education:												
Instruction	17,564,490	17,564,490	17,604,060	(39,570)	-	-	-	-	700,000	700,000	392,343	166,920
Administration, attendance, and health	1,528,040	1,528,040	1,507,535	20,505	-	-	-	-	-	-	-	-
Pupil transportation	1,749,000	1,749,000	1,883,504	(134,504)	-	-	-	-	-	-	-	-
Operation and maintenance	1,801,280	1,801,280	1,855,790	(54,510)	-	-	-	-	-	-	-	-
School food service costs	-	-	-	-	955,070	955,070	915,281	90,873	-	-	-	-
Technology	1,084,190	1,084,190	933,530	150,660	-	-	-	-	-	-	-	-
Reimbursement to primary government for debt service	-	-	2,049,233	(2,049,233)	-	-	-	-	-	-	-	-
Total expenditures	23,727,000	23,727,000	25,833,652	(2,106,652)	955,070	955,070	915,281	90,873	700,000	700,000	392,343	166,920
Excess (deficiency) of revenues over (under) expenditures	(1,020)	(1,020)	75,331	76,351	-	-	31,641	(99,021)	(700,000)	(700,000)	(244,589)	(19,166)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	3,606	3,606	-	-	-	-
Transfers out	-	-	(3,606)	(3,606)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(3,606)	(3,606)	-	-	3,606	3,606	-	-	-	-
Net change in fund balances	\$ (1,020)	\$ (1,020)	\$ 71,725	\$ 72,745	\$ -	\$ -	\$ 35,247	\$ (95,415)	\$ (700,000)	\$ (700,000)	\$ (244,589)	\$ (19,166)

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION – SCHOOL BOARD
FIDUCIARY FUNDS

June 30, 2019

	Agency Funds			Totals
	School Activity Funds	Regional Adult Education Program	Regional Alternative Education Program	
ASSETS				
Cash and cash equivalents	\$ 340,293	\$ 22,044	\$ 328,227	\$ 690,564
Accounts receivable	-	14,466	-	14,466
Total assets	<u>\$ 340,293</u>	<u>\$ 36,510</u>	<u>\$ 328,227</u>	<u>\$ 705,030</u>
LIABILITIES				
Accounts payable	\$ -	\$ 228	\$ 92,675	\$ 92,903
Accrued liabilities	-	3,921	9,452	13,373
Amounts held for others	340,293	32,361	226,100	598,754
Total liabilities	<u>\$ 340,293</u>	<u>\$ 36,510</u>	<u>\$ 328,227</u>	<u>\$ 705,030</u>

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES – SCHOOL BOARD –
ALL AGENCY FUNDS
Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 365,356	\$ 570,970	\$ 596,033	\$ 340,293
LIABILITIES				
Amounts held for others	\$ 365,356	\$ 570,970	\$ 596,033	\$ 340,293
REGIONAL ADULT EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 38,486	\$ 238,601	\$ 255,043	\$ 22,044
Accounts receivable	13,860	8,006	7,400	14,466
Total assets	<u>\$ 52,346</u>	<u>\$ 246,607</u>	<u>\$ 262,443</u>	<u>\$ 36,510</u>
LIABILITIES				
Accounts payable	\$ 355	\$ 50,268	\$ 50,395	\$ 228
Accrued liabilities	3,794	84,371	84,244	3,921
Amounts held for others	48,197	237,066	252,902	32,361
Total liabilities	<u>\$ 52,346</u>	<u>\$ 371,705</u>	<u>\$ 387,541</u>	<u>\$ 36,510</u>
REGIONAL ALTERNATIVE EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 305,088	\$ 435,928	\$ 412,789	\$ 328,227
LIABILITIES				
Accounts payable	\$ 73,251	\$ 176,606	\$ 157,182	\$ 92,675
Accrued liabilities	17,346	98,698	106,592	9,452
Amounts held for others	214,491	479,520	467,911	226,100
Total liabilities	<u>\$ 305,088</u>	<u>\$ 754,824</u>	<u>\$ 731,685</u>	<u>\$ 328,227</u>
TOTALS – ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 708,930	\$ 1,245,499	\$ 1,263,865	\$ 690,564
Due from other funds	-	-	-	-
Accounts receivable	13,860	8,006	7,400	14,466
Total assets	<u>\$ 722,790</u>	<u>\$ 1,253,505</u>	<u>\$ 1,271,265</u>	<u>\$ 705,030</u>
LIABILITIES				
Accounts payable	\$ 73,606	\$ 226,874	\$ 207,577	\$ 92,903
Accrued liabilities	21,140	183,069	190,836	13,373
Amounts held for others	628,044	1,287,556	1,316,846	598,754
Total liabilities	<u>\$ 722,790</u>	<u>\$ 1,697,499</u>	<u>\$ 1,715,259</u>	<u>\$ 705,030</u>

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
June 30, 2019

	<u>Self-Insurance</u>
ASSETS	
Cash and cash equivalents	\$ 2,560,137
Total assets	<u>2,560,137</u>
LIABILITIES	
Accounts payable	43,593
Accrued liabilities	1,338
Due to other funds	287,495
Insurance and benefit claims	<u>254,324</u>
Total liabilities	<u>586,750</u>
NET POSITION	
Unrestricted	<u>1,973,387</u>
Total net position	<u><u>\$ 1,973,387</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

June 30, 2019

	<u>Self-Insurance</u>
Operating revenues:	
Charges for service	\$ 3,715,619
Total operating revenues	<u>3,715,619</u>
Operating expenses:	
Administrative charges	48,902
Risk financing and benefit payments	2,391,104
Reinsurance premium	<u>344,987</u>
Total operating expenses	<u>2,784,993</u>
Operating income	<u>930,626</u>
Nonoperating revenue/(expense):	
Interest revenue	33,575
Reimbursements	<u>(195,005)</u>
Total nonoperating revenue/(expense)	<u>(161,430)</u>
Changes in net position	769,196
Net position, beginning	<u>1,204,191</u>
Net position, ending	<u><u>\$ 1,973,387</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
Year Ended June 30, 2019

	<u>Self - Insurance</u>
Cash flows from Operating Activities	
Receipts from interfund services provided	\$ 3,715,619
Claims and benefits paid	(2,351,780)
Payments to suppliers for goods and services	<u>(349,689)</u>
Net cash provided by operating activities	<u>1,014,150</u>
Noncapital and Related Financing Activities	
Payments to other funds	<u>(156,057)</u>
Cash flows from Investing Activities	
Interest received on investment securities	<u>33,575</u>
Net increase in cash and cash equivalents	891,668
Cash and cash equivalents	
Beginning	<u>1,668,469</u>
Ending	<u><u>\$ 2,560,137</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 930,626</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in liabilities:	
Increase in accrued liabilities	44,200
Increase in insurance and benefit claims	<u>39,324</u>
Net cash provided by operating activities	<u><u>\$ 1,014,150</u></u>

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2019 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2019
www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

STATISTICAL SECTION

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

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

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

Notes

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

The County implemented GASB Statement 75 and restated beginning net position for 2018. The restatement is not included in the prior year data.

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 1

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 11,351,123	\$ 3,471,545	\$ 6,377,053	\$ 6,102,702	\$ 5,966,632	\$ 4,817,073	\$ 4,298,661	\$ 1,461,113	\$ 1,669,963	\$ (513,010)
Restricted	5,177,731	1,208,247	1,329,008	848,217	989,614	1,861,710	4,024,633	62,572	64,245	-
Unrestricted	(6,247,894)	11,327,540	11,133,394	8,946,754	6,514,370	6,209,949	4,247,618	5,016,956	3,502,991	3,806,931
Total governmental activities net position	<u>\$ 10,280,960</u>	<u>\$ 16,007,332</u>	<u>\$ 18,839,455</u>	<u>\$ 15,897,673</u>	<u>\$ 13,470,616</u>	<u>\$ 12,888,732</u>	<u>\$ 12,570,912</u>	<u>\$ 6,540,641</u>	<u>\$ 5,237,199</u>	<u>\$ 3,293,921</u>

TABLE 2

COUNTY OF KING WILLIAM, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
General government administration	\$ 2,104,830	\$ 1,860,624	\$ 1,659,886	\$ 1,710,633	\$ 1,891,619	\$ 1,991,266	\$ 1,720,020	\$ 1,390,914	\$ 1,379,801	\$ 1,764,919
Judicial administration	873,220	883,699	791,733	760,857	825,326	828,978	758,278	731,145	719,715	704,861
Public safety	6,362,331	5,664,409	5,747,012	4,870,998	5,814,590	4,869,354	4,363,690	4,069,441	4,206,900	3,861,928
Public works	2,799,756	2,047,249	1,905,315	1,896,034	934,531	2,511,346	1,591,495	1,636,299	1,693,960	1,546,058
Health and welfare	2,784,955	2,257,419	3,272,265	1,984,796	1,853,888	1,925,297	1,769,339	1,726,465	1,837,002	2,001,233
Education	18,861,910	16,943,630	11,791,832	12,074,082	12,327,218	9,976,507	10,430,356	9,555,915	8,679,113	8,109,049
Parks, recreation, and cultural	844,000	765,324	712,945	702,854	693,945	659,605	848,196	852,555	836,773	805,377
Planning and community development	426,016	325,374	351,232	401,302	401,274	383,302	325,122	415,658	537,673	728,707
Interest	905,111	1,405,763	750,283	842,101	926,078	1,020,009	1,037,029	1,024,553	1,031,300	1,505,477
Total expenses	35,962,129	32,153,491	26,982,503	25,243,657	25,668,469	24,165,664	22,843,525	21,402,945	20,922,237	21,027,609
Program revenues										
Governmental activities										
Charges for services										
General government administration	332,792	267,695	982,484	-	-	-	20,000	19,500	-	-
Judicial administration	25,309	33,511	30,577	35,530	24,449	26,098	26,855	16,767	15,765	90,863
Public safety	599,811	512,594	446,129	439,066	473,347	561,506	697,301	389,101	394,742	94,812
Public works	461,125	619,409	485,781	495,386	439,764	449,819	141,297	161,269	168,958	130,839
Health and welfare	1,071	4,113	18,604	18,346	41,720	-	-	-	-	-
Education	-	-	-	-	32,579	266	642,225	-	-	-
Parks, recreation, and cultural	218,695	182,245	142,611	112,524	111,301	97,908	109,886	119,114	131,642	86,706
Planning and community development	315,527	361,337	319,556	286,331	226,438	216,907	167,649	150,911	177,126	174,608
Operating grants and contributions										
General government administration	211,956	211,690	207,187	223,701	198,003	200,716	196,912	203,673	190,203	229,637
Judicial administration	436,342	449,974	431,854	396,613	373,388	383,598	374,720	363,618	372,117	341,892
Public safety	1,336,543	933,350	1,072,746	872,307	1,013,237	1,128,150	852,544	801,490	784,085	835,995
Public works	121,779	7,817	8,016	8,321	8,229	8,240	9,342	6,473	7,644	6,629
Health and welfare	1,619,292	1,459,358	1,236,981	1,156,323	1,050,752	1,082,488	1,028,244	1,119,045	1,321,454	1,386,233
Education	-	1,959,374	2,181,480	2,272,601	2,309,062	-	-	-	-	-
Parks, recreation, and cultural	-	-	4,500	5,000	13,913	44,303	21,668	9,550	5,000	5,319
Planning and community development	-	-	-	-	20,650	-	-	-	49,205	-
Capital grants and contributions										
Judicial administration	-	-	-	-	-	25,903	-	-	-	-
Public safety	1,249,580	-	-	-	-	-	26,842	-	-	25,550
Public works	33,168	180,000	210,000	90,000	624,212	256,687	335,875	-	-	-
Education	195,005	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	102,000	5,800	-	-	-
Planning and community development	-	-	-	-	-	-	-	-	-	212,500
Total governmental activities program revenues	7,157,995	7,182,467	7,778,506	6,412,049	6,961,044	4,584,589	4,657,160	3,360,511	3,617,941	3,621,583
Total primary government net expense	(28,804,134)	(24,971,024)	(19,203,997)	(18,831,608)	(18,707,425)	(19,581,075)	(18,186,365)	(18,042,434)	(17,304,296)	(17,406,026)

TABLE 2
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Position										
Governmental activities										
General property taxes	\$ 17,946,512	\$ 17,806,401	\$ 17,540,299	\$ 16,887,147	\$ 16,779,917	\$ 15,901,842	\$ 16,393,302	\$ 15,464,547	\$ 15,744,965	\$ 15,559,634
Grants and contributions not restricted to specific programs	1,596,248	1,633,590	1,605,118	1,632,439	1,581,199	1,639,303	1,571,449	1,567,627	1,598,315	1,262,902
Local sales and use	1,084,402	952,243	932,215	950,003	918,000	803,574	776,602	747,327	722,243	-
Consumer utility	255,977	220,617	231,786	218,970	235,700	232,777	230,314	227,669	226,901	224,395
Business licenses	501,619	500,403	437,265	416,827	423,697	353,097	342,712	275,242	299,881	278,531
Motor vehicle license taxes	438,264	421,829	395,593	371,470	377,113	366,296	369,895	370,133	357,659	299,404
Taxes on recordation and wills	226,000	219,987	218,718	198,605	148,828	154,912	171,486	151,615	138,994	156,970
Communication sales tax	-	-	-	-	-	-	-	-	-	375,273
Other local taxes	520,012	501,672	435,663	415,039	371,725	344,955	318,584	313,264	278,516	389,986
Revenues from uses of money and property	462,598	157,047	116,286	105,986	93,295	91,637	98,719	89,375	67,703	76,982
Miscellaneous	46,130	22,030	68,859	62,179	24,674	145,429	56,674	139,077	21,906	14,256
Total general revenues and other changes	<u>23,077,762</u>	<u>22,435,819</u>	<u>21,981,802</u>	<u>21,258,665</u>	<u>20,954,148</u>	<u>20,033,822</u>	<u>20,329,737</u>	<u>19,345,876</u>	<u>19,457,083</u>	<u>18,638,333</u>
Changes in Net Position	<u>\$ (5,726,372)</u>	<u>\$ (2,535,205)</u>	<u>\$ 2,777,805</u>	<u>\$ 2,427,057</u>	<u>\$ 2,246,723</u>	<u>\$ 452,747</u>	<u>\$ 2,143,372</u>	<u>\$ 1,303,442</u>	<u>\$ 2,152,787</u>	<u>\$ 1,232,307</u>

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 3

FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Pre-GASB 54 implementation:										
General Fund										
Reserved										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-	-	-	-	-	-	-
Post-GASB 54 implementation:										
Nonspendable	60,067	46,985	-	-	-	19,159	9,313	177,025	7,943	31,352
Restricted	610,618	464,405	206,684	206,684	-	363	549,936	1,905,275	62,054	63,728
Committed	772,658	1,864,345	1,478,408	1,478,408	1,344,344	1,265,335	1,838,390	2,091,395	2,448,301	2,633,223
Assigned	117,812	49,707	45,000	45,000	1,023	-	-	-	-	-
Unassigned	6,119,501	10,853,502	10,123,786	10,123,786	8,645,161	6,365,262	4,742,615	2,614,804	3,169,372	1,542,611
Total general fund	<u>7,680,656</u>	<u>13,278,944</u>	<u>11,853,878</u>	<u>11,853,878</u>	<u>9,990,528</u>	<u>7,650,119</u>	<u>7,140,254</u>	<u>6,788,499</u>	<u>5,687,670</u>	<u>4,270,914</u>
Pre-GASB 54 implementation:										
All Other Governmental Funds										
Reserved:										
General capital projects	-	-	-	-	-	-	-	-	-	1,109,887
School capital projects	-	-	-	-	-	-	-	-	-	516
Post-GASB 54 implementation:										
Restricted:										
Debt service	117,397	13,164	116,642	124,343	122,528	-	-	-	-	-
General capital projects	3,391,026	730,678	1,005,682	432,942	506,420	1,219,107	2,118,839	-	-	-
School capital projects	1,058,690	8,626,938	-	290,932	360,303	92,667	519	518	517	-
Unassigned:	-	-	(58,299)	-	-	-	-	(114,072)	(115,199)	-
Total all other governmental funds	<u>4,567,113</u>	<u>9,370,780</u>	<u>1,064,025</u>	<u>848,217</u>	<u>989,251</u>	<u>1,311,774</u>	<u>2,119,358</u>	<u>(113,554)</u>	<u>(114,682)</u>	<u>1,110,403</u>
Total fund balances	<u>\$ 12,247,769</u>	<u>\$ 22,649,724</u>	<u>\$ 12,917,903</u>	<u>\$ 12,702,095</u>	<u>\$ 10,979,779</u>	<u>\$ 8,961,893</u>	<u>\$ 9,259,612</u>	<u>\$ 6,674,945</u>	<u>\$ 5,572,988</u>	<u>\$ 5,381,317</u>

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

TABLE 4

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES										
General property taxes	\$ 17,897,750	\$ 17,735,870	\$ 17,429,956	\$ 17,063,632	\$ 16,738,071	\$ 15,659,767	\$ 16,344,544	\$ 15,481,278	\$ 15,750,252	\$ 15,393,779
Other local taxes	3,026,274	2,816,751	2,651,240	2,570,914	2,475,063	2,255,611	2,209,593	2,085,250	2,024,194	1,724,559
Permits, privilege fees, and regulatory licenses	654,090	635,939	1,309,151	292,138	265,096	222,561	174,247	160,620	186,198	261,567
Fines and forfeitures	81,656	91,020	88,376	85,568	78,708	96,349	72,930	66,657	79,454	79,556
Revenue from use of money and property	462,598	157,047	116,286	105,986	93,295	91,637	98,719	89,375	67,703	76,982
Charges for services	1,039,414	1,050,484	779,078	761,335	724,506	708,788	366,409	421,357	455,554	236,705
Miscellaneous	46,130	22,030	68,859	66,013	24,674	145,429	874,596	139,077	21,906	14,256
Reimbursement from component unit	195,005	1,959,374	2,181,480	2,272,601	2,309,062	-	-	-	-	-
Recovered costs	293,079	203,461	249,137	248,142	281,288	324,806	373,705	208,028	167,027	152,078
Intergovernmental:										
Commonwealth	4,511,977	4,035,752	3,792,887	3,700,880	3,708,525	3,637,075	3,495,484	3,421,903	3,637,470	3,532,727
Federal	696,274	660,027	773,515	593,824	550,846	849,723	559,395	649,573	690,553	773,930
Total revenues	28,904,247	29,367,755	29,439,965	27,761,033	27,249,134	23,991,746	24,569,622	22,723,118	23,080,311	22,246,139
EXPENDITURES										
Current:										
General government administration	1,715,668	1,561,477	1,464,231	1,423,122	1,581,231	1,614,235	1,390,170	1,346,130	1,372,400	1,732,673
Judicial administration	737,218	744,623	626,460	587,496	673,888	653,387	597,145	556,528	570,469	538,227
Public safety	5,758,055	5,341,959	5,468,473	4,586,918	4,709,621	4,647,683	4,226,609	4,171,459	4,100,800	4,026,891
Public works	2,025,533	1,882,886	1,745,109	1,731,929	1,576,985	1,566,425	1,498,140	1,517,016	1,574,143	1,564,364
Health and welfare	2,773,911	2,244,689	2,133,666	1,977,818	1,899,605	1,901,885	1,774,541	1,708,920	1,915,180	2,005,090
Education	9,142,876	10,497,291	10,598,065	10,451,449	10,541,174	8,126,913	8,807,812	7,856,937	6,897,886	6,198,939
Parks, recreation, and cultural	806,933	741,104	676,304	657,695	649,921	622,812	810,258	809,495	801,103	748,180
Community development	435,974	341,670	377,799	387,168	393,600	387,357	322,642	420,350	545,236	729,608
Nondepartmental	68,581	34,456	-	-	-	-	-	-	-	-
Capital outlays	9,530,324	5,779,943	1,146,202	486,170	1,875,450	1,778,531	1,755,312	1,131	288,710	43,034
Debt service:										
Principal	5,087,410	2,147,414	2,295,205	2,351,613	2,147,921	2,082,507	1,865,545	1,926,423	2,088,978	2,052,456
Interest and other fiscal charges	1,223,719	842,915	829,293	920,280	1,012,396	1,094,711	1,187,707	1,159,869	1,139,851	1,513,975
Bond issuance costs	-	430,915	-	-	-	-	-	-	-	-
Total expenditures	39,306,202	32,591,342	27,360,807	25,561,658	27,061,792	24,476,446	24,235,881	21,474,258	21,294,756	21,153,437
Excess (deficiency) of revenues over (under) expenditures	(10,401,955)	(3,223,587)	2,079,158	2,199,375	187,342	(484,700)	333,741	1,248,860	1,785,555	1,092,702
OTHER FINANCING SOURCES (USES)										
Transfers in	10,754,547	4,688,044	1,937,694	1,318,807	2,299,649	875,252	965,674	-	-	-
Transfers out	(10,754,547)	(4,688,044)	(1,937,694)	(1,318,807)	(2,299,649)	(875,252)	(965,674)	-	-	-
Issuance of refunding bonds	-	2,790,000	-	-	-	-	-	-	-	-
Premium on issuance of refunding bonds	-	453,814	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(3,319,596)	-	-	-	(1,346,029)	-	(5,141,719)	-	-
Premium on issuance of debt	-	1,106,190	-	-	-	-	-	-	-	-
Issuance of debt	-	11,925,000	-	-	-	1,375,000	3,000,000	5,310,743	270,000	-
Total other financing sources (uses), net	-	12,955,408	-	-	-	28,971	3,000,000	169,024	270,000	-
Net change in fund balance	\$ (10,401,955)	\$ 9,731,821	\$ 2,079,158	\$ 2,199,375	\$ 187,342	\$ (455,729)	\$ 3,333,741	\$ 1,417,884	\$ 2,055,555	\$ 1,092,702
Debt service as a percentage of noncapital expenditures	16.33%	9.44%	11.58%	13.64%	13.70%	13.57%	14.53%	15.50%	16.89%	16.89%

TABLE 5

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	General Property	Direct Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes	Taxes on Recordation and Wills	Communications (2)	Other Local	Total
2019	\$ 17,897,750	\$ 1,084,402	\$ 255,977	\$ 501,619	\$ 438,264	\$ 226,000	\$ -	\$ 520,012	\$ 20,924,024
2018	17,735,870	952,243	220,617	500,403	421,829	219,987	-	501,672	20,552,621
2017	17,429,956	932,215	231,786	437,265	395,593	218,718	-	435,663	20,081,196
2016	17,063,632	950,003	218,970	416,827	371,470	198,605	-	415,039	19,634,546
2015	16,738,071	918,000	235,700	423,697	377,113	148,828	-	371,725	19,213,134
2014	15,659,767	803,574	232,777	353,097	366,296	154,912	-	344,955	17,915,378
2013	16,344,544	776,602	230,314	342,712	369,895	171,486	-	318,584	18,554,137
2012	15,481,278	747,327	227,669	275,242	370,133	151,615	-	313,264	17,566,528
2011	15,750,252	722,243	226,901	299,881	357,659	138,994	-	278,516	17,774,446
2010	15,393,779	-	224,395	278,531	299,404	156,970	375,273	389,986	17,118,338

Notes:

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 6

**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Calendar Years
(unaudited)**

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service (2)	Direct Tax Rate	Total
2018	\$ 1,697,561,830	\$ 0.88	\$ 147,601,610	\$ 3.65	\$ 147,460,995	\$ 2.25	\$ 56,144,681	\$ 6.78	\$ 2,048,769,116
2017	1,671,037,639	0.90	140,092,933	3.65	141,846,004	2.25	58,288,293	6.80	2,011,264,869
2016	1,644,073,297	0.92	132,063,242	3.65	134,139,236	2.25	57,267,883	6.82	1,967,543,658
2015	1,640,296,131	0.94	121,293,448	3.65	120,601,181	2.25	54,136,191	6.84	1,936,326,951
2014	1,703,941,330	0.82	114,769,874	3.65	118,147,729	2.25	46,295,443	6.72	1,983,154,376
2013	1,665,940,794	0.79	120,782,359	3.65	114,575,046	2.25	46,295,443	6.69	1,947,593,642
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861	2.45	44,230,704	6.91	1,951,239,703
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936	2.45	44,005,450	6.91	1,940,889,318
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904	2.45	42,974,549	6.91	1,959,156,921
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870	2.45	40,248,359	6.91	1,951,759,141

Notes:

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

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

TABLE 7

COUNTY OF KING WILLIAM, VIRGINIA

DIRECT PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools (1)	Public Service		Total County Direct Tax Rate
				Real Estate (1)	Personal Property (1)	
2018-19	\$ 0.88/0.39/0.88/0.39	\$ 3.65/1.65	\$ 2.25/1.00	\$ 0.88/0.39/0.88/0.39	\$ 3.65/1.65	\$ 6.78
2017-18	0.90/0.40/0.90/0.40	3.65/1.65	2.25/1.00	0.90/0.40/0.90/0.40	3.65/1.65	6.80
2016-17	0.92/0.41/0.90/0.40	3.65/1.65	2.25/1.00	0.92/0.41/0.90/0.40	3.65/1.65	6.82
2015-16	0.94/0.43/0.92/0.41	3.65/1.65	2.25/1.00	0.94/0.43/0.92/0.41	3.65/1.65	6.84
2014-15 (5)	0.82/0.38/0.94/0.43	3.65/1.65	2.25/1.00	0.82/0.38/0.94/0.43	3.65/1.65	6.72
2013-14 (4)	0.79/0.27/0.79/0.79	3.65/3.65	2.25/2.25	0.79/0.79/0.82/0.38	3.65/3.65	6.69
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27/0.79/0.79	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91

Notes:

(1) Per \$100 of assessed value.

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 8

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(unaudited)

		Fiscal Year 2019			Fiscal Year 2010		
		Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value
Taxpayer	Type of Business						
RockTenn Container Plant LLC	Paper Mill	\$ 173,886,629	1	10.09%	\$ 41,901,700	1	2.52%
Nestle Purina Pet Care	Cat Litter	37,357,976	2	2.17%	8,160,800	2	0.49%
Siegel Family LP	Farm	8,558,400	3	0.50%	2,135,800	5	0.13%
Bailey Trust	Developer	7,520,186	4	0.44%	-	-	-
Central Garage II LLC	Developer	5,173,114	5	0.30%	2,148,096	8	0.13%
Old Town LLC	Farm	6,406,000	6	0.37%	2,643,700	6	0.16%
Kennington Place	Developer	6,280,700	7	0.36%	-	-	-
West Point Square LLC	Developer	4,721,084	8	0.27%	-	-	-
Queenfield Farm	Dairy Farm, Golf Course	4,522,770	9	0.26%	-	-	-
John N. Mills, et al	Grain Farm	4,326,800	10	0.25%	-	-	-
Central Garage Partnership	Developer	2,437,548		-	4,389,172	3	0.26%
Charles S. Hunter III	Farm	2,254,100		-	3,382,700	4	0.20%
The Lafferty Foundation	Grain Farm	2,087,400		-	4,134,500	7	0.25%
Romancoke LLC	Farm	4,100,300		-	2,455,900	9	0.15%
Widespread Properties LLC	Developer	2,084,025		-	2,279,690	10	0.14%
		\$ 271,717,032		15.01%	\$ 73,632,058		4.43%

Source: Commissioner of Revenue

TABLE 9

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

Fiscal Year	Taxes Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years Amount ⁽¹⁾⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
2019	\$ 19,101,911	\$ (1,321,213)	\$ 17,780,698	\$ 16,898,113	95.04%	\$ 812,623	\$ 17,710,736	99.61%
2018	19,086,229	(1,441,885)	17,644,344	16,507,440	93.56%	1,136,904	17,644,344	100.00%
2017	19,138,245	(1,403,672)	17,734,573	16,655,769	93.92%	1,076,647	17,732,416	99.99%
2016	18,335,019	(1,354,538)	16,980,481	16,117,985	94.92%	818,952	16,936,937	99.74%
2015	18,252,522	(1,458,111)	16,794,411	15,835,342	94.29%	708,713	16,544,055	98.51%
2014	20,354,582	(1,411,635)	18,942,947	17,781,558	93.87% ⁽³⁾	464,325	18,245,883	96.32%
2013	17,640,153	(1,421,423)	16,218,730	14,573,056	89.85%	697,384	15,270,440	94.15%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%

Source: Commissioner of Revenue and Treasurer

Notes:

(1) Exclusive of penalties and interest.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 10

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Fund Loans	Capital Leases	Revenue Bonds			
2019	\$ 15,595,805	\$ -	\$ 1,715,000	\$ 8,049,100	\$ 25,359,905	*	\$ 1,499
2018	19,657,142	250,000	1,940,000	8,491,100	30,338,242	*	1,825
2017	7,510,051	500,000	2,270,000	9,458,245	19,738,296	*	1,208
2016	8,668,297	934,032	2,590,000	10,064,077	22,256,406	3.54%	1,368
2015	9,820,887	1,368,232	2,905,000	10,572,828	24,666,947	4.08%	1,508
2014	10,973,102	1,802,432	3,214,023	10,884,239	26,873,796	4.32%	1,664
2013	11,445,125	2,236,632	3,528,935	10,949,455	28,160,147	4.20%	1,758
2012	12,534,601	2,670,832	638,643	11,181,616	27,025,692	4.58%	1,672
2011	13,622,081	3,105,032	668,380	11,110,879	28,506,372	5.15%	1,781
2010	14,438,031	3,539,232	790,736	11,442,351	30,210,350	5.73%	1,896

Notes:

(1) See demographic statistics on Table 13.

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

* Unavailable

TABLE 11

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year Ended June 30	Population (1)	General Bonded Debt Outstanding Governmental Activities				Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
		Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt		
2019	16,916	\$ 2,048,769,116	\$ 15,595,805	\$ -	\$ 15,595,805	0.76%	\$ 922
2018	16,627	2,011,264,869	19,657,142	-	19,657,142	0.98%	1,182
2017	16,333	1,967,543,658	7,510,051	116,642	7,393,409	0.38%	453
2016	16,269	1,936,326,951	8,668,297	124,343	8,543,954	0.49%	525
2015	16,354	1,983,154,376	9,820,887	122,891	9,697,996	0.54%	593
2014	16,148	1,947,593,642	10,973,102	549,936	10,423,166	0.49%	645
2013	16,014	1,951,239,703	11,445,125	1,905,275	9,539,850	0.65%	596
2012	16,159	1,940,889,318	12,534,601	-	12,534,601	0.70%	776
2011	16,008	1,959,156,921	13,622,081	-	13,622,081	0.74%	851
2010	15,935	1,951,759,141	14,438,031	-	14,438,031	0.80%	906

Notes:

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

(2) Amounts taken from Table 6.

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2019
(unaudited)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Town of West Point, Virginia	\$ 6,248,000	24.01%	\$ 1,500,145
County Direct Debt			<u>25,359,905</u>
Total direct overlapping debt			<u><u>\$ 26,860,050</u></u>

Note:

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)**

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate % ⁽⁵⁾
2019	16,916	*	*	2,173	2.60%
2018	16,627	*	*	2,181	2.90%
2017	16,333	45,300	739,884,900	2,180	3.40%
2016	16,269	43,898	714,176,562	2,167	3.60%
2015	16,354 ⁽²⁾	41,169	673,277,826	2,195	4.00%
2014	16,148 ⁽²⁾	40,831	659,338,988	2,193	5.50%
2013	16,014 ⁽²⁾	39,824 ⁽³⁾	637,741,536	2,179	5.10%
2012	16,159 ⁽²⁾	39,847 ⁽³⁾	643,887,673	2,187	6.10%
2011	16,008 ⁽²⁾	38,882 ⁽³⁾	622,423,056	2,200	6.60%
2010	15,935	36,802	588,353,574	2,191	7.00%

Sources:

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

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

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

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

(5) Virginia Employment Commission.

* Unavailable

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 14

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	Fiscal Year June 30,					
	2019			2010		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Alliance Group Rock Tenn	500 to 999	1	8..21%	-	-	-
King William County Schools	250 to 499	2	4.10%	250 to 499	2	2.86%
Nestle Purina Petcare Company	250 to 499	3	4.10%	100 to 249	3	1.14%
Food Lion	100 to 249	4	1.91%	100 to 249	6	1.14%
Town of West Point School Board	100 to 249	5	1.91%	100 to 249	4	1.14%
County of King William	100 to 249	6	1.64%	100 to 249	5	1.14%
Riverside Regional Medical Center	50 to 99	7	0.82%	50 to 99	7	0.57%
McDonald's	50 to 99	8	0.55%	-	-	-
Ccc Group Inc.	20 to 49	9	0.38%	-	-	-
Augusta Lumber LLC	20 to 49	10	0.38%	-	-	-
Stone Container Corporation	-	-	-	500 to 999	1	5.72%
Virginia Log Company	-	-	-	50 to 99	8	0.57%
J. Sanders Construction Company	-	-	-	50 to 99	9	0.57%
H&R Block	-	-	-	50 to 99	10	0.57%

Source: Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

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

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government administration	24.0	21.0	18.5	18.5	18.5	23.8	23.8	12.0	17.1	17.5
Judicial administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Public safety:										
Sheriff's department	20.0	20.0	21.5	21.0	21.5	20.2	20.2	29.0	32.0	32.0
E911/Dispatch	12.0	13.0	12.0	12.0	12.0	11.0	11.0	-	-	-
Emergency services	8.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community connection program	3.0	3.0	2.8	2.8	2.8	2.8	2.8	3.0	3.0	3.0
Building inspections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0
Animal control	2.0	2.5	2.5	2.5	2.2	2.2	2.2	2.0	2.0	2.0
Animal shelter	4.0	5.0	5.0	5.0	4.0	3.0	-	-	-	-
Public works:										
General maintenance	7.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	8.5	8.5
Water utility	2.0	2.0	1.0	1.0	1.0	1.0	1.0	-	-	-
Litter control	-	-	-	-	-	-	-	0.6	0.6	0.6
Health and welfare										
Department of social services	16.0	14.0	14.6	14.6	13.6	13.6	13.6	13.7	13.3	13.3
Culture and recreation										
Parks and recreation	3.0	3.0	5.5	5.5	5.4	5.4	13.0	3.0	3.0	3.0
Community development										
Planning	5.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Totals	112.0	98.5	98.4	97.9	96.0	98.0	102.6	78.3	93.5	93.9

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

TABLE 16

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

Function/Activity		Fiscal Year									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sheriff	Physical arrests	451	704	675	780	676	583	576	825	873	855
	Traffic violations	616	699	668	626	740	726	617	539	618	715
Fire/EMS Protection	Responding agencies	4	5	5	5	5	3	3	3	3	3
	EMS calls answered	1,605	1,597	1,831	1,661	1,565	1,561	1,659	1,575	2,359	1,819
	Fire calls answered	1,307	386	327	552	472	279	394	-	-	-
Community Development	Residential building permits	811	1,042	859	742	492	530	431	492	507	546
	Commercial building permits	65	59	55	68	23	59	-	-	-	-
	Signage/Demolition/Leasehold Usage	9	9	16	4	8	12	-	-	-	-
Planning	Zoning Permits	245	290	265	223	159	186	-	-	-	-
	Land Disturbing Permits	113	149	151	123	76	82	-	-	-	-
Parks and recreation	Tournaments - Baseball	1,900	1,869	1,430	1,500	1,450	1,575	3,964	5,807	10,256	8,938
Water/Sewer	Materials circulated	466	453	449	302	263	241	223	413	340	328
	Library patrons - registered borrowers	85,569	68,009	77,663	67,830	67,430	54,434	59,129	56,744	#####	82,419

Source: Finance Department

Notes:

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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
General government administration:										
Administration building	3	3	3	3	2	2	2	2	2	1
Public Safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	28	26	28	26	23	23	29	29	26
Building inspections:										
Vehicles	1	1	1	3	1	1	1	2	2	4
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	2	2
Emergency services:										
Number of stations	1	-	-	-	-	-	-	-	-	-
Vehicles	11	6	4	3	1	1	1	2	2	2
Public Works:										
General maintenance:										
Trucks/vehicles	7	7	5	5	4	4	4	10	6	10
Landfill:										
Vehicles	-	-	-	-	-	-	-	-	-	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and Welfare:										
Department of Social Services:										
Vehicles	4	4	3	3	3	3	3	3	3	3
Culture and recreation:										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	2	1	1	1	1
Park acreage	82	82	82	82	82	82	51	51	51	51
Baseball/softball fields	3	3	3	3	3	3	3	3	3	3
T-ball fields	3	3	3	3	3	3	3	3	3	3
Soccer fields	-	-	-	-	-	-	1	1	1	1
Basketball courts	2	2	2	2	2	2	2	2	2	2
Water System:										
Miles of water mains	15	15	15	14	14	14	16	11	11	11
Number of fire hydrants	73	73	73	73	73	73	73	67	67	67
Sewer system:										
Miles of sewer mains	16	16	16	16	16	16	18	13	13	13
Component Unit - School Board										
Education:										
Number of Elementary Schools	2	2	2	2	2	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	45	45	45	45	48	46	46	44	44	44

Source: Finance Department

2019 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2019

www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of
Federal Awards

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

Report of Independent Auditors on Uniform Guidance Compliance

Summary of Compliance Matters

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Finding

SUPPORTING SCHEDULE

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-through payments:			
Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ <u>90,041</u>
Virginia Department of Agriculture and Consumer Services: Child Nutrition Cluster: Commodity Distributions	Not Provided	10.555	<u>49,188</u>
Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program/National School Lunch Program	406230000/405910000	10.553/10.555	<u>395,949</u>
Child Nutrition Cluster Total			<u>445,137</u>
Total Department of Agriculture			<u>544,178</u>
DEPARTMENT OF DEFENSE:			
Direct payments:			
ROTC Instruction		12.000	<u>70,328</u>
Total Department of Defense			<u>70,328</u>
DEPARTMENT OF TRANSPORTATION:			
Pass-through payments:			
Virginia Department of Motor Vehicles: State and Community Highway Safety	SC-2016-56290-6490	20.600	<u>9,015</u>
Total Department of Transportation			<u>9,015</u>
DEPARTMENT OF CRIMINAL JUSTICE			
Pass-through payments:			
Virginia Department of Criminal Justice Services Crime Victim Assistance		16.607	<u>35,000</u>
Total Department of Criminal Justice			<u>35,000</u>

SCHEDULE 1
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:			
Direct payments:			
Indian Education Grants to Local Educational Agencies		84.060	\$ <u>8,396</u>
Pass-through payments:			
Department of Education:			
Adult Education – Basic Grants to States	428010000	84.002	116,263
Title I Grants to Local Educational Agencies	429010000	84.010	245,978
Supporting Effective Instruction State Grants	614800000	84.367	39,784
Federal Other			<u>1,974</u>
			<u>403,999</u>
Special Education Cluster:			
Special Education Preschool Grants	625210000	84.173	13,587
Special Education Grants to States	430710000	84.027	<u>449,089</u>
Special Education Cluster Total			<u>462,675</u>
Total Department of Education			<u>875,070</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	Not Provided	93.556	7,980
Temporary Assistance for Needy Families	Not Provided	93.558	73,674
Refugee and Entrant Assistance State/Replacement			
Designee Administered Programs	Not Provided	93.566	33
Low-Income Home Energy Assistance	Not Provided	93.568	12,449
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	Not Provided	93.596	13,371
Stephanie Tubbs Jones Child Welfare Services Program	Not Provided	93.645	38
Foster Care – Title IV-E	Not Provided	93.658	32,773
Adoption Assistance	Not Provided	93.659	37,015
Social Services Block Grant	Not Provided	93.667	51,853
Chafee Foster Care Independence Program	Not Provided	93.674	1,394
Children's Health Insurance Program	Not Provided	93.767	2,566
Medical Assistance Program	Not Provided	93.778	<u>109,313</u>
Total Department of Health and Human Services			<u>342,459</u>
Total Expenditures of Federal Awards			<u>\$ 1,876,050</u>

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF KING WILLIAM, VIRGINIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$49,188 at the time received were consumed during the year ended June 30, 2019. These commodities were included in the determination of federal awards expended during the year ended June 30, 2019.

Note 3. De Minimis Indirect Cost Rate

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

Note 4. Outstanding Loan Balances

At June 30, 2019, the County had no outstanding loan balances requiring continuing disclosure.

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

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

We have audited, in accordance with 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 11, 2019.

Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies, described as items 2019-001 and 2019-002 in internal control that we consider to be a material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-004.**

County of King William, Virginia's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 11, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosure an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 11, 2019

COUNTY OF KING WILLIAM, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001: Segregation of Duties – County and School Board (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

Management concurs. The County and School Board have taken all steps deemed practical and cost beneficial to minimize instances where the same person has complete control of a transaction or conflicting duties.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2019-002: Auditor Adjustments – County and School Board (Material Weakness)

Condition:

We noted one error related to a County transaction that is non-recurring and unusual in nature which required adjustment. Several audit adjustments were required for the School Board financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accrual or recording of restricted cash, accounts receivable, accounts payable/accrued expenses, and capital assets.

Recommendation:

Accounting procedures should be formulated to ensure all asset and liability accounts are recorded in the general ledger or clearly compiled in subsidiary ledgers for entity wide balances that are not recorded on the fund level general ledger. All balances should be periodically reconciled between the subsidiary ledgers and the general ledger, especially at year end, to ensure accurate financial reporting. All activities should be evaluated beyond transactional processing and also focus on the financial reporting implications of those activities.

Management's Response:

The auditee concurs with the recommendation.

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

2019-003: Child Nutrition Cluster – CFDA# 10.553, 10.555 and Special Education Cluster – CFDA# 84.027, 84.173, Procurement Policies and Procedures

Condition:

The School Board does not have complete, written, procurement policies that are in compliance with the standards required by the Uniform Guidance (2 CFR Part 200).

Criteria:

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

Cause:

Management of the School Board has not updated procurement policies in accordance with the Uniform Guidance.

Effect:

The lack of complete, written policies could result in an improper procurement using Federal funds.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)**

2019-003: Child Nutrition Cluster – CFDA# 10.553, 10.555 and Special Education Cluster – CFDA# 84.027, 84.173, Procurement Policies and Procedures (Continued)

Recommendation:

Management should draft and implement written procurement procedures to align with the Uniform Guidance requirements for all purchases to be made with Federal funds.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs and has begun drafting written procurement procedures to comply with the Uniform Guidance.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2019-004: Budget Appropriations – County and School Board

Condition:

County expenditures exceeded budgeted appropriations in the health and welfare, parks, recreation, and cultural categories. School Board expenditures exceed budgeted appropriations in the instruction, pupil transportation, and school food service costs.

Recommendation:

Steps should be taken to ensure that excess expenditures over budgeted appropriations are approved by the Board of Supervisors and the School Board and the budgets amended accordingly.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF KING WILLIAM, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

A. FINDINGS – FINANCIAL STATEMENT AUDIT

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

Condition:

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

Current Status:

Condition still present.

2018-002: Auditor Adjustments – County (Material Weakness)

Condition:

A significant number of audit adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accrual or recording of issuance and refunding of long-term debt, cash, accounts receivable, accounts payable/accrued expenses, bond issuance costs, deferred amount on refunding, bond premiums, construction in process, and deferred revenue.

Current Status:

Condition still present.

