



**Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2019**

COUNTY OF NEW KENT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prepared By:
Department of Financial Services

**COUNTY OF NEW KENT, VIRGINIA
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
Directory of Principal Officials	i
Organizational Chart	iii
GFOA Certificate of Achievement.....	iv
Letter of Transmittal.....	v

FINANCIAL SECTION

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4

Basic Financial Statements

Government-wide Financial Statements

Exhibit 1 Statement of Net Position	6
Exhibit 2 Statement of Activities	7

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Funds	8
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	9
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	10
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit 7 Statement of Net Position – Proprietary Funds	12
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Exhibit 9 Statement of Cash Flows – Proprietary Funds.....	14
Exhibit 10 Statement of Fiduciary Net Position – Agency Funds	15

Notes to the Financial Statements	16
--	----

**COUNTY OF NEW KENT, VIRGINIA
TABLE OF CONTENTS
(Continued)**

**FINANCIAL SECTION
(Continued)**

Required Supplementary Information

Exhibit 11	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund.....	77
Exhibit 12	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Fund.....	78
Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government.....	79
Exhibit 14	Schedule of Changes in Net Pension Liability and Related Ratios – Component Unit School Nonprofessional	80
Exhibit 15	Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan.....	81
Exhibit 16	Schedule of Employer Pension Contributions.....	82
Exhibit 17	Schedule of Changes in Net OPEB Liability and Related Ratios	83
Exhibit 18	Schedule of OPEB Contributions.....	84
Exhibit 19	Schedule of Employer’s Share of Net OPEB Liability	85
Exhibit 20	Schedule of OPEB Contributions – Cost –Sharing Plans	86
Exhibit 21	Notes to Required Supplementary Information.....	87

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

Exhibit 22	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	91
Exhibit 23	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – County Capital Improvements Fund	92
Exhibit 24	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Fund.....	93
Exhibit 25	Combining Statement of Fiduciary Net Position – Agency Funds	94
Exhibit 26	Combining Statement of Changes in Assets and Liabilities – Agency Funds	95

Discretely Presented Component Unit – School Board

Exhibit 27	Combining Balance Sheet	97
Exhibit 28	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	98

**COUNTY OF NEW KENT, VIRGINIA
TABLE OF CONTENTS
(Continued)**

**FINANCIAL SECTION
(Continued)**

Other Supplementary Information (Continued)

Discretely Presented Component Unit – School Board (Continued)

Exhibit 29	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund.....	99
Exhibit 30	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	100
Exhibit 31	Statement of Fiduciary Net Position – Fiduciary Fund	101
Exhibit 32	Statement of Changes in Fiduciary Net Position – Fiduciary Fund	102
Exhibit 33	Statement of Net Position – Internal Service Fund	103
Exhibit 34	Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Fund	104
Exhibit 35	Statement of Cash Flows – Internal Service Fund	105

Discretely Presented Component Unit – Economic Development Authority

Exhibit 36	Statement of Net Position.....	107
Exhibit 37	Statement of Revenues, Expenses, and Changes in Fund Net Position	108
Exhibit 38	Statement of Cash Flows.....	109

STATISTICAL SECTION

Table 1	Net Position by Component – Last Ten Fiscal Years.....	112
Table 2	Changes in Net Position – Last Ten Fiscal Years.....	113
Table 3	Fund Balances Governmental Funds – Last Ten Fiscal Years	115
Table 4	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	116
Table 5	Principal Real Property Taxpayers – Current and Nine Years Ago	117
Table 6	Property Tax Levies and Collections – Last Ten Fiscal Years.....	118
Table 7	Assessed and Estimated Actual Value of Real Property – Last Ten Fiscal Years.....	119
Table 8	Assessed Value of Taxable Property Other Than Real Property – Last Ten Fiscal Years.....	120

COUNTY OF NEW KENT, VIRGINIA
TABLE OF CONTENTS
(Continued)

STATISTICAL SECTION
(Continued)

Table 9	Direct Property Tax Rates – Last Ten Fiscal Years.....	121
Table 10	Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	122
Table 11	Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	123
Table 12	Demographic and Economic Statistics – Last Ten Calendar Years	124
Table 13	Principal Employers – Current and Nine Years Ago.....	125
Table 14	Full-time County Government Employees by Function/Program – Last Ten Fiscal Years.....	126
Table 15	Operating Indicators by Function – Last Ten Fiscal Years	127
Table 16	Capital Asset Statistics by Function/Program	128

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	130
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	132
Summary of Compliance Matters.....	134
Schedule of Expenditures of Federal Awards	135
Notes to Schedule of Expenditures of Federal Awards	137
Schedule of Findings and Questioned Costs	138

INTRODUCTORY SECTION

**COUNTY OF NEW KENT, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2019**

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

COUNTY ADMINISTRATIVE OFFICERS

Rodney A. HathawayCounty Administrator
Brendan S. HeftyCounty Attorney
Mary F. Altemus Financial Services Director
Lawrence A. Dame Public Utilities Director
Clarence G. Jackson Building Official and Building Development Director
Kelli Le Duc Planning Director
Jon Martz Social Services Director
Richard A. Opett Fire Chief and Emergency Management Coordinator
Matthew J. Smolnik.....Economic Development Director
Jonathan Stanger Chief Technology Director
Justin StauderEnvironmental Director
Kimberly Turner.....Parks and Recreation Director
Duane GossAirport Manager

**COUNTY OF NEW KENT, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2019**

SCHOOL BOARD MEMBERS

Sarah Grier Barber, Chair..... District 4
Adriane J. Marshall, Vice-Chair District 1
Kristin D. Swynford District 2
Andrea M. Staskiel District 3
Dr. Gail B. Hardinge District 5

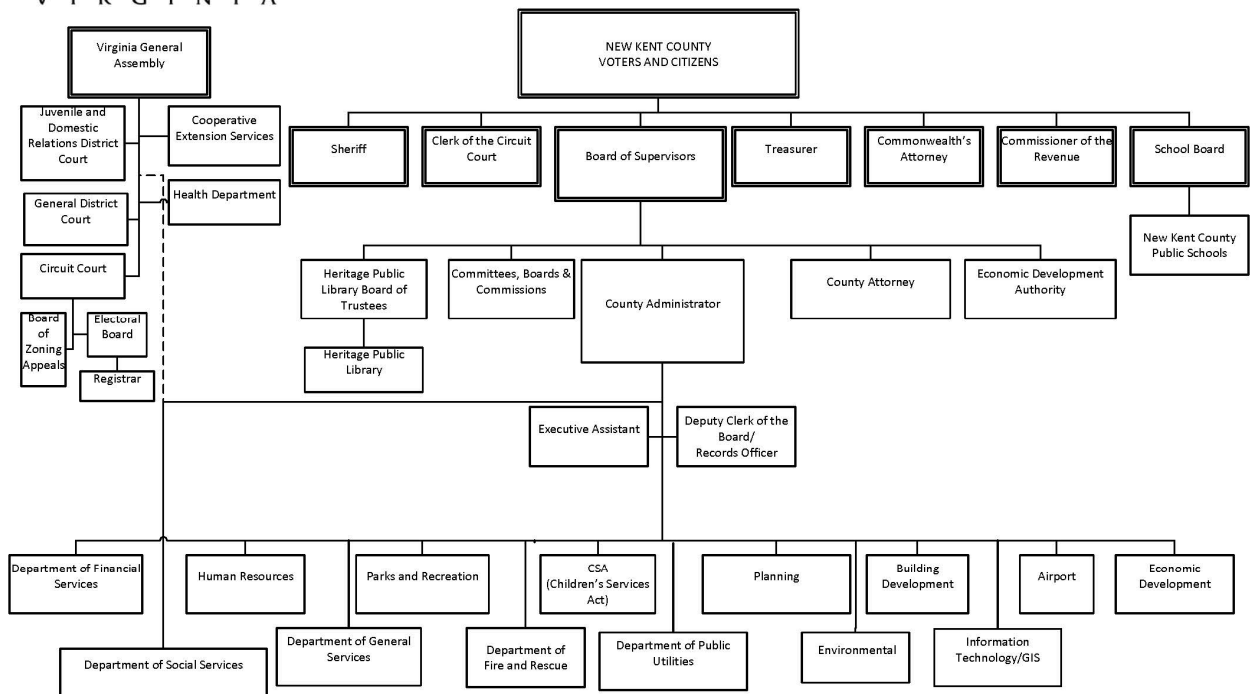
SCHOOL BOARD ADMINISTRATIVE STAFF

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

THIS PAGE LEFT BLANK INTENTIONALLY



Organization of General Government Administrative Functions FY19



Reviewed 8/29/2018



Government Finance Officers Association

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

Presented to

**County of New Kent
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



Board of Supervisors

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

Rodney A. Hathaway
County Administrator

December 17, 2019

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of New Kent County (the County) for the fiscal year ended June 30, 2019. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the County of New Kent Department of Financial Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

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

The County's financial statements have been audited by Brown, Edwards & Company L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the County's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

PROFILE OF THE COUNTY

The County of New Kent is home to approximately 22,462 people according to the University of Virginia, Weldon Cooper Center Demographics Research Group. At the time of the 2010 census, the population of the County totaled 18,429. Since 2010, New Kent has posted a 21.9% net gain in population joining thirty-three other counties whose population growth over 2010-2018 registered above the statewide average of 6.5%. New Kent ranked #2 among Virginia’s 82 counties in population growth. Even though the population density is at approximately 106 persons per square mile, demonstrating the County still remains primarily rural, the County has undergone significant development over the past several years with growth spread fairly evenly throughout the County.

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

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

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

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

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

In early February, the County Administrator submits a draft budget to the Board of Supervisors for consideration. This is a working document intended to facilitate Board work sessions to establish a blueprint for a funding and expenditure plan. The draft budget is simply a printout of departmental line-item budgets and does not include the wide array of information reflected in the adopted budget. A proposed budget is issued in March, and a public hearing is held in March-April to obtain citizen comments and input. The Board of Supervisors is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. Board approved Ordinances impose tax levies on real estate and personal property for the tax year, amend fees in the New Kent County Code and any changes in utility fund fees/rates. Final budgets are legally adopted and appropriated through passage of a Resolution no later than June 30 for a fiscal year commencing on July 1. The Resolution motion establishes budgetary appropriation amounts at the functional level (e.g., General Fund).

The Board reviews its Bylaws at its January meeting and any necessary amendments are adopted at the February meeting. Included in the Bylaws are procedures for financial control. Budgets are monitored and reported to the Board of Supervisors on a monthly basis. The Bylaws effectively establish a legal level of budgetary control, the lowest level at which the County Administrator may reallocate resources without Board approval. With the exception of payroll and capital projects, the County Administrator is authorized to transfer line item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors as well as additional appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. Any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval. All transfers are reported to the Board of Supervisors on a monthly basis.

Budget-to-actual comparisons are provided in this report. These comparisons are presented in the Required Supplementary Information section and Supporting Schedules under Other Supplementary Information of the financial statements.

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

ECONOMIC OVERVIEW

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

Local economy: Despite challenging national economic conditions, New Kent has maintained business investment and positive economic activity along with a booming population growth. The local housing market is very strong. We believe the local economy continues to be positioned to weather tough economic conditions better than most localities but as fiscal conservatives we are cautious and preparing for the next economic downturn. Management of infrastructure and employee-related costs and volatilities such as gas and oil prices, inflation, and intergovernmental aid will continue to be a challenge.

The County enjoys the fourth-highest median household income and the third-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, Virginia Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2017 Quick-Facts) From 2010-2018, New Kent County posted a 4.04% average annual change in total personal income registering above the statewide average of 3% and ranked #2 among Virginia's 82 Counties. (Source: Virginia REAProject.org). While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2019, the County had an unemployment rate of 2.6% compared to 2.9% and 3.8% for Virginia and the United States, respectively. (Source: Virginia Employment Commission, Unemployment rates by county, not seasonally adjusted, Virginia June 2019)

New single family homes totaled 191 units for FY 2019. This represents a decrease from FY 2017 (232) and FY 2018 (310). This decrease is related to the build out of the Patriots Landing subdivision. New subdivision are currently in the final planning stages, and therefore, we anticipate a significant increase for FY 2020. For FY 2019, ten commercial building permits were issued, a decrease of five from the FY 2018 total of fifteen. Commercial building permits issued for additions and alterations totaled 20 for FY 2019 and ten for FY 2018. (Source: New Kent County Building Official and Building Development Office)

Growth in the County continues to present challenges in funding critical service and infrastructure needs, in terms of additional schools, law enforcement, inmate housing, social services and fire protection. All of these services come with significant capital and operating costs. As a result, the County must look to its largest revenue source, real estate taxes, for the funds necessary to provide critical County services that our Citizens request of their Government.

Economic development update: New Kent County is predominately rural in nature with approximately 66% of the County covered in pine and hardwood trees. Agriculture, forestry, fishing and hunting were prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries have declined significantly; now it is the lowest in employment by industry. In the second quarter of 2019, the largest employment industries were government (federal, state and local), followed by construction, retail trade, health care and social assistance, accommodation and food services, and administrative and support and waste management. (Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, and June 2019) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion.

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

- The Farms of New Kent Planned Unit Development (PUD) was amended and restated on March 13, 2018 by applicants Kent Farms Holding Company, LLC and New Kent Farms, LLC. The Original Proffers were also amended and restated being necessary to ensure the Proffers are feasible, consistent with the current state of development of the property and consistent with amendments to the PUD Ordinance. Within the PUD, which consist of approximately 1,665 acres, there will be commercial, residential and recreational development. Residential development will include age-restricted cottages, non-age-restricted and age-restricted dwelling units.
- The Kentland Planned Unit Development (PUD) occupies an approximate acreage of 3,165 and is located within the southeast quadrant of the Route 155/I-64 interchange. The Kentland Community will consist of a variety of residential office, retail and recreational uses designed to complement the Colonial Downs racetrack and the two golf courses. Approximately 150 multi-family units are constructed/under construction, and approximately 1/3 of the single-family units are constructed/under construction.
- Weir Creek Commerce Park, located on U. S. Route 33 is a 150 acre tract of land planned for an industrial park. Currently, the first phase of site preparation is complete which involves the construction of an access road and three pad sites that total approximately 36 acres.
- Rock Creek Villas is a development consisting of approximately 14.2 acres that proposes 60 age-restricted attached units to be supported by an 18,000 square foot commercial facility. The commercial facility has been fully constructed and leased. This leased space includes two restaurants, a fitness center, hair and nail spa, a dentist office, a community meeting room, and office space for small businesses.
- The Patriots Landing PUD consists of 253 acres in the western portion of the County located at the I-64 and Route 60 intersection. This development is planned for up to 640 residential units and new commercial and office uses will be located on both sides of the Food Lion grocery store, continuing along the Route 33/I-64 frontage totaling 29.5 acres. Single-family residential development is nearly complete, consisting of approximately 310 single family homes and 28 townhomes.

- Several cluster subdivisions that collectively encompass over 350 homes have been approved by the County.

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent's ranking level for fiscal stress is 113 out of 133 Virginia localities. The County is considered to have low fiscal stress and is listed as having the 21st lowest of the 21 low stress localities in Virginia comprised of 3 cities and 18 counties. The fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place some stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of the County's good fiscal health. They are also indicative that the County's economic position has improved over many years and has weathered the effect of the downturn in the economy. (Source: Commission on Local Government's Report on the Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities, for FY2017)

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

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles and includes those items with a unit cost greater than \$25,000. The CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The County has long practiced a non-debt funding strategy for the CIP. The Board members recognized that there was a need to improve and build new infrastructure and provide safe, reliable emergency management vehicles, therefore, they increased borrowing and the debt ratios increased accordingly in recent years. To offset the County's increased debt due to school renovations and the commitment to build a new high school, the Board voted in FY 2005 to set aside six cents of the real estate tax rate for future school capital debt expenditures and one cent of the tax rate for County capital. The practice continued in FY 2010 to set aside six cents of the real estate tax rate for school debt expenditures but the one cent set aside of the tax rate for County capital was not funded in FY 2010. The practice to set aside six cents of the real estate tax rate ended in FY 2011 although there were funds remaining from this practice that allowed the County to off-set debt service expenditures by \$300,000 annually through FY 2016. In FY14, the Board of Supervisors (BOS, the Board) established a school construction set-aside reserve equal to two pennies on the real estate tax rate. Although the adopted FY17 budget reflected a set-aside of \$495,694, the Board took action at their August 23, 2016 meeting to provide an additional \$20,000 set-aside for a total of \$515,694 (two pennies at \$257,847). The FY18 budget reflected a set-aside of \$1,041,432, which equates to 4 pennies (at \$260,358) on the tax rate of \$0.83. The Board of Supervisors once again recommended and adopted a set-aside for the FY19 budget. The FY19 budget reflects 7 pennies at \$286,367 each, for a total transfer of \$2,004,569. At their May 23, 2018 meeting to adopt the FY19 budget, the Board approved an additional \$120,000 transfer for a total transfer of \$2,124,569 (an increase of \$1,083,187 over the FY18 transfer of \$1,041,432). The goal is to accumulate an annual set-aside amount sufficient to pay operating costs and principal and interest on a new elementary school. While the current transfer of \$2,124,569 is sufficient to pay annual debt service on a \$28 million school, it is not sufficient to pay annual operating cost estimated at \$2 million. The County monitors bonds to determine if there is an opportunity to reduce debt service expenditures.

The County's Capital Improvement Fund has accumulated funds due to the Board's policy requiring any funds in excess of 15% of budgeted revenues to be transferred from the General Fund into the Capital Fund. This plan was designed to reserve County savings for capital improvement projects that may have otherwise been debt financed.

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

The projects that may require debt service within the next five years include:

- School – New Elementary School Construction - \$35,000,000
- Schools – New Kent Elementary School Renovation - \$15,000,000
- Parks & Recreation – New Park Construction - \$4,500,000
- Fire Station Replacements and Future Fire Stations - \$12,140,000 over 15 years
- Sheriff – New Animal Shelter - \$4,505,000

The County recognizes that some of these projects will have an impact on future operating costs, and has built estimates into our affordability models. It is anticipated that the new elementary school construction and the George Watkins Renovation and Expansion projects could result in additional annual operating costs totaling \$2.2 million. We also anticipate the new park will impact personnel, maintenance and other operating costs such as utilities, insurance, supplies and equipment. The new fire station currently under construction will require personnel and equipment.

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

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

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures. Also, expenditures are monitored through monthly reporting and monitoring of departments actual expenditures to budget.

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

Major initiatives and accomplishments: The County has aligned its professionalism, goals, and standards of operation with those of jurisdictions with much larger populations. New Kent is positioned to accommodate projected growth and changing demographics. Below are some of the actions the County has undertaken to provide and maintain high quality services.

- Research for and use of numerous federal, state, private and foundation grant opportunities for County programs, services, and capital programs
- Formulate and review formal fiscal management policies for Board approval
- Implement energy savings programs and policies
- Annually purchase Sheriff's vehicles enabling the department to keep its fleet current
- Fund computer replacements on a five-year rotating basis
- Annually provide funding for new school buses on a rotating basis to meet state guidelines
- Support to the New Kent Airport
- Funding for the school's Technology One-to-One Learning Initiative
- Purchase of a new building to house the County library
- Implementation of a new ERP system
- Construction of a new \$6 million 800 MHz Public Radio System to provide radio communication coverage throughout the entire County for deputies, fire and rescue staff, and school transportation staff

In addition the county has most recently completed the following initiatives:

- Construction of a new fire station located on Route 106, next to the visitor's center
- Begin construction of a new park on Pine Fork Road
- Restructured departments to focus additional attention and resources on economic development

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

ACKNOWLEDGEMENTS

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the fifteenth year (FY04–FY18) that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate. The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated May 23, 2018. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The County has received the Popular Annual Financial Report (PAFR) since FY 2014. The PAFR is designed to present financial information in a document that is readily accessible and easily understandable to the general public and other interested parties.

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

Respectfully submitted,

Rodney A. Hathaway

Rodney A. Hathaway
County Administrator

Larry D. Clark

Larry D. Clark
Assistant Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, 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* and *Specifications for Audits of Authorities, Boards and Commissions*, 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 as a whole. The introductory section, other supplementary information, and statistical sections 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 other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 17, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 17, 2019

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

This section of the County of New Kent's (the "County") comprehensive annual financial report offers a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019 (FY 2019). Please read it in conjunction with the Letter of Transmittal at the front of this report and with the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS – GOVERNMENT WIDE FINANCIAL STATEMENTS

- The assets and deferred outflows of resources of the County, on a government-wide basis excluding component units, exceeded liabilities and deferred inflows of resources by \$129,393,091, an increase of \$5,844,709 over the FY 2018 total of \$123,548,382. Of this amount, \$44,054,774 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets, which is not immediately available to satisfy ongoing obligations, totals \$85,280,089. (See Exhibit 1)
- The County's total net position, excluding component units, when compared to FY 2018, increased \$5,844,709 (\$129,393,091 minus \$123,548,382), of which, governmental activities increased \$5,657,943 and business-type activities increased \$186,766. The \$5,657,943 increase in governmental activity net position is due to continued strong economic activity relative to housing starts and the number of retail establishments locating to the County. Colonial Downs reopened in the FY 2019 and contributed cash totaling \$865,013 which was not expended.
- The Statement of Activities reflects net governmental program expenses totaling \$36,888,508, which consist of total expenses of \$44,000,107 minus program-related revenues of \$7,111,599. The \$36,888,508 that was not funded by program revenues, such as charges for services (\$1,567,766) and grants (\$5,543,833), must be funded by local taxes and other miscellaneous revenues totaling \$42,546,451. This calculation is an excellent indicator of the County's reliance of local sources of revenues (especially general property taxes of \$31,425,961) to fund daily governmental operations. The \$31,425,961 of general property taxes (real estate & personal property) reflects 85% of the \$36,888,508 funded by local sources of revenues. (See Exhibit 2)

FINANCIAL HIGHLIGHTS – FUND FINANCIAL STATEMENTS

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$34,685,578, an increase of \$5,027,164 in comparison with the prior year total of \$29,658,414. Approximately 95% of this total amount, \$33,059,839, is *available for expenditure* at the County's discretion (*Committed, Assigned and Unassigned Fund Balance*). The \$33,059,839 consists largely of \$18,935,083 in the County's Capital Improvements Fund, \$10,498,366 in the General Fund, \$3,539,068 the Debt Service Fund, \$87,984 in the Airport Fund, and a negative \$662 in the Human Services Fund. Although \$18,935,083 has been committed for capital projects, the Board of Supervisors has the authority to re-appropriate these funds as they see fit. Approximately \$8.8 million of the \$18,935,083 in the County Capital Improvements Fund is currently committed to current or future projects. (See Exhibit 3)
- At the end of the current fiscal year, unassigned fund balance for the Governmental Funds totaled \$10,401,372 or 16.3% of governmental fund revenues and transfers totaling \$63,723,417. FY

2018 reflected an unassigned fund balance for the General Fund of \$9,639,266 or 17.1% of governmental fund revenues and transfers in totaling \$56,483,372. Per County financial policy, the amount by which the audited unassigned fund balance exceeds 15% of budgeted revenues is transferred to the Capital Improvements Fund for future capital procurements. For FY 2019, the County transferred \$3,007,736 from the General Fund to the Capital Improvements Fund, leaving a \$10,402,034 unassigned fund balance in the General Fund. (See Exhibits 3 and 5)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements themselves, this report also contains other supplementary information which includes budgetary and statistical information. It also includes details regarding individual funds and component units.

GOVERNMENT-WIDE STATEMENTS

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

The Statement of Net Position and the Statement of Activities report the County's net position and the changes that occurred in the current year. The County's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the County's financial health, or financial position. Over time, increases and decreases in the County's net position are indicators of whether its financial health is improving or deteriorating. In addition, other nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure will need to be considered in order to assess overall financial health.

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

- **Governmental Activities** – Most of the County's basic services are reported here: general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, environmental management and community development. Property taxes, other local taxes, and revenue from the state and federal government finance most of these activities. See Exhibits 1 and 2 of this report.
- **Business-Type Activities** – The County's operation, maintenance, and construction of the County-owned water and wastewater (sewer) utility are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide. The County provides no financial support to the water and sewer fund. See Exhibits 7 & 8 of this report.

- **Component Units** – The County includes two separate legal entities in its report – the County of New Kent School Board (the School Board) and the Economic Development Authority (the EDA). Although legally separate, these “component units” are important because the County is financially accountable and the County has influence over their budget activities. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found in Exhibits 1 and 2 of this report.

FUND FINANCIAL STATEMENTS

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

- **Governmental Funds** – The County maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Airport Fund, Debt Service Fund, and the County Capital Improvements Fund, all of which are considered major funds. The Human Services Fund is considered to be a non-major fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance County programs. Since this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or reconciles the differences) between the two types of statements. The basic governmental funds financial statements are located in Exhibits 3 through 6.

- **Internal Service Funds** – Accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board. See Exhibit 33 of this report.
- **Proprietary Funds** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.

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

- **Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds which include Special Welfare and Supplemental Security Income benefits for Department of Social Services clients. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Combining Statement of Changes in Assets and Liabilities – Agency Funds. The County excludes these activities from the County’s government-wide financial statements because the County cannot use these assets to finance its own operations. The fiduciary fund financial statements can be found in Exhibits 10, 25 and 26 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit 10 of this report.

OTHER INFORMATION

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

In 2018, the County (including Schools) adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The overall effect of this new standard is to reflect the long-term other postretirement benefit (“OPEB”) obligations directly in the County’s financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the County record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as follows:

	County	Public Utility	Schools	EDA
Ending Net Position-FY17	\$ 49,443,585	\$ 72,050,247	\$ 2,368,962	\$ 955,251
OPEB Restatement	(732,161)	(88,008)	(5,034,085)	-
Restated Beginning Net Position-FY18	\$ 48,711,424	\$ 71,962,239	\$ (2,665,123)	\$ 955,251

These restatements had a significant impact on the County’s net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances (budget and actual) for the Debt Service Fund, County Capital Improvements Fund, and the non-major Special Revenue Fund. Also included are the Combining Statement of Fiduciary Net Position – Agency Fund, and the Combining Statement of Changes in Assets and Liabilities - Agency Funds.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$129,393,091 at the close of the most recent fiscal year. A \$5,844,709 increase over the prior year total of \$123,548,382.

A large portion of the County's net position (\$85,280,089), 66% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment less related debt). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future expenditure. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate related liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life). (See Exhibit 1)

Statement of Net Position – Primary Government

The following table reflects a summary of condensed information on the County's net position at June 30, 2019 and 2018:

Description	Governmental		Governmental		Business-type		Total Primary		Component	
	Activities		Activities		Activities		Government		Units	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Current and other Assets	\$ 39,462,910	\$ 34,459,425	\$ 10,975,957	\$ 10,220,634	\$ 50,438,867	\$ 44,680,059	\$ 8,949,531	\$ 8,404,507		
Capital Assets	75,647,767	75,811,888	75,584,151	76,734,922	151,231,918	152,546,810	30,693,794	28,756,881		
Total Assets	\$ 115,110,677	\$ 110,271,313	\$ 86,560,108	\$ 86,955,556	\$ 201,670,785	\$ 197,226,869	\$ 39,643,325	\$ 37,161,388		
Deferred Outflows of Resources	\$ 2,706,161	\$ 2,912,304	\$ 917,073	\$ 926,868	\$ 3,623,234	\$ 3,839,172	\$ 4,287,712	\$ 3,948,991		
Total Assets and Deferred Outflows of Resources	\$ 117,816,838	\$ 113,183,617	\$ 87,477,181	\$ 87,882,424	\$ 205,294,019	\$ 201,066,041	\$ 43,931,037	\$ 41,110,379		
Current and other Liabilities	\$ 8,647,233	\$ 7,772,132	\$ 1,374,395	\$ 1,282,795	\$ 10,021,628	\$ 9,054,927	\$ 4,397,464	\$ 4,238,809		
Long-term Liabilities	51,723,385	53,378,388	13,635,102	14,361,869	65,358,487	67,740,257	29,466,394	30,369,147		
Total Liabilities	\$ 60,370,618	\$ 61,150,520	\$ 15,009,497	\$ 15,644,664	\$ 75,380,115	\$ 76,795,184	\$ 33,863,858	\$ 34,607,956		
Deferred Inflows of Resources	\$ 419,381	\$ 677,631	\$ 101,432	\$ 58,274	\$ 520,813	\$ 735,905	\$ 3,437,948	\$ 3,129,181		
Total Liabilities and Deferred Inflows of Resources	\$ 60,789,999	\$ 61,828,151	\$ 15,110,929	\$ 15,702,938	\$ 75,900,928	\$ 77,531,089	\$ 37,301,806	\$ 37,737,137		
Net Position										
Net Investment in Capital Assets	\$ 22,915,289	\$ 20,656,456	\$ 62,364,800	\$ 62,113,139	\$ 85,280,089	\$ 82,769,595	\$ 30,693,794	\$ 28,756,881		
Restricted For:										
E-911 Wireless	9,305	1,350	-	-	9,305	1,350	-	-		
Asset Forfeiture	46,331	33,884	-	-	46,331	33,884	-	-		
Grants-Litter Control & Other	2,592	2,257	-	-	2,592	2,257	-	-		
Unrestricted (deficit)	34,053,322	30,661,519	10,001,452	10,066,347	44,054,774	40,727,866	(24,064,563)	(25,383,639)		
Total Net Position	\$ 57,026,839	\$ 51,355,466	\$ 72,366,252	\$ 72,179,486	\$ 129,393,091	\$ 123,534,952	\$ 6,629,231	\$ 3,373,242		
Net position - FY18 restatement	-	13,430	-	-	-	13,430	-	-		
Total Net position - restated	\$ 57,026,839	\$ 51,368,896	\$ 72,366,252	\$ 72,179,486	\$ 129,393,091	\$ 123,548,382	\$ 6,629,231	\$ 3,373,242		

Current and other assets for the primary government increased \$5,758,808, compared to an increase of \$5,648,570 for the prior year. Of this amount, governmental activities reflect an increase of \$5,003,485; whereas, business-type activities reflect an increase of \$755,323. Of the \$5,003,485 overall increase in governmental activities, cash and cash equivalents reflect an increase of \$4,290,438 as a result of the following, when compared to FY 2018.

FY19 Increase (Decrease) in Cash & Cash Equivalents	
Description	Total Change
General Fund	\$ (106,346)
Airport Fund	(99,336)
Debt Service Fund	2,438,833
Capital Fund - Unexpended Bond Escrow	2,070,724
Other Government Funds	(13,437)
Net Cash Increase	\$ 4,290,438

The General Fund cash balance reduction of \$106,346 is misleading due to negative cash balances of \$791,832 in the Airport Fund and \$23,191 in the Human Services Fund. These negative balances were closed into the General Fund cash balance of \$9,836,987 resulting in a net cash balance of \$9,021,964. The negative cash balances in the Airport and Human Services Funds are due to offsetting receivables from governmental entities. Prior to the offset of these negative balances, the General Fund cash balance of \$9,836,987 would have reflected an increase of \$708,677 over the FY 2018 cash balance of \$9,128,310.

The Debt Service Fund increase of \$2,438,833 over FY 2018 is due to: 1) a \$2,224,569 transfer from the General Fund to the school set aside; 2) a transfer of \$211,083 for Pine Fork Park debt that was not required; and 3) \$3,181 budget variance between the budgeted debt transfer and actual payments.

The Capital Fund cash increase of \$2,070,724 is primarily due to the \$1,920,013 by which FY 2019 revenues exceeded expenditures. The County also transferred \$865,413 from the General Fund to restrict Colonial Downs receipts and transferred \$3,007,735 from the General Fund related to the amount by which General Fund reserves exceeded 15% of FY 2019 revenues. At June 30, 2019, the County's three bond escrow accounts totaled \$5,488,467, a net increase of \$72,541 from the FY 2018 escrow total of \$5,415,926. During FY 2019, the County issued bonds totaling \$3.2 million to construct Pine Fork Park. At fiscal year-end, the related park bond escrow account reflects a balance of \$3,167,631. The \$72,541 net increase reflects the spend-down of the FY 2018 escrow balance and the new Pine Fork Park escrow.

The \$755,323 increase in business-type current assets consists of a \$606,855 increase in cash and a combined \$148,468 increase in taxes receivable, due from other governments and prepaids expenses. For the fiscal year, the combined net income for the utility funds totaled \$186,766, which contributed to the increase in cash. The Utility Fund also received a one-time payment of \$150,673 from the Virginia Nutrient Credit Exchange Association. Net of depreciation, operations generated cash totaling \$1,015,274.

Overall, capital assets for the primary government declined \$1,314,892, which consists of a \$164,121 decrease in governmental assets and a \$1,150,771 decline in business-type assets. Of the \$164,121 net decrease in capital assets for governmental activities, new asset additions for the governmental funds reflect an overall net increase of \$696,780, while depreciation reflects a net increase of \$860,901. The \$1,150,771 overall decline in capital assets for business-type activities is due to a net \$317,309 increase in capital purchases, and a net increase in depreciation totaling \$1,468,080. (Note 5)

The two schedules below indicate that for FY 2019, total primary government and component unit long-term liabilities of \$101,502,150 reflect an overall decrease of \$2,674,489 when compared to the prior fiscal year total of \$104,176,639. Of this amount, outstanding bonds and lease obligations reflect a decline of \$1,958,030, the pension liability declined \$347,036, the OPEB liability decreased \$399,919 and compensated absences increased \$30,496. The decrease in the pension liability is directly related to fund investment performance and an additional funding contribution in FY 2018 by the Commonwealth of Virginia relative to teachers. The OPEB liability (new for FY 2018, GASB 75) totaled \$6,258,402, consisting of County (\$703,062), Public Utility (\$83,340) and Schools (\$5,472,000). During FY 2019, the County issued new bonds totaling \$3,200,000 for the construction of a new park on Pine Fork Road. The County retired bond and lease debt totaling \$5,189,428, in accordance with existing amortization schedules. (Note 7) The following schedule denotes increases and decrease by fund and liability type.

Long-Term Obligations June 30, 2019 and 2018								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Compensated Absences	\$ 885,701	\$ 844,238	\$ 119,720	\$ 115,332	\$ 1,005,421	\$ 959,570	\$ 279,693	\$ 295,048
Net Pension Liability	1,663,551	1,533,407	225,671	209,421	1,889,222	1,742,828	23,970,305	24,463,735
Bond Premium	231,359	279,922	854,992	994,495	1,086,351	1,274,417	2,209,691	2,679,281
Capital Lease	891,272	1,114,090	47,680	59,600	938,952	1,173,690	495,120	-
General Obligation Bonds	-	-	-	-	-	-	7,069,164	7,900,061
Lease Revenue Bonds	16,043,077	14,115,621	13,007,829	13,567,688	29,050,906	27,683,309	27,248,923	29,346,379
Net OPEB Obligation	703,062	694,803	83,340	83,518	786,402	778,321	5,472,000	5,880,000
Totals	<u>\$ 20,418,022</u>	<u>\$ 18,582,081</u>	<u>\$ 14,339,232</u>	<u>\$ 15,030,054</u>	<u>\$ 34,757,254</u>	<u>\$ 33,612,135</u>	<u>\$ 66,744,896</u>	<u>\$ 70,564,504</u>

Summary of Changes in Long-term Obligations FY 2019 and FY 2018				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	\$ 41,463	\$ 4,388	\$ (15,355)	\$ 30,496
Net Pension Liability	130,144	16,250	(493,430)	(347,036)
Bond Premium	(48,563)	(139,503)	(469,590)	(657,656)
Capital Lease	(222,818)	(11,920)	495,120	260,382
General Obligation Bonds	-	-	(830,897)	(830,897)
Lease Revenue Bonds	1,927,456	(559,859)	(2,097,456)	(729,859)
Net OPEB Obligation	8,259	(178)	(408,000)	(399,919)
Totals	<u>\$ 1,835,941</u>	<u>\$ (690,822)</u>	<u>\$ (3,819,608)</u>	<u>\$ (2,674,489)</u>

Regarding the pension liability, the County and School Board contribute 100% of the required annual contribution as certified by the Virginia Retirement System. The \$938,952 capital lease is related to annual County lease commitments to Tyler Technologies for cloud-base accounting software, and the School lease of Chromebooks.

When compared to the previous fiscal year, deferred outflows of resources for the primary government declined \$215,938, and deferred inflows of resources declined \$215,092. General government deferred outflows of resources reflect a decrease of \$206,143, while business-type outflows reflect a decrease of \$9,795 when compared to the prior year. The \$215,092 decrease in deferred inflows of resources consists

of a \$258,250 decrease in governmental and a \$43,158 increase in business-type activities. Both outflows and inflows of resources are related to deferred pension, OPEB and bond refunding charges that will be amortized in accordance with GAAP requirements. They relate to the amortization of variances between expected and actual investment returns, pension experience, and assumptions.

The net position of the primary government, which totals \$129,393,091, increased \$5,844,709 (4.7%) when compared to the FY 2018 total of \$123,548,382. This change is summarized in the following schedule.

Primary Government							
Category	Fiscal Year 2019			Fiscal Year 2018			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Current & Other Assets	\$ 39,462,910	\$ 10,975,957	\$ 50,438,867	\$ 34,459,425	\$ 10,220,634	\$ 44,680,059	\$ 5,758,808
Capital Assets	75,647,767	75,584,151	151,231,918	75,811,888	76,734,922	152,546,810	(1,314,892)
Deferred Outflows of Resources	2,706,161	917,073	3,623,234	2,912,304	926,868	3,839,172	(215,938)
Total Assets	\$ 117,816,838	\$ 87,477,181	\$ 205,294,019	\$ 113,183,617	\$ 87,882,424	\$ 201,066,041	\$ 4,227,978
Current & Other Liabilities	2,929,698	670,265	3,599,963	2,642,718	614,610	3,257,328	342,635
Long-term Liabilities	57,440,920	14,339,232	71,780,152	58,507,802	15,030,054	73,537,856	(1,757,704)
Deferred Inflows of Resources	419,381	101,432	520,813	677,631	58,274	735,905	(215,092)
Total Liabilities	\$ 60,789,999	\$ 15,110,929	\$ 75,900,928	\$ 61,828,151	\$ 15,702,938	\$ 77,531,089	\$(1,630,161)
Net position - FY18 restatement	-	-	-	13,430	-	13,430	(13,430)
Total Net Position-Restated	\$ 57,026,839	\$ 72,366,252	\$ 129,393,091	\$ 51,368,896	\$ 72,179,486	\$ 123,534,952	\$ 5,844,709

Overall, it was another strong year for the County. Governmental activities reflect an increase in net position totaling \$5,657,943, while business-type activities reflect an increase of \$186,766. Governmental revenues reflect an increase of \$3,677,972 when compared to FY 2018 due to housing starts and retail activity. Colonial Downs reopened January 2019, and contributed \$865,413 to revenues. The \$865,413 has been placed in a restricted account in the Capital Projects Fund for future one-time projects. Governmental expenses increased \$661,953, a 1.5% increase. The decline in capital assets is related to depreciation and the transfer of jointly owned assets. Although the County added new debt totaling \$3,200,000, overall, there was a net decline in total liabilities of \$1,038,152.

The following schedule provides an overview of the FY 2019 changes in net position when compared to FY 2018.

Primary Government - Net Position							
Category	Fiscal Year 2019			Fiscal Year 2018			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Net investment in Capital Assets	\$ 22,915,289	\$ 62,364,800	\$ 85,280,089	\$ 20,656,456	\$ 62,113,139	\$ 82,769,595	\$ 2,510,494
Restricted for:							
E-911 Wireless	9,305	-	9,305	1,350	-	1,350	7,955
Asset Forfeiture	46,331	-	46,331	33,884	-	33,884	12,447
Litter Control	703	-	703	2,257	-	2,257	(1,554)
Grants	1,889	-	1,889	-	-	-	1,889
Unrestricted	34,053,322	10,001,452	44,054,774	30,661,519	10,066,347	40,727,866	3,326,908
Total Net Position	\$ 57,026,839	\$ 72,366,252	\$ 129,393,091	\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 5,858,139
Net position - FY18 restatement	-	-	-	13,430	-	13,430	(13,430)
Total Net Position-Restated	\$ 57,026,839	\$ 72,366,252	\$ 129,393,091	\$ 51,368,896	\$ 72,179,486	\$ 123,548,382	\$ 5,844,709

Capital assets are used to provide services to citizens; and consequently, these assets are not available for future expenditure. The “restricted for” balances are related to grants and must be expended in accordance with terms of the applicable award document. Net investment in capital assets totaling \$85,280,089 is presented net of outstanding debt related to the original purchase. The unrestricted balances of \$34,053,322 for the governmental funds and \$10,001,452 for the business-type funds have no restrictions and are available for future appropriation by the Board of Supervisors.

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

The School Board and Economic Development Authority (EDA) make up the County’s component units. For FY 2019, the net position of the two component units totals \$6,629,231 compared to \$3,373,242 for FY 2018. The combined increase of \$3,255,989 for FY 2019 is summarized in the following schedule.

Component Units - Net Position							
Category	Fiscal Year 2019			Fiscal Year 2018			Total Increase (Decrease)
	School	EDA	Total	School	EDA	Total	
Current & Other Assets	\$ 7,852,234	\$ 1,097,297	\$ 8,949,531	\$ 7,354,081	\$ 1,050,426	\$ 8,404,507	\$ 545,024
Capital Assets	30,693,794	-	30,693,794	28,756,881	-	28,756,881	1,936,913
Deferred Outflows of Resource	4,287,712	-	4,287,712	3,948,991	-	3,948,991	338,721
Total Assets	\$ 42,833,740	\$ 1,097,297	\$ 43,931,037	\$ 40,059,953	\$ 1,050,426	\$ 41,110,379	\$ 2,820,658
Current & Other Liabilities	\$ 4,141,860	\$ -	\$ 4,141,860	\$ 3,969,173	\$ -	\$ 3,969,173	\$ 172,687
Long-term Liabilities	29,721,998	-	29,721,998	30,638,783	-	30,638,783	(916,785)
Deferred Inflows of Resources	3,437,948	-	3,437,948	3,129,181	-	3,129,181	308,767
Total Liabilities	\$ 37,301,806	\$ -	\$ 37,301,806	\$ 37,737,137	\$ -	\$ 37,737,137	\$ (435,331)
Total Net Position-Restated	\$ 5,531,934	\$ 1,097,297	\$ 6,629,231	\$ 2,322,816	\$ 1,050,426	\$ 3,373,242	\$ 3,255,989

Total assets increased \$2,820,658 for FY 2019 when compared to FY 2018. Of this amount, cash and other assets reflect an increase of \$545,024, which is primarily related to a \$735,371 increase in the schools’ self-insurance fund, and a \$213,207 combined reduction in accounts receivable. Capital assets increased \$1,936,913, as capital assets are transferred from the County government to the School Board as the County retires related debt (see the explanation below regarding Code of Virginia, Section 15.2-1800.1). The deferred outflows and inflows of resources above are related to pension, OPEB and other related deferred charges and reflect an increase of \$338,721. As indicated above, both deferred outflows and inflows of resources are related to pension charges that will be amortized over periods not to exceed five years. They relate to the amortization of variances between expected and actual investment returns, and pension experience, and assumptions.

In FY 2013, an internal service fund was established to account for the School Board’s self-funding of employee health care benefits. At June 30, 2019, the fund reflected a net position of \$2,554,599, a \$225,810 increase over the FY 2018 total of \$2,328,789.

The School Board also has fiscal agent responsibilities for the Bridging Communities Regional Career and Technical Center which opened in September 2013 in New Kent County. The opening of the Bridging Communities Regional Career and Technical Center represents a remarkable collaborative effort among the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This was the first regional career and technical education center to be established in Virginia in twenty-five years. For FY 2019, net position totaled \$409,523, an increase of \$109,893 over FY 2018. (Exhibits 31 & 32)

Statement of Activities

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also reflects the general revenue sources that fund governmental operations. The following table summarizes the revenue and expenses of government-wide activities for the fiscal years ended June 30, 2019 and 2018:

Description	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues:								
Program revenues:								
Charges for services	\$ 1,567,766	\$ 1,593,446	\$ 4,784,429	\$ 4,633,703	\$ 6,352,195	\$ 6,227,149	\$ 887,637	\$ 871,704
Operating grants and contributions	4,253,078	4,109,975	-	-	4,253,078	4,109,975	18,785,411	17,726,573
Capital grants and contributions	1,290,755	1,896,036	-	-	1,290,755	1,896,036	-	-
General revenues:								
Property taxes	31,425,961	29,199,673	317,212	302,336	31,743,173	29,502,009	-	-
Other taxes	5,491,397	4,784,482	-	-	5,491,397	4,784,482	-	-
Unrestricted revenues from use of money and property	978,650	742,952	-	-	978,650	742,952	3,272	1,741
Interest	-	-	177,175	106,059	177,175	106,059	3,051	890
Miscellaneous	1,735,649	705,830	2,111	5,556	1,737,760	711,386	81,355	108,715
Grant and contributions not restricted to specific programs	2,916,912	2,949,802	-	-	2,916,912	2,949,802	-	-
Payment from New Kent County	-	-	-	-	-	-	13,457,515	13,628,494
Total Revenues	\$ 49,660,168	\$ 45,982,196	\$ 5,280,927	\$ 5,047,654	\$ 54,941,095	\$ 51,029,850	\$ 33,218,241	\$ 32,338,117
Expenses:								
General government administration	\$ 4,364,478	\$ 4,110,361	\$ -	\$ -	\$ 4,364,478	\$ 4,110,361	\$ -	\$ -
Judicial administration	1,780,963	1,678,249	-	-	1,780,963	1,678,249	-	-
Public safety	10,794,214	9,813,316	-	-	10,794,214	9,813,316	-	-
Public works	2,422,257	2,309,528	-	-	2,422,257	2,309,528	-	-
Health and welfare	2,681,916	3,047,140	-	-	2,681,916	3,047,140	-	-
Education	17,974,955	18,628,193	-	-	17,974,955	18,628,193	-	-
Parks, recreation, and cultural	911,455	782,790	-	-	911,455	782,790	-	-
Community development	1,375,161	1,205,772	-	-	1,375,161	1,205,772	-	-
Interest on long-term debt	1,694,708	1,762,805	-	-	1,694,708	1,762,805	-	-
Business type activities:								
Water & Sewer	-	-	4,299,338	4,014,301	4,299,338	4,014,301	-	-
Bottoms Bridge	-	-	796,941	816,106	796,941	816,106	-	-
Component Units:								
School Board	-	-	-	-	-	-	29,916,072	27,199,288
Economic Development Authority	-	-	-	-	-	-	46,180	55,715
Total Expenses	\$ 44,000,107	\$ 43,338,154	\$ 5,096,279	\$ 4,830,407	\$ 49,096,386	\$ 48,168,561	\$ 29,962,252	\$ 27,255,003
Transfers	2,118	-	(2,118)	-	-	-	-	-
Change in net position:	\$ 5,657,943	2,644,042	\$ 186,766	\$ 217,247	\$ 5,844,709	\$ 2,861,289	\$ 3,255,989	\$ 5,083,114
Net position - beginning	51,368,896	48,711,424	72,179,486	71,962,239	123,548,382	120,673,663	3,373,242	(1,709,872)
Net position - ending	\$ 57,026,839	\$ 51,355,466	\$ 72,366,252	\$ 72,179,486	\$ 129,393,091	\$ 123,534,952	\$ 6,629,231	\$ 3,373,242
Net position - FY18 restatement	-	13,430	-	-	-	13,430	-	-
Adjusted Total - Net Position	\$ 57,026,839	\$ 51,368,896	\$ 72,366,252	\$ 72,179,486	\$ 129,393,091	\$ 123,548,382	\$ 6,629,231	\$ 3,373,242

Governmental Activities: For the fiscal year ended June 30, 2019, revenues for governmental activities totaled \$49,660,168, an increase of \$3,677,972 when compared to the FY 2018 revenue total of \$45,982,196. Details are provided below:

- Governmental charges for services total \$1,567,766, which is a \$25,680 decrease from the FY 2018 total of \$1,593,446. The decrease is related to a series of revenue accounts with no significant decrease in any one account.
- Operating grants and contributions reflect an increase of \$143,103, with most of the increase related to Airport grants. There were no significant changes from FY 2018.
- Capital grants and contributions reflect a decrease of \$605,281. This decrease is related to Airport Ramp Rehabilitation project which generated FY 2019 revenues of \$878,741 and FY 2018 revenues of \$1,843,245. These projects, which are 98% funded by State and Federal grants, are expenditure driven and reimbursements are based on current year construction activity.
- The County receives a variety of public safety grants for which the terms and related receipts fluctuate annually. These fluctuations make it difficult to draw conclusions about future grants and receipts that the County may or may not receive. The reader is better served by looking at trends for all programs over an extended period. These grants are appropriated upon receipt of award letters during the fiscal year and are not reflected in the annual adopted budget. The following schedule denotes operating grants and contributions as reflected on the Statement of Activities for FY 2015 to FY 2019.

Primary Government Schedule of Operating Grants and Contributions					
Program	FY15	FY16	FY17	FY18	FY19
General Government	\$ 210,804	\$ 252,102	\$ 241,192	\$ 247,156	\$ 253,486
Judicial Administration	483,503	487,836	558,944	502,702	510,853
Public Safety	1,495,258	1,550,590	1,608,153	1,746,745	1,871,884
Public Works	54,548	318,401	46,304	42,220	116,289
Health & Welfare	1,292,502	1,517,739	1,550,033	1,560,705	1,491,155
Parks, Recreation & Cultural	-	4,500	30,000	4,500	4,500
Community Development	6,357	16,029	64,351	5,947	4,911
Total County	\$ 3,542,972	\$ 4,147,197	\$ 4,098,977	\$ 4,109,975	\$ 4,253,078
School Board	14,860,329	14,962,407	16,392,643	17,726,573	18,785,411
Total - County/Schools	\$ 18,403,301	\$ 19,109,604	\$ 20,491,620	\$ 21,836,548	\$ 23,038,489

- Governmental property tax collections increased \$2,226,288 when compared to the prior fiscal year. Of this amount, real estate tax collections increased \$1,848,476, personal property tax collections increased \$735,892, with a combined negative deferred revenue adjustment of \$358,080. The increase in real estate tax collections is related to the construction of new homes and the location of retail establishments in the Bottoms Bridge section of the County. The increase in personal property revenues reflects the growing number of vehicles registered in the County due to population growth. Personal property tax collections do not include \$2,217,883 that the County receives annually from the Commonwealth of Virginia relative to the Personal Property Tax Relief Act (PPTRA). These revenues are included in state revenues.

- Other taxes include revenue from local sales and use taxes, recordation tax, consumer's utility taxes, electric consumption taxes, meals tax, business license tax, hotel tax, admission tax, motor vehicle registration fees and bank stock taxes. For FY 2019, combined, other taxes in the amount of \$5,491,397 increased \$706,915 when compared to the FY 2018 total of \$4,784,482. Local sales and meals tax collections increased \$268,345 and \$118,954, respectively. These increases are primarily due to the number of retail establishments locating in the County and the increase in population. Currently, there are additional retail businesses under construction and therefore it is expected that this trend will continue.
- Use of money and property revenues reflect an increase of \$235,698, which is primarily related to investment revenue due to an increase in cash reserves from operations.
- Miscellaneous revenues reflect an increase of \$1,029,819 over FY 2018. Of this amount, Colonial Downs generated revenues totaling \$865,413 and insurance recoveries increased \$177,183. Colonial Downs reopened January 2019 and historical horse racing became available to the public in the last week of April 2019. County receipts from Colonial Downs averaged \$2,934 per week for the January – April 2019 period and averaged \$81,848 per week for the May to June period. Receipts have averaged \$110,521 per week for the July – November 2019 period as additional off-track betting facilities came on line.

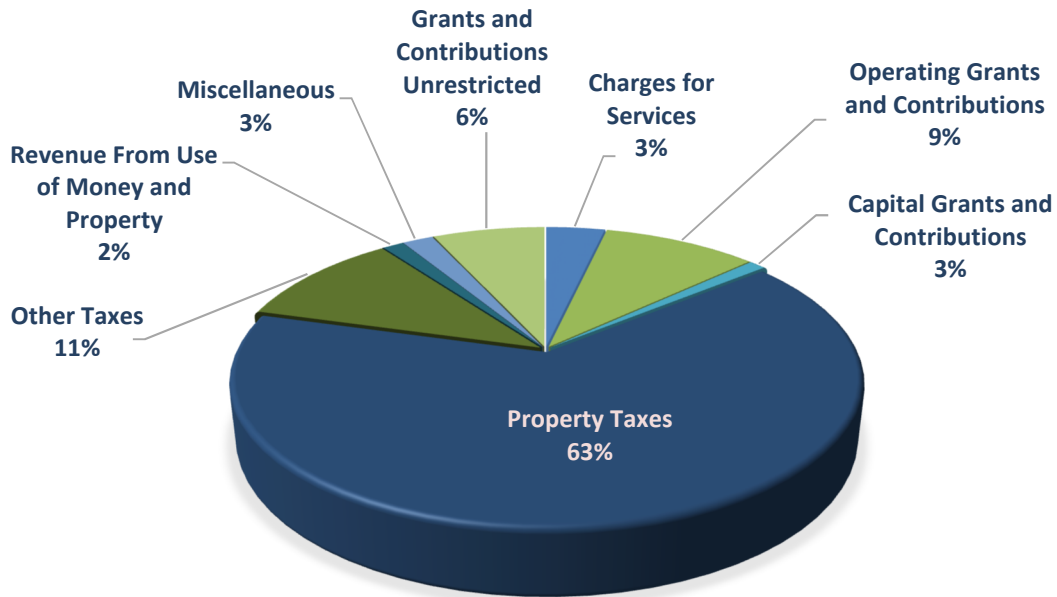
Fiscal year 2019 expenses, which totaled \$44,000,107, increased \$661,953 compared to FY 2018 expenses of \$43,338,154. This increase is primarily due to the following:

- Confinement of inmates increased \$178,705 due to per diem increases at the Henrico Jail facility.
- Law enforcement related to the County Sheriff increased \$473,125, due to additional salaries of \$183,838, an increase in overtime totaling \$38,217, a \$31,941 increase in retirement and a \$62,982 increase in health insurance costs.

The remaining increase is related to various accrual related allocations relative to capital expenditures, debt, jointly owned assets, liabilities and employee pensions.

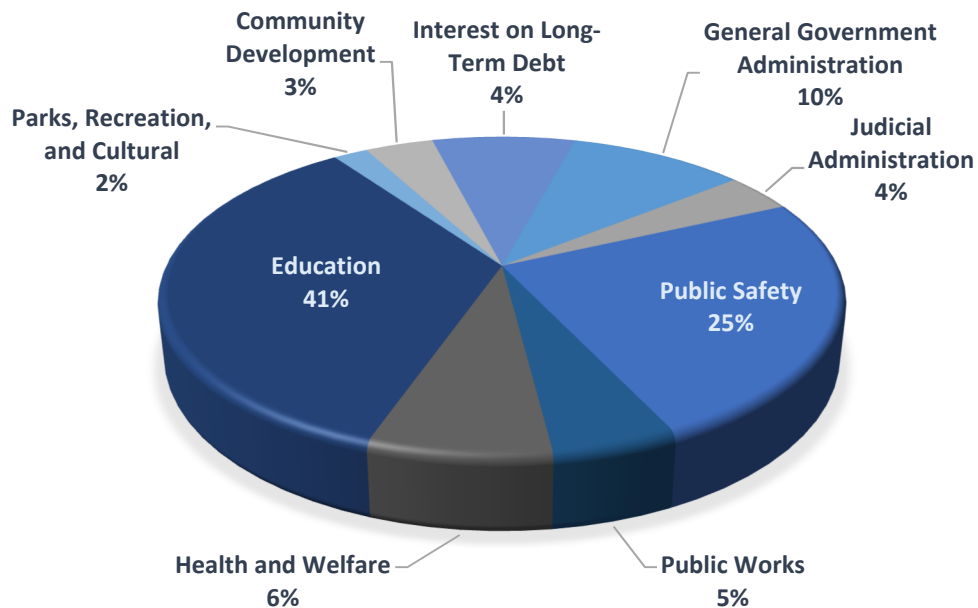
Revenues: The following chart summarizes the major sources of revenues for the governmental activities. As indicated in the revenue chart on the following page, property taxes (63%) and other taxes (11%) comprise 74% of the County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as these rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2019 equates to approximately \$286,367. Combined, operating and capital grants and contributions make up 18% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels. Colonial Downs receipts are uncertain due to the possibility that the Virginia General Assembly may allow additional casinos to locate in the Commonwealth. As a result of this uncertainty these funds will be expended for one-time projects or programs that do not require future funding. Any major new capital or program expenditure would have to be funded by an increase in property values and/or the tax rate. The following chart summaries FY 2019 revenues by function.

REVENUE SOURCES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2019 - \$49,658,050



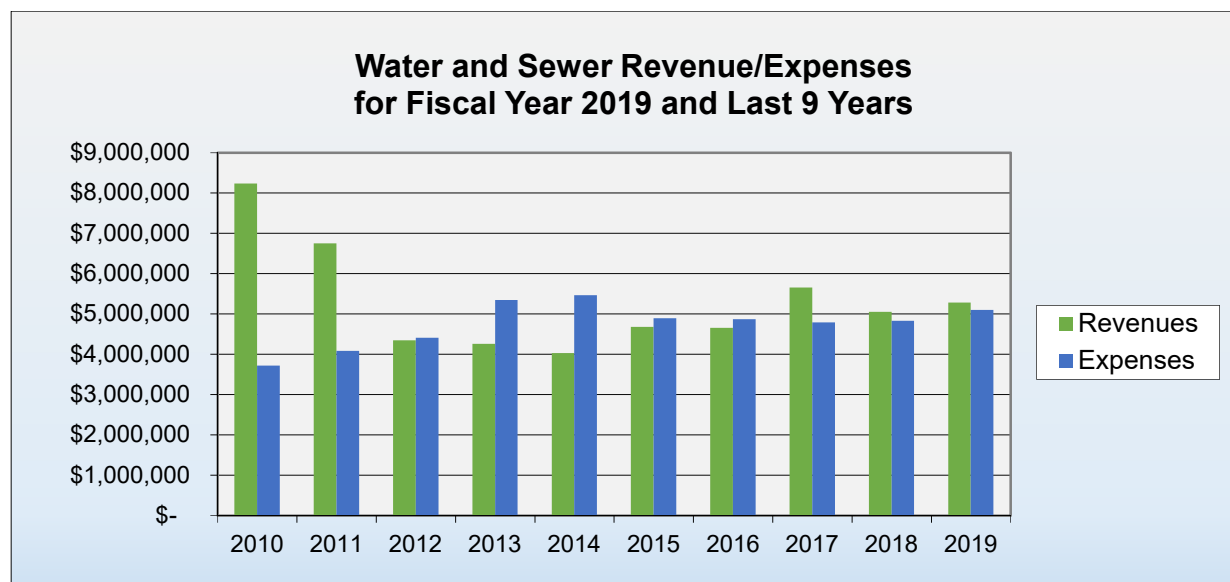
Expenses: The following chart summarizes the major sources of expenses for the governmental activities.

FUNCTIONAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2019 - \$44,000,107



For FY 2019, program expenses for governmental activities totaled \$44,000,107 an increase of \$661,953 when compared to the FY 2018 total of \$43,338,154. This includes total transfers of \$13,367,515 transfer to the New Kent County School Board for operations. Of the \$44,000,107 total, \$1,567,766 was financed with charges for services and \$5,543,833 from operating and capital grants and contributions. The \$36,888,508 remainder was primarily funded with tax revenues totaling \$36,917,358, which demonstrates the County's reliance on this revenue source.

Business-Type Activities: Business-type activities related to the County's water and wastewater operations reflect an increase in net position of \$186,766 for FY 2019. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. In this case water and wastewater disposal. Although there was no rate increase for FY 2019, operating revenues increased \$161,815 (4.3%) which is a reflection of population growth and a one-time \$150,673 receipt from the Virginia Nutrient Credit Exchange Association. Non-operating revenues increased \$71,458 (5.4%) due to a \$71,116 increase in investment revenue. Operating expenses increased \$295,557 (6.9%), due to employee bonuses, a 13% increase in health insurance costs and an increase in maintenance costs. Non-operating expenses declined \$29,685, as FY18 reflected an asset disposal loss of \$9,334. The annual transfer from the Public Utility Fund to the Bottoms Bridge Service District Fund declined \$44,241 partially due to a \$16,646 increase in real estate tax collections. The chart below denotes revenues and expenses for FY 2019 and the last 9 years.



Component Unit – School Board: For FY 2019, School Board revenues total \$33,125,190, which is a \$937,963 increase over the FY 2018 total of \$32,187,227. Total annual support from the County, which totals \$13,367,515, accounts for 40% of total revenues. Operating Grants and Contributions, the largest component of revenues for the School Board, totals \$18,785,411 and accounts for 57% of total revenues. Of this amount, funding from the Commonwealth of Virginia totals \$17,227,814, an increase of \$962,298 over the FY 2018 total of \$16,265,516. Federal revenues total \$1,557,598, an increase of \$96,540 when compared to the prior year of \$1,461,058.

Component Unit – Economic Development Authority: The net position of the EDA increased \$46,871 from the prior year. EDA revenues which total \$93,051 consist of a \$90,000 contribution from the County,

and \$3,051 interest income. Expenses total \$46,180 and consist of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2019, the County's governmental funds reported a combined ending fund balance of \$34,685,578, an increase of \$5,027,164 from the prior fiscal year total of \$29,658,414. Exhibit 3 indicates that the unassigned fund balance increased \$762,106, (from \$9,639,266 for FY 2018 to \$10,401,372 for FY 2019).

As discussed previously, the June 30, 2019 total fund balance for governmental funds totaled \$34,685,578 and is comprised of the following components:

- **Nonspendable - \$720,970:** This amount is not available for expenditure and consists of prepaid items. The \$720,970 represents a \$94,878 increase over the FY18 total of \$626,092.
- **Restricted - \$904,769:** These are grant funds that have been restricted for CIP (\$846,541 proffers), asset forfeiture (\$46,331), E-911 wireless (\$9,305), Grant Fund (\$1,889) and litter control (\$703).
- **Committed - \$21,990,875:** Funds reported as committed are constrained for capital projects (\$18,935,083), debt service (\$2,959,460) and general fund (\$96,332).
- **Assigned - \$667,592:** These funds have been assigned (designated) for debt service (\$579,608) and Airport operations (\$87,984).
- **Unassigned Fund Balance - \$10,401,372:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval.

General Fund: The General Fund is the chief operating fund of the County. At the end of FY 2019, the fund balance for this fund totaled \$11,211,224; an increase of \$825,198 from the prior year total of \$10,386,026. The County has established a policy to maintain a fund balance equal to 15% of budgetary revenues. Unassigned fund balances exceeding the 15% threshold are transferred from the General Fund to the County Capital Improvements Fund (Capital Fund) at year-end. For FY 2019, the County transferred \$3,007,736 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis.

Airport Fund: The Airport Fund is used to account for and report the financial resources and operations of the County Airport. The Fund is supported by local, state and federal funding. Local resources consist of fuel and oil sales, as well as hangar rental. Unlike other County capital improvements, most Airport capital improvement projects are eligible for 90% funding from the Federal Aviation Administration (FAA) and 8% funding from the Virginia Department of Aviation. At the end of FY 2019, the fund balance for this fund totaled \$108,713, a decline of \$22,173 from the FY 2018 balance of \$130,886.

Debt Service Fund: The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. The fund also reflects a school construction set-aside reserve that the Board of Supervisors established in FY 2014. For FY 2019, the fund balance for this fund increased \$2,438,833. The increase is directly related to the transfer of \$2,224,569 from the General Fund for the school construction set-aside reserve, \$211,083 for Pine Fork Park debt that was not required, and the amount by which the budgeted debt transfer exceeded actual debt payments (\$3,181).

General Government Functions

The following schedule presents a summary of revenues for the County's four major funds (General, Airport, Debt Service, and County Capital Improvements), and the non-major governmental fund (Human Services) for the fiscal year ended June 30, 2019.

Governmental Funds Summary of Revenues - Exhibit 5 June 30, 2019 and 2018						
	2019	Percent	2018	Percent	Increase	Percent
	Amount	of Total	Amount	of Total	(Decrease)	Increase
<u>Revenues</u>					<u>FY19vsFY18</u>	<u>(Decrease)</u>
General property taxes	\$ 31,483,534	63.0%	\$ 28,892,482	64.0%	\$ 2,591,052	9.0%
Other local taxes	5,491,397	11.0%	4,784,482	10.6%	706,915	14.8%
Permits, privilege fees, and regulatory licenses	707,645	1.4%	727,158	1.6%	(19,513)	-2.7%
Fines and forfeitures	223,514	0.4%	249,528	0.6%	(26,014)	-10.4%
Revenue from the use of money and property	978,650	2.0%	742,952	1.6%	235,698	31.7%
Charges for services	636,607	1.3%	616,760	1.4%	19,847	3.2%
Miscellaneous	2,397,663	4.8%	1,555,304	3.4%	842,359	54.2%
Recovered costs	551,190	1.1%	469,782	1.0%	81,408	17.3%
Commonwealth	5,608,047	11.2%	5,877,665	13.0%	(269,618)	-4.6%
Federal	1,889,494	3.8%	1,258,892	2.8%	630,602	50.1%
Total Revenues	\$ 49,967,741	100.0%	\$ 45,175,005	100%	\$ 4,792,736	10.6%

When compared to FY 2018, governmental funds revenues increased by a total of \$4,792,736. The major increases were discussed previously but are primarily property taxes, other taxes and Colonial Downs.

The following schedule presents the General Fund budgetary highlights for FY 2019. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a management control device during the year, and budgets are monitored and reported to the Board of

Supervisors on a monthly basis. With the exception of personnel line items, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires Board of Supervisors approval.

The following schedule presents the General Fund budgetary highlights for FY 2019. (See Exhibit 11)

General Fund Budgetary Highlights Fiscal Year 2019					
	Original Budget	Final Budget	Actual Rev & Exp	Original Budget vs. Actual Exp.	Final Budget vs. Actual Exp.
Revenues					
Taxes	\$ 35,637,635	\$ 35,637,635	\$ 36,974,931	\$ 1,337,296	\$ 1,337,296
Intergovernmental	5,849,780	6,323,733	6,192,630	342,850	(131,103)
Other	2,522,802	3,884,499	4,540,315	2,017,513	655,816
Total	\$ 44,010,217	\$ 45,845,867	\$ 47,707,876	\$ 3,697,659	\$ 1,862,009
Expenditures and Other Financing (Uses)					
Expenditures	\$ 34,865,324	\$ 36,341,406	\$ 34,372,882	\$ 492,442	\$ 1,968,524
Net Transfers Out	9,144,893	10,680,847	12,509,796	(3,364,903)	(1,828,949)
Total	\$ 44,010,217	\$ 47,022,253	\$ 46,882,678	\$ (2,872,461)	\$ (139,575)
Net Change in Fund Balance	\$ -	\$ (1,176,386)	\$ 825,198	\$ 825,198	\$ 2,001,584

The amended General Fund revenue budget exceeded actual revenues by a total of \$1,862,009 for FY 2019. The \$1,337,296 amount by which actual tax revenues exceeded the amended budget was primarily the result of better than expected collections across several revenue streams to include general property taxes (\$522,431) and local taxes (\$814,865).

The amended expenditure budget exceeded actual expenditures by \$1,968,524 for a variety of reasons which include:

1. Vacancy savings relative to public safety and other departments.
2. Expenditures relative to the Comprehensive Service Act were \$1,015,387 under budget. Expenditures for this program vary annually and are difficult to forecast. The annual budget reflects historical data and a cushion for contingencies.
3. Unexpended grants and other restricted funds will be carried forward and re-appropriated to fiscal year 2020.
4. Unexpended funds relative to the Department of Social Services totaled \$136,484. Again, this is an area that is difficult to forecast demand for services.
5. School Board carry forward funds for FY 2019 total \$779,580.

Actual transfers to and from other funds exceeded the amended budget by \$1,828,949, which is directly related to the final year-end transfer from the General Fund to the Capital Improvement Fund totaling \$3,007,735. Annually, once the audit is complete and in accordance with County policy, the amount by which unassigned fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund.

Also, during FY 2019, the Board of Supervisors amended the budget throughout the year. These budget amendments or supplemental appropriations were primarily for the following purposes:

- To re-appropriate monies to pay for continuing programs whose fiscal year extended beyond the prior fiscal year, such as capital projects and donations.
- To re-appropriate grant revenues authorized in the prior fiscal year or earlier, but not expended or encumbered as of June 30, 2018.
- To appropriate grants or donations accepted or adjusted in FY 2019.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2019 budget.

CAPITAL ASSETS

At the end of FY 2019, the County's investment in capital assets for the governmental, business-type and component unit activities total \$181,925,712 (net of accumulated depreciation), a net increase of \$622,021 when compared to the prior fiscal year total of \$181,303,691. Although governmental activities assets reflect a decrease of \$1,314,892; component unit assets increased \$1,936,913. Most of this is related to the change in jointly-owned assets as related debt is retired. School related jointly owned assets increased \$2,928,353 in the FY 2019. The following table provides an overview of capital assets.

Capital Assets (Net of accumulated depreciation) June 30, 2019 and 2018								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Non-Depreciable Assets								
Land	\$ 3,313,901	\$ 3,313,901	\$ 2,687,355	\$ 2,687,355	\$ 6,001,256	\$ 6,001,256	\$ 2,022,600	\$ 2,022,600
Construction in progress	4,092,353	2,141,117	843,920	675,212	4,936,273	2,816,329	153,978	29,150
Other Capital Assets								
Buildings	30,279,536	30,034,949	-	-	30,279,536	30,034,949	2,445,957	2,439,759
Machinery and equipment	18,884,393	17,314,365	-	-	18,884,393	17,314,365	7,701,991	7,138,848
Capital improvements	4,313,449	4,313,449	-	-	4,313,449	4,313,449	-	-
Intangible assets	1,270,413	1,411,131	-	-	1,270,413	1,411,131	-	-
Jointly owned assets	46,493,592	49,421,945	-	-	46,493,592	49,421,945	33,375,878	30,447,525
Water production and distribution								
facilities	-	-	6,216,077	6,216,077	6,216,077	6,216,077	-	-
Machinery and equipment	-	-	4,704,179	4,601,011	4,704,179	4,601,011	-	-
Intangible assets	-	-	129,597	135,275	129,597	135,275	-	-
Infrastructure	-	-	76,952,695	76,901,584	76,952,695	76,901,584	-	-
Gross Assets	\$ 108,647,637	\$ 107,950,857	\$ 91,533,823	\$ 91,216,514	\$ 200,181,460	\$ 199,167,371	\$ 45,700,404	\$ 42,077,882
Less Accumulated Depreciation	(32,999,870)	(32,138,969)	(15,949,672)	(14,481,592)	(48,949,542)	(46,620,561)	(15,006,610)	(13,321,001)
Capital Assets Net of Depreciation	\$ 75,647,767	\$ 75,811,888	\$ 75,584,151	\$ 76,734,922	\$ 151,231,918	\$ 152,546,810	\$ 30,693,794	\$ 28,756,881

OTHER INFORMATION

The FY 2020 budget was adopted April 24, 2019 and totals \$69,851,662. The FY 2020 adopted General Fund expenditure budget totals \$44,069,901 (including transfers of \$23,757,823), which reflects a \$1,210,281 increase over the FY 2019 budget of \$42,859,620. The schedule below summarizes the major expenditure increases when compared to FY 2019.

FY19 General Fund Expenditure Budget	\$42,859,620
Employee Cost of Living Adjustment	509,268
Eight New Positions (4 Fire; 2 Sheriff; 1 Custodian; 1 Social Services)	434,391
Confinement of Inmates – Per Diem Increase	269,000
Employee Health Insurance Increase 3.5%	77,586
Other	(79,964)
Total FY19 General Fund Expenditure Budget	\$44,069,901

ECONOMIC OUTLOOK

When looking at New Kent County from an economic perspective, it is important to remember that the County is primarily rural, but positioned for significant growth given the interstate highway that runs the length of the County and our location between Richmond and Hampton Roads. As indicated above, in the past few years New Kent County has experienced strong growth in new retail establishments, and therefore, has seen significant growth in business license, sales and meals tax revenues. However, the County's tax base is still primarily supported by real estate and personal property taxes given the fact that we are still considered a bedroom community and have not achieved the desired mix of business and housing that reflects a diversified tax base. Reliance on the real estate tax rate has presented short-term challenges in terms of financing new schools and providing personnel and infrastructure for public safety. In response to this short-term reliance on the real estate rate, the Board of Supervisors has looked for the right balance of tax increases and cost containment strategies to maintain service levels and respond to infrastructure needs. The influx of new businesses has and continues to take pressure off the real estate tax rate, and we expect that major retail chains and other major industries will locate to the County to take advantage of our well-educated workforce, interstate highways, affordable building lots and attractive tax structure.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF NEW KENT, VIRGINIA

EXHIBIT 1

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents (Note 3)	\$ 34,075,794	\$ 9,931,666	\$ 44,007,460	\$ 6,425,652	\$ 173,392
Investments	-	-	-	-	202,397
Receivables, net:					
Taxes receivable	2,245,059	16,913	2,261,972	-	-
Accounts receivable	729,591	964,175	1,693,766	479,066	-
Due from other governments (Note 4)	1,691,496	-	1,691,496	947,516	-
Inventory	-	-	-	-	721,508
Prepaid items	720,970	63,203	784,173	-	-
Capital assets: (Note 5)					
Nondepreciable	7,406,254	3,531,275	10,937,529	2,176,578	-
Depreciable, net	68,241,513	72,052,876	140,294,389	28,517,216	-
Total assets	115,110,677	86,560,108	201,670,785	38,546,028	1,097,297
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on bond refundings	1,456,128	691,150	2,147,278	-	-
Items related to measurement of net pension liability (Notes 11 and 12)	1,143,161	213,254	1,356,415	3,802,106	-
Items related to measurement of other postemployment benefit liability (Notes 14, 15 and 16)	106,872	12,669	119,541	485,606	-
Total deferred outflows of resources	2,706,161	917,073	3,623,234	4,287,712	-
LIABILITIES					
Accounts payable	1,557,969	209,188	1,767,157	738,394	-
Accrued liabilities	118,897	-	118,897	3,403,466	-
Accrued interest payable	640,083	133,109	773,192	-	-
Unearned revenue	32,725	51,150	83,875	-	-
Deposits held in escrow	580,024	276,818	856,842	-	-
Long-term liabilities:					
Due within one year (Note 7)	5,717,535	704,130	6,421,665	255,604	-
Due in more than one year (Note 7)	49,356,772	13,326,091	62,682,863	24,089	-
Net pension liability (Notes 11 and 12)	1,663,551	225,671	1,889,222	23,970,305	-
Net other postemployment benefit liability (Notes 14, 15 and 16)	703,062	83,340	786,402	5,472,000	-
Total liabilities	60,370,618	15,009,497	75,380,115	33,863,858	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes (Note 8)	135,452	-	135,452	-	-
Items related to measurement of net pension liability (Notes 11 and 12)	220,223	86,437	306,660	2,698,948	-
Items related to measurement of other postemployment benefit liability (Notes 14, 15 and 16)	63,706	14,995	78,701	739,000	-
Total deferred inflows of resources	419,381	101,432	520,813	3,437,948	-
NET POSITION					
Net investment in capital assets	22,915,289	62,364,800	85,280,089	30,693,794	-
Restricted:					
E-911 Wireless	9,305	-	9,305	-	-
Asset forfeiture	46,331	-	46,331	-	-
Litter control	703	-	703	-	-
Grants	1,889	-	1,889	-	-
Unrestricted (deficit)	34,053,322	10,001,452	44,054,774	(25,161,860)	1,097,297
Total net position	\$ 57,026,839	\$ 72,366,252	\$ 129,393,091	\$ 5,531,934	\$ 1,097,297

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

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Program Revenues					Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government administration	\$ 4,364,478	\$ -	\$ 253,486	\$ -	\$ (4,110,992)	\$ -	\$ (4,110,992)	\$ -	\$ -
Judicial administration	1,780,963	376,349	510,853	-	(893,761)	-	(893,761)	-	-
Public safety	10,794,214	716,582	1,871,884	277,692	(7,928,056)	-	(7,928,056)	-	-
Public works	2,422,257	89,159	116,289	971,784	(1,245,025)	-	(1,245,025)	-	-
Health and welfare	2,681,916	-	1,491,155	-	(1,190,761)	-	(1,190,761)	-	-
Education	17,974,955	-	-	41,279	(17,933,676)	-	(17,933,676)	-	-
Parks, recreation, and cultural	911,455	385,036	4,500	-	(521,919)	-	(521,919)	-	-
Community development	1,375,161	640	4,911	-	(1,369,610)	-	(1,369,610)	-	-
Interest and other debt related costs	1,694,708	-	-	-	(1,694,708)	-	(1,694,708)	-	-
Total governmental activities	44,000,107	1,567,766	4,253,078	1,290,755	(36,888,508)	-	(36,888,508)	-	-
Business-type activities									
Water and sewer	4,299,338	4,480,431	-	-	-	181,093	181,093	-	-
Bottom's Bridge	796,941	303,998	-	-	-	(492,943)	(492,943)	-	-
Total business-type activities	5,096,279	4,784,429	-	-	-	(311,850)	(311,850)	-	-
Total primary government	\$ 49,096,386	\$ 6,352,195	\$ 4,253,078	\$ 1,290,755	\$ (36,888,508)	\$ (311,850)	\$ (37,200,358)	\$ -	\$ -
Component Units:									
School Board	\$ 29,916,072	\$ 887,637	\$ 18,785,411	\$ -	\$ -	\$ -	\$ -	\$ (10,243,024)	\$ -
Economic Development Authority	46,180	-	-	-	-	-	-	-	(46,180)
Total component units	\$ 29,962,252	\$ 887,637	\$ 18,785,411	\$ -	\$ -	\$ -	\$ -	\$ (10,243,024)	\$ (46,180)
General revenues:									
General property taxes					\$ 31,425,961	\$ 317,212	\$ 31,743,173	\$ -	\$ -
Local sales and use					1,934,551	-	1,934,551	-	-
Taxes on recordation and wills					442,058	-	442,058	-	-
Business license tax					1,045,788	-	1,045,788	-	-
Vehicle registration tax					606,581	-	606,581	-	-
Meals tax					1,004,151	-	1,004,151	-	-
Other local taxes					458,268	-	458,268	-	-
Unrestricted revenues from use of money and property					978,650	-	978,650	3,272	-
Interest					-	177,175	177,175	-	3,051
Miscellaneous					1,735,649	2,111	1,737,760	81,355	-
Grants and contributions not restricted to specific programs					2,916,912	-	2,916,912	-	-
Transfers					(2,118)	2,118	-	-	-
County contribution					-	-	-	13,367,515	90,000
Total general revenues and transfers					42,546,451	498,616	43,045,067	13,452,142	93,051
Change in net position					5,657,943	186,766	5,844,709	3,209,118	46,871
NET POSITION AT JULY 1, as restated (Note 17)					51,368,896	72,179,486	123,548,382	2,322,816	1,050,426
NET POSITION AT JUNE 30					\$ 57,026,839	\$ 72,366,252	\$ 129,393,091	\$ 5,531,934	\$ 1,097,297

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

COUNTY OF NEW KENT, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General	Airport	Debt Service	County Capital Improvements	Nonmajor Governmental Fund	Total
ASSETS						
Cash and cash equivalents	\$ 9,021,964	\$ 1,200	\$ 3,539,068	\$ 21,513,562	\$ -	\$ 34,075,794
Receivables, net:						
Taxes receivable	2,245,059	-	-	-	-	2,245,059
Accounts receivable	472,855	6,736	-	250,000	-	729,591
Due from other funds	815,023	-	-	-	-	815,023
Due from other governments	728,519	896,698	-	-	66,279	1,691,496
Prepaid items	654,630	20,729	-	44,949	662	720,970
Total assets	<u>\$ 13,938,050</u>	<u>\$ 925,363</u>	<u>\$ 3,539,068</u>	<u>\$ 21,808,511</u>	<u>\$ 66,941</u>	<u>\$ 40,277,933</u>
LIABILITIES						
Accounts payable	\$ 338,554	\$ 22,751	\$ -	\$ 1,152,914	\$ 43,750	\$ 1,557,969
Accrued liabilities	117,830	1,067	-	-	-	118,897
Due to other funds	-	791,832	-	-	23,191	815,023
Unearned revenue	32,725	-	-	-	-	32,725
Deposits held in escrow	-	1,000	-	579,024	-	580,024
Total liabilities	<u>489,109</u>	<u>816,650</u>	<u>-</u>	<u>1,731,938</u>	<u>66,941</u>	<u>3,104,638</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>2,237,717</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>2,487,717</u>
FUND BALANCES						
Nonspendable	654,630	20,729	-	44,949	662	720,970
Restricted	58,228	-	-	846,541	-	904,769
Committed	96,332	-	2,959,460	18,935,083	-	21,990,875
Assigned	-	87,984	579,608	-	-	667,592
Unassigned	<u>10,402,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662)</u>	<u>10,401,372</u>
Total fund balances	<u>11,211,224</u>	<u>108,713</u>	<u>3,539,068</u>	<u>19,826,573</u>	<u>-</u>	<u>34,685,578</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,938,050</u>	<u>\$ 925,363</u>	<u>\$ 3,539,068</u>	<u>\$ 21,808,511</u>	<u>\$ 66,941</u>	<u>\$ 40,277,933</u>

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

COUNTY OF NEW KENT, VIRGINIA

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

Total fund balances - Governmental Funds		\$ 34,685,578
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 funds.		
Nondepreciable	7,406,254	
Depreciable, net	<u>68,241,513</u>	75,647,767
Deferred inflows of resources (i.e. taxes levied) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,352,265
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,143,161	
Deferred inflows of resources related to pensions	(220,223)	
Deferred outflows of resources related to other postemployment benefits	106,872	
Deferred inflows of resources related to other postemployment benefits	<u>(63,706)</u>	966,104
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(50,361,164)	
Bond issuance premium, net of accumulated amortization	(2,441,050)	
Capital lease and other long term obligation	(1,386,392)	
Deferred charge on refundings, net of accumulated amortization	1,456,128	
Interest payable	(640,083)	
Net pension liability	(1,663,551)	
Net other postemployment benefit liability	(703,062)	
Compensated absences	<u>(885,701)</u>	(56,624,875)
Net position of governmental activities		<u><u>\$ 57,026,839</u></u>

COUNTY OF NEW KENT, VIRGINIA

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

	General	Airport	Debt Service	County Capital Improvements	Nonmajor Governmental Fund	Total
REVENUES						
General property taxes	\$ 31,483,534	\$ -	\$ -	\$ -	\$ -	\$ 31,483,534
Other local taxes	5,491,397	-	-	-	-	5,491,397
Permits, privilege fees, and regulatory licenses	707,645	-	-	-	-	707,645
Fines and forfeitures	223,514	-	-	-	-	223,514
Revenue from the use of money and property	775,078	84,012	-	119,560	-	978,650
Charges for services	591,434	45,173	-	-	-	636,607
Contributions and proffers	-	-	-	662,014	-	662,014
Miscellaneous	1,702,356	-	-	32,405	888	1,735,649
Recovered costs	540,288	10,902	-	-	-	551,190
Intergovernmental revenues:						
Commonwealth	5,181,877	116,289	-	-	309,881	5,608,047
Federal	1,010,753	878,741	-	-	-	1,889,494
Total revenues	47,707,876	1,135,117	-	813,979	310,769	49,967,741
EXPENDITURES						
Current:						
General government administration	3,975,988	-	-	-	-	3,975,988
Judicial administration	1,631,102	-	-	-	-	1,631,102
Public safety	9,297,988	-	-	-	-	9,297,988
Public works	1,793,726	186,923	-	-	-	1,980,649
Health and welfare	1,949,734	-	-	-	661,293	2,611,027
Education	13,842,693	-	-	407,207	-	14,249,900
Parks, recreation, and cultural	750,822	-	-	-	-	750,822
Community development	1,130,829	-	-	-	-	1,130,829
Capital projects	-	1,012,519	-	6,112,001	-	7,124,520
Debt service:						
Principal retirement	-	-	4,200,897	-	-	4,200,897
Interest and other fiscal charges	-	-	1,927,417	-	-	1,927,417
Total expenditures	34,372,882	1,199,442	6,128,314	6,519,208	661,293	48,881,139
Excess (deficiency) of revenues over expenditures	13,334,994	(64,325)	(6,128,314)	(5,705,229)	(350,524)	1,086,602
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	3,200,000	-	3,200,000
Issuance of capital lease	742,680	-	-	-	-	742,680
Transfers in	195,122	42,152	8,567,147	4,600,731	350,524	13,755,676
Transfers out	(13,447,598)	-	-	(310,196)	-	(13,757,794)
Total other financing sources (uses)	(12,509,796)	42,152	8,567,147	7,490,535	350,524	3,940,562
Net change in fund balances	825,198	(22,173)	2,438,833	1,785,306	-	5,027,164
FUND BALANCES AT JULY 1, as restated (Note 17)	10,386,026	130,886	1,100,235	18,041,267	-	29,658,414
FUND BALANCES AT JUNE 30	\$ 11,211,224	\$ 108,713	\$ 3,539,068	\$ 19,826,573	\$ -	\$ 34,685,578

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

COUNTY OF NEW KENT, VIRGINIA

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

Net Change in Fund Balance - Governmental Funds		\$ 5,027,164
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 is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	6,006,820	
Depreciation expense	(3,688,901)	
Allocation of jointly owned assets, net	<u>(2,162,474)</u>	
		155,445
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.		
		(319,566)
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.		
Employer pension contributions	812,343	
Pension expense	(671,345)	
Other postemployment benefit contributions	54,083	
Other postemployment benefit expense	<u>(12,449)</u>	
		182,632
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
		(307,573)
The following transactions affecting long-term debt (provide) consume current financial resources of governmental funds. However, the transactions have no effect on net position:		
Issuance of refunding bonds	(3,200,000)	
Issuance of capital lease	(742,680)	
Payments of principal on long-term obligations	<u>4,671,275</u>	
		728,595
Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	(41,463)	
Change in interest payable	20,200	
Amortization of deferred amounts on refunding	(305,644)	
Amortization of premium on bonds payable	<u>518,153</u>	
		191,246
Changes in net position of governmental activities		<u>\$ 5,657,943</u>

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

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,931,666	\$ -	\$ 9,931,666
Receivables, net:			
Taxes receivable	-	16,913	16,913
Accounts receivable	964,175	-	964,175
Prepaid items	63,203	-	63,203
Total current assets	<u>10,959,044</u>	<u>16,913</u>	<u>10,975,957</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	56,218,847	20,733,848	76,952,695
Land	1,434,314	1,253,041	2,687,355
Water production and distribution facilities	6,216,077	-	6,216,077
Machinery and equipment	4,704,179	-	4,704,179
Intangible assets	129,597	-	129,597
Construction in progress	843,920	-	843,920
Accumulated depreciation	(12,440,867)	(3,508,805)	(15,949,672)
Total noncurrent assets	<u>57,106,067</u>	<u>18,478,084</u>	<u>75,584,151</u>
Total assets	<u>68,065,111</u>	<u>18,494,997</u>	<u>86,560,108</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	-	691,150	691,150
Items related to measurement of net pension liability	213,254	-	213,254
Items related to measurement of other postemployment benefits liability	12,669	-	12,669
Total deferred outflows of resources	<u>225,923</u>	<u>691,150</u>	<u>917,073</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	209,188	-	209,188
Accrued interest payable	5,861	127,248	133,109
Unearned revenue	51,150	-	51,150
Deposits held in escrow	276,818	-	276,818
Compensated absences - current portion	101,199	-	101,199
Capital lease payable - current portion	11,920	-	11,920
Bonds payable - current portion	56,011	535,000	591,011
Total current liabilities	<u>712,147</u>	<u>662,248</u>	<u>1,374,395</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	18,521	-	18,521
Bonds payable - net of current portion	796,818	12,474,992	13,271,810
Capital lease payable	35,760	-	35,760
Net pension liability	225,671	-	225,671
Net other postemployment benefit liability	83,340	-	83,340
Total noncurrent liabilities	<u>1,160,110</u>	<u>12,474,992</u>	<u>13,635,102</u>
Total liabilities	<u>1,872,257</u>	<u>13,137,240</u>	<u>15,009,497</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	86,437	-	86,437
Items related to measurement of other postemployment benefit liability	14,995	-	14,995
Total deferred inflows of resources	<u>101,432</u>	<u>-</u>	<u>101,432</u>
NET POSITION			
Net investment in capital assets	56,205,558	6,159,242	62,364,800
Unrestricted	10,111,787	(110,335)	10,001,452
Total net position	<u>\$ 66,317,345</u>	<u>\$ 6,048,907</u>	<u>\$ 72,366,252</u>

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

EXHIBIT 8**COUNTY OF NEW KENT, VIRGINIA**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 3,729,580	\$ -	\$ 3,729,580
Other revenues	158,726	-	158,726
Total operating revenues	3,888,306	-	3,888,306
OPERATING EXPENSES			
Personnel services	1,048,739	-	1,048,739
Fringe benefits	317,889	-	317,889
Contractual services	1,053,414	-	1,053,414
Other charges	662,554	-	662,554
Depreciation	1,198,484	318,982	1,517,466
Total operating expenses	4,281,080	318,982	4,600,062
Operating loss	(392,774)	(318,982)	(711,756)
NON-OPERATING REVENUES (EXPENSES)			
Connection and reconnections fees	429,625	303,998	733,623
Investment income	177,175	-	177,175
Availability fees	162,500	-	162,500
Miscellaneous	2,111	-	2,111
Tax revenue	-	317,212	317,212
Interest expense	(18,258)	(477,959)	(496,217)
Total non-operating revenues	753,153	143,251	896,404
Income (loss) before transfers	360,379	(175,731)	184,648
Transfers In	2,118	410,936	413,054
Transfers Out	(410,936)	-	(410,936)
Change in net position	(48,439)	235,205	186,766
NET POSITION AT JULY 1	66,365,784	5,813,702	72,179,486
NET POSITION AT JUNE 30	\$ 66,317,345	\$ 6,048,907	\$ 72,366,252

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

COUNTY OF NEW KENT VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2019

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,757,341	\$ -	\$ 3,757,341
Payments to suppliers	(1,670,573)	-	(1,670,573)
Payments to employees	(1,390,397)	-	(1,390,397)
Other revenue	2,111	316,792	318,903
Net cash provided by operating activities	698,482	316,792	1,015,274
NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(410,936)	-	(410,936)
Transfers from other funds	2,118	410,936	413,054
Net cash provided by (used for) noncapital financing activities	(408,818)	410,936	2,118
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(366,695)	-	(366,695)
Principal payments on bonds and capital lease	(66,779)	(505,000)	(571,779)
Connection and availability fees	592,125	303,998	896,123
Interest expense	(18,635)	(526,726)	(545,361)
Net cash used in capital and related financing activities	140,016	(727,728)	(587,712)
INVESTING ACTIVITIES			
Investment income	177,175	-	177,175
Net cash provided by investing activities	177,175	-	177,175
Net increase in cash and cash equivalents	606,855	-	606,855
CASH AND CASH EQUIVALENTS			
Beginning at July 1	9,324,811	-	9,324,811
Ending at June 30	<u>\$ 9,931,666</u>	<u>\$ -</u>	<u>\$ 9,931,666</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (392,774)	\$ (318,982)	\$ (711,756)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	1,198,484	318,982	1,517,466
Other revenue	2,111	316,792	318,903
Pension expense net of employer contributions	(29,496)	-	(29,496)
OPEB expense net of employer contributions	1,339	-	1,339
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(140,465)	-	(140,465)
Prepaid items	(7,583)	-	(7,583)
(Decrease) increase in:			
Accounts payable	52,978	-	52,978
Unearned revenue	(4,650)	-	(4,650)
Deposits	14,150	-	14,150
Compensated absences	4,388	-	4,388
Net cash provided by operating activities	<u>\$ 698,482</u>	<u>\$ 316,792</u>	<u>\$ 1,015,274</u>

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

COUNTY OF NEW KENT, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents (Note 3)	\$ 8,664
Total assets	<u>\$ 8,664</u>
LIABILITIES	
Amounts held for social services clients	\$ 8,664
Total liabilities	<u>\$ 8,664</u>

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

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Discretely Presented Component Units

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2019.

The New Kent County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Authority does not issue a separate financial report.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

C. Other Related Organizations

The Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the “Waste Authority”) was established in December 1990 under the provision of the Virginia Water and Sewer Authorities Act (Ch. 31, Title 15.2, *Code of Virginia*). The Waste Authority’s board is comprised of representatives from the cities of Petersburg, Hopewell, Colonial Heights, and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County’s contribution and direct payments for special projects for the year ended June 30, 2019 was \$381,249. Complete financial statements can be obtained from the Authority’s office at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

Middle Peninsula Juvenile Detention Commission

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

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

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

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

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

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$42,658 at June 30, 2019 and is comprised of property taxes of \$16,531 and water and sewer receivables of \$26,127.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20-50
Machinery and equipment	5-30
Intangible assets	4
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

I. Prepaid Items

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

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

J. Restricted Fund Balance

The County reports restricted fund balance on the balance sheet in the amount of \$58,228, which represents E-911 wireless, Litter Control, grants and asset forfeiture funds.

K. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statements that present net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in these categories:

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions/OPEB are deferred outflows of resources; this will be applied to the net pension/OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension/OPEB liability are shown as a deferred outflow or inflow. This difference will be recognized in pension/OPEB expense over the closed five year period.
- Difference between projected and actual earnings on pension/OPEB plan investments are shown as a deferred outflow or inflow. This difference will be recognized in pension/OPEB expense over the closed five year period.
- Changes in assumptions on pension plan or OPEB investments are shown as a deferred outflow or inflow. This difference will be recognized in pension or OPEB expense over the remaining service life of the employees subject to the plan.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

- Changes in proportion. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Unavailable revenue which occurs only under a modified accrual basis of accounting. This item is reported only in the governmental funds balance sheet as a deferred inflow. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Tax collections or governmental grants received before the period in which they are eligible for use are shown as a deferred inflow.

L. Compensated Absences

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

M. Long-term Obligations

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

N. Pensions and OPEB

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

O. Use of Estimates

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

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Fund Balance

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

R. Fund Balance (Continued)

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

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

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

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

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

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

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

R. Fund Balance (Continued)

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

	General Fund	Airport Fund	Debt Service Fund	County Capital Improvements Fund	Other Governmental Fund	Total
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 654,630	\$ 20,729	\$ -	\$ 44,949	\$ 662	\$ 720,970
Total Nonspendable Fund Balances	654,630	20,729	-	44,949	662	720,970
Restricted						
General Government	1,889	-	-	-	-	1,889
Public safety	55,636	-	-	-	-	55,636
Public works	703	-	-	-	-	703
Capital projects	-	-	-	846,541	-	846,541
Total Restricted Fund Balance	58,228	-	-	846,541	-	904,769
Committed:						
General Government	96,332	-	-	-	-	96,332
Capital projects	-	-	2,959,460	18,935,083	-	21,894,543
Total Committed Fund Balance	96,332	-	2,959,460	18,935,083	-	21,990,875
Assigned:						
Subsequent appropriation	-	87,984	579,608	-	-	667,592
Total Assigned Fund Balance	-	87,984	579,608	-	-	667,592
Unassigned:	10,402,034	-	-	-	(662)	10,401,372
Total Fund Balances	<u>\$ 11,211,224</u>	<u>\$ 108,713</u>	<u>\$ 3,539,068</u>	<u>\$ 19,826,573</u>	<u>\$ -</u>	<u>\$ 34,685,578</u>

S. Subsequent Events

In July 2019, the County purchased a parcel of land for \$704,000 with available funds. The land will be used by George W. Watkins Elementary School.

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 2. Stewardship, Compliance, and Accounting

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

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

1. On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. The proposed operating and capital budget are presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, budget work sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level. The operating and capital budget includes proposed expenditures and the means to financing them.
2. The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of budgetary* control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.
3. Budgets are monitored and reported to the Board of Supervisors on a monthly basis.
4. Appropriations lapse on June 30, for all County departments. Encumbrances and committed fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 3. Deposits and Investments

Deposits

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

Investments

Investment policy

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

Pursuant to Sec. 2.1-234.7 of the *Code*, 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 and the carrying value of the position in LGIP and SNAP 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).

Custodial credit risk

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2019 were held by the County or in the County’s name by the County’s custodial banks. The investments also should have a credit rating no less than AA rated by *Standard and Poor’s* or Aa by *Moody’s Investor Service*.

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 3. Deposits and Investments (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2019 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The County's investment policy limits investments to those allowed by the *Code of Virginia*. The County may however restrict investments beyond the limits imposed by the *Code of Virginia* as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,092
SNAP	3,208,706
	<u>\$ 3,212,798</u>

The County's investments are included in cash and cash equivalents at June 30, 2019.

Interest Rate Risk

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

Note 4. Due From Other Governments

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

	<u>Primary Government</u>	<u>Component Unit</u>
		<u>School Board</u>
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 425,058
Department of social services	38,766	-
Constitutional officers reimbursement	131,284	-
E-911 wireless funds	10,621	-
Recordation tax	25,315	-
Victim witness grant	17,823	-
Comprehensive services	66,279	-
Airport grant	73,200	-
Local sales tax	332,052	-
Other state grants	39,593	-
Federal Government:		
School fund grants	-	522,458
Welfare	70,812	-
Airport grant	823,498	-
Other federal grants	62,253	-
Total due from other governments	<u>\$ 1,691,496</u>	<u>\$ 947,516</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 5. Capital Assets

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

Governmental Activities	Beginning Balance	Transfers and Increases	Transfers and Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,313,901	\$ -	\$ -	\$ 3,313,901
Construction in progress	2,141,117	3,072,546	1,121,310	4,092,353
Total capital assets, not being depreciated	5,455,018	3,072,546	1,121,310	7,406,254
Capital assets, being depreciated:				
Buildings	30,034,949	244,587	-	30,279,536
Machinery and equipment	17,314,365	3,728,897	2,158,869	18,884,393
Capital improvements	4,313,449	-	-	4,313,449
Intangible assets	1,411,131	82,100	222,818	1,270,413
Jointly owned assets - buildings	49,421,945	-	2,928,353	46,493,592
Total capital assets being depreciated	102,495,839	4,055,584	5,310,040	101,241,383
Accumulated depreciation:				
Buildings	8,149,451	882,499	-	9,031,950
Machinery and equipment	9,613,576	1,657,956	2,062,121	9,209,411
Capital improvements	1,275,809	128,801	-	1,404,610
Intangible assets	103,455	13,470	-	116,925
Jointly owned assets - buildings	12,996,678	1,006,175	765,879	13,236,974
Total accumulated depreciation	32,138,969	3,688,901	2,828,000	32,999,870
Total capital assets, being depreciated, net	70,356,870	366,683	2,482,040	68,241,513
Governmental activities capital assets, net	\$ 75,811,888	\$ 3,439,229	\$ 3,603,350	\$ 75,647,767

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 5. Capital Assets (Continued)

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

Business-type activities:	Beginning Balance	Transfers and Increases	Transfers and Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,687,355	\$ -	\$ -	\$ 2,687,355
Construction in progress	675,212	168,708	-	843,920
Total capital assets, not being depreciated	3,362,567	168,708	-	3,531,275
Capital assets, being depreciated:				
Water production and distribution	6,216,077	-	-	6,216,077
Machinery and equipment	4,601,011	152,554	49,386	4,704,179
Intangible assets	135,275	6,242	11,920	129,597
Infrastructure	76,901,584	51,111	-	76,952,695
Total capital assets being depreciated	87,853,947	209,907	61,306	88,002,548
Accumulated depreciation:				
Water production and distribution	2,248,287	132,346	-	2,380,633
Machinery and equipment	2,376,744	182,463	49,386	2,509,821
Intangible assets	34,360	17,310	-	51,670
Infrastructure	9,822,201	1,185,347	-	11,007,548
Total accumulated depreciation	14,481,592	1,517,466	49,386	15,949,672
Total capital assets, being depreciated, net	73,372,355	(1,307,559)	11,920	72,052,876
Business-type activities capital assets, net	<u>\$ 76,734,922</u>	<u>\$ (1,138,851)</u>	<u>\$ 11,920</u>	<u>\$ 75,584,151</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 5. Capital Assets (Continued)

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

Component Unit – School Board:	Beginning Balance	Transfers and Increases	Transfers and Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	29,150	134,706	9,878	153,978
Total capital assets, not being depreciated	2,051,750	134,706	-	2,176,578
Capital assets, being depreciated:				
Buildings	2,439,759	6,198	-	2,445,957
Jointly owned assets - buildings	30,447,525	2,928,353	-	33,375,878
Machinery and equipment	7,138,848	937,284	374,141	7,701,991
Total capital assets being depreciated	40,026,132	3,871,835	374,141	43,523,826
Accumulated depreciation:				
Buildings	227,983	83,741	-	311,724
Jointly owned assets - buildings	7,892,312	1,385,756	-	9,278,068
Machinery and equipment	5,200,706	590,253	374,141	5,416,818
Total accumulated depreciation	13,321,001	2,059,750	374,141	15,006,610
Total capital assets, being depreciated, net	26,705,131	1,812,085	-	28,517,216
School Board capital assets, net	<u>\$ 28,756,881</u>	<u>\$ 1,946,791</u>	<u>\$ 9,878</u>	<u>\$ 30,693,794</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 149,892
Judicial administration	160,464
Public safety	1,551,786
Public works	444,632
Health and welfare	79,219
Education	1,006,175
Parks, recreation, and cultural	49,591
Community development	247,142
Total Governmental activities	<u>\$ 3,688,901</u>

Component Unit School Board	<u>\$ 1,888,884</u>
-----------------------------	---------------------

Business-type Activities

Water and sewer	\$ 1,198,484
Bottom's Bridge	318,982
Total Business-type activities	<u>\$ 1,517,466</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5. Capital Assets (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of New Kent, Virginia for the year ended June 30, 2019, is that school financed assets in the amount of \$33,256,618 are reported in the Primary Government for financial reporting purposes.

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ 195,122	\$ 13,447,598
Human Services	350,524	-
County Capital Improvements	4,600,731	310,196
Debt Service	8,567,147	-
Airport	42,152	-
	<u>13,755,676</u>	<u>13,757,794</u>
Total Governmental Funds		
Enterprise Funds:		
Water and Sewer	2,118	410,936
Bottom’s Bridge	410,936	-
	<u>413,054</u>	<u>410,936</u>
Total Enterprise Funds		
	<u>\$ 14,168,730</u>	<u>\$ 14,168,730</u>
Total Primary Government		
Component Unit – School Board:		
School Operating	\$ -	\$ 123,142
Textbook	123,142	-
	<u>123,142</u>	<u>-</u>
Total Component Unit – School Board Funds	<u>\$ 123,142</u>	<u>\$ 123,142</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 6. Interfund Transfers (Continued)

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

Governmental Funds:

The largest interfund transfers out were the General Fund's support of the Debt Service and the County Capital Improvements Fund in the amount of \$8,567,147 and \$4,600,731, respectively. The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. All County debt (excluding the Enterprise Fund) is paid from the Debt Service Fund. The General Fund supports the Debt Service Fund through real estate tax and other local tax collections.

The transfer out of the County Capital Improvements Fund (\$310,196) consists of transfers to the Computer Fund (included with the General Fund) (\$175,123), Airport Fund (\$15,074), Debt Service Fund (\$100,000) and the transfer to the General Fund (\$19,999).

The majority of the transfers in were funds transferred from the General Fund to the other Funds. The largest, as discussed above, is to the Debt Service Fund and the County Capital Improvements Fund. The General Fund also supports the Airport Fund with local funds which totaled \$42,152. The remaining transfers consist of the County's support of Human Services.

Enterprise Funds:

The Enterprise Funds made a transfer between Water and Sewer and Bottom's Bridge. The Bottom's Bridge District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottom's Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. Because the District did not collect enough funds to pay the debt service, the Water and Sewer Fund provided \$410,936 in additional support.

Component Unit – School Board:

A transfer was made to the Textbook Fund from the Operating Fund to provide funding for school textbooks.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Long-Term Obligations

Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Incurred by County:					
Compensated absences	\$ 844,238	\$ 783,624	\$ (742,161)	\$ 885,701	\$ 748,683
Net pension liability	1,533,407	130,144	-	1,663,551	-
Net other postemployment benefit liability	694,803	8,259	-	703,062	-
Lease revenue bonds	14,115,621	3,200,000	(1,272,544)	16,043,077	1,484,526
Capital lease	1,114,090	-	(222,818)	891,272	222,818
Bond premium	279,922	-	(48,563)	231,359	-
Total incurred by County	18,582,081	4,122,027	(2,286,086)	20,418,022	2,456,027
Incurred by School Board:					
General obligation bonds	7,900,061	-	(830,897)	7,069,164	835,474
Lease revenue bonds	29,346,379	-	(2,097,456)	27,248,923	2,178,474
Capital lease	-	742,680	(247,560)	495,120	247,560
Bond premium	2,679,281	-	(469,590)	2,209,691	-
Total incurred by School Board	39,925,721	742,680	(3,645,503)	37,022,898	3,261,508
Total Governmental Activities	<u>\$ 58,507,802</u>	<u>\$ 4,864,707</u>	<u>\$ (5,931,589)</u>	<u>\$ 57,440,920</u>	<u>\$ 5,717,535</u>
<u>Business-Type Activities</u>					
Compensated absences	\$ 115,332	\$ 103,557	\$ (99,169)	\$ 119,720	\$ 101,199
Net pension liability	209,421	16,250	-	225,671	-
Net other postemployment benefit liability	83,518	-	(178)	83,340	-
Capital lease	59,600	-	(11,920)	47,680	11,920
Lease revenue bonds	13,567,688	-	(559,859)	13,007,829	591,011
Bond premium	994,495	-	(139,503)	854,992	-
	<u>\$ 15,030,054</u>	<u>\$ 119,807</u>	<u>\$ (810,629)</u>	<u>\$ 14,339,232</u>	<u>\$ 704,130</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Long-Term Obligations (Continued)

Primary Government: (Continued)

Governmental activities long-term liabilities, such as compensated absences, are generally liquidated by the general fund.

The net capital asset value of software acquired under the capital lease is \$1,075,882 at June 30, 2019 with \$1,021,249 and \$54,633 reported in governmental and business-type activities, respectively.

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

<u>Year Ending June 30</u>	<u>County Obligations</u>		<u>Capital Lease</u>	
	<u>Lease Revenue Bonds</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal Only</u>	
2020	\$ 1,484,526	\$ 434,779	\$ 222,818	\$ 11,920
2021	1,510,503	408,635	222,818	11,920
2022	1,553,977	365,380	222,818	11,920
2023	1,598,448	320,663	222,818	11,920
2024	1,645,920	274,461	-	-
2025-2029	6,488,703	714,085	-	-
2030-2034	1,761,000	154,138	-	-
Total	<u>\$ 16,043,077</u>	<u>\$ 2,672,141</u>	<u>\$ 891,272</u>	<u>\$ 47,680</u>

<u>Year Ending June 30</u>	<u>School Obligations</u>			
	<u>General Obligation Bond</u>		<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 835,474	\$ 318,106	\$ 2,178,474	\$ 1,117,593
2021	840,284	278,104	2,286,497	1,006,441
2022	845,807	237,388	2,408,023	886,144
2023	850,329	197,672	2,538,552	759,388
2024	854,517	158,291	2,669,080	625,943
2025-2029	2,842,753	239,784	15,168,297	1,315,450
Total	<u>\$ 7,069,164</u>	<u>\$ 1,429,345</u>	<u>\$ 27,248,923</u>	<u>\$ 5,710,959</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Long-Term Obligations (Continued)

Primary Government: (Continued)

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

<u>Year Ending June 30</u>	<u>School Obligations</u>	
	<u>Capital Lease</u>	
	<u>Principal Only</u>	
2020	\$	247,560
2021		247,560
Total	\$	<u>495,120</u>

<u>Year Ending June 30</u>	<u>Enterprise Obligations</u>		
	<u>Lease</u>		
	<u>Revenue Bond</u>		
	<u>Principal</u>		<u>Interest</u>
2020	\$ 591,011	\$	512,842
2021	622,188		483,553
2022	658,389		452,599
2023	679,616		420,209
2024	720,869		386,407
2025-2029	4,064,071		1,416,300
2030-2034	4,696,685		561,167
2035	<u>975,000</u>		<u>15,234</u>
Total	<u>\$ 13,007,829</u>	\$	<u>4,248,311</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Long-Term Obligations (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by County:					
Lease revenue Bonds					
2015 lease revenue bond	2015	2.35%	10/1/2025	\$ 3,511,000	\$ 467,000
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	3,021,077	241,526
2016a lease revenue bond	2016	2.13%	10/1/2031	1,986,000	134,000
2016b refunding lease revenue bond	2007	1.84%	02/1/2027	1,433,000	168,000
2017 lease revenue bond	2017	2.16%	10/1/2027	2,892,000	295,000
2018 revenue bond	2018	3.58%	10/1/2033	3,200,000	179,000
Total incurred by County				16,043,077	1,484,526
Incurred by School Board:					
General obligation bonds					
2007 School bond	2008	5.10%	7/15/2027	3,239,473	348,857
2006 School bond	2007	4.225%-5.10%	7/15/2026	2,944,368	363,440
2005 School bond - primary school	2006	4.60%-5.10%	7/15/2025	885,323	123,177
Total general obligation bonds				7,069,164	835,474
Lease revenue bond					
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	27,248,923	2,178,474
Capital lease – laptops	2018	-0-%	2021	495,120	247,560
Total incurred by School Board				34,813,207	3,261,508
Capital lease – financial software	2017	-0-%	2023	891,272	222,818
Total Governmental Activities Obligations				<u>\$ 51,747,556</u>	<u>\$ 4,968,852</u>
Business-type Activities Obligations:					
Lease revenue bonds					
2014 lease revenue bond	2015	2.09%	9/1/2034	\$ 852,829	\$ 56,011
2012B lease revenue bond	2012	2.279-5.125%	10/1/2029	7,135,000	505,000
2012C lease revenue bond	2012	2.172-4.839%	10/1/2034	5,020,000	30,000
Capital lease – financial software	2017	-0-%	2023	47,680	11,920
Total Business-type Obligations				<u>\$ 13,055,509</u>	<u>\$ 602,931</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 7. Long-Term Obligations (Continued)

Primary Government: (Continued)

Direct Borrowings

The County has Public Facilities Lease Revenue Bonds outstanding from direct borrowings related to governmental activities totaling \$3,200,000. The proceeds will finance a portion of the construction of a County Park on Pine Fork Road. The lease revenue bond is secured with a Ground Lease on the Pine Fork Park between the County and the Economic Development Authority of New Kent County. In the event that the County defaults on a payment, all rights under the Ground Lease transfer to BB&T.

Rate Covenant

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

Fiscal Year	Total Revenues	Cash Reserves *1	Total Revenue and Cash Available for Debt Service	Adjusted Expenditures	Net Revenues and Cash Available For Debt Service	Fiscal Year Debt Service All W&S Bonds	Percentage of Net Revenues Available
							Debt Services
2015	\$4,678,319	\$6,742,068	\$11,420,387	\$2,448,304	\$8,972,083	\$1,078,141	832%
2016	4,653,440	7,499,084	12,152,524	2,434,877	9,717,647	1,087,807	893%
2017	5,652,980	8,777,855	14,430,835	2,534,537	11,896,298	1,106,391	1075%
2018	5,047,654	9,324,811	14,372,465	3,302,774	11,069,691	1,105,022	1002%
2019	5,280,927	9,931,666	15,212,593	3,578,813	11,633,780	1,100,378	1057%

*1 - Uncommitted cash at June 30th

Component Unit – School Board:

The following is a summary of long-term obligations of the Component Unit – School Board for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 295,048	\$ 292,535	\$ (307,890)	\$ 279,693	\$ 255,604
Net pension liability	24,463,735	-	(493,430)	23,970,305	-
Other postemployment benefits	5,880,000	-	(408,000)	5,472,000	-
	<u>\$ 30,638,783</u>	<u>\$ 292,535</u>	<u>\$ (1,209,320)</u>	<u>\$ 29,721,998</u>	<u>\$ 255,604</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 8. Unearned and Deferred/Unavailable Revenue

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

Unavailable Revenue: Revenue representing uncollected tax billings of \$2,102,265 and proffers totaling \$250,000 are not available for funding of current expenditures.

Prepaid Property Taxes: Property taxes due subsequent to June 30 but paid in advance by the tax payers totaled \$135,452.

Unearned Revenue: Other miscellaneous unearned revenue consisting of unearned utility connection fees totaled \$51,150.

Note 9. Commitments and Contingencies

Special Purpose Grants

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

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

Construction Commitments

The following construction contracts were outstanding at June 30, 2019:

Fund	Project	Contractor	Amount of Contract	Contract Outstanding June 30, 2019
Capital Projects	Fire Station #5 Construction	Henderson, Inc.	\$ 2,518,692	\$ 944,700
Airport	Aircraft Parking Ramp	Branscome, Inc.	\$ 924,342	\$ 97,300

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 10. Risk Management

County

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

Component Units

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

The School Board retains a portion of the risks through a self-insurance health insurance plan. Plan participants are eligible for medical benefits from the School Board health insurance internal service fund. The School Board records an estimated liability for healthcare claims liability for 2019, 2018, and 2017:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2019	\$ 322,321	\$ 3,854,747	\$ 3,812,505	\$ 364,563
June 30, 2018	340,046	3,307,119	3,324,844	322,321
June 30, 2017	308,562	3,619,447	3,587,963	340,046

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan

County of New Kent

Plan Description

All full-time, salaried permanent employees of the County of New Kent, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This 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. 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>88</u>
Inactive members:	
Vested inactive members	36
Non-vested inactive members	51
Inactive members active elsewhere in VRS	<u>79</u>
Total inactive members	166
Active members	<u>179</u>
Total covered employees	<u><u>433</u></u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 9.95% 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 \$913,772 and \$768,787 for the years ended June 30, 2019 and June 30, 2018, respectively.

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.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (Continued)

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 – 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.

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.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	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 NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (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	\$ 27,391,168	\$ 25,648,340	\$ 1,742,828
Changes for the year:			
Service cost	1,121,083	-	1,121,083
Interest	1,879,773	-	1,879,773
Differences between expected and actual experience	251,443	-	251,443
Contributions – employer	-	768,787	(768,787)
Contributions – employee	-	447,731	(447,731)
Net investment income	-	1,907,103	(1,907,103)
Benefit payments, including refunds of employee contributions	(1,074,541)	(1,074,541)	-
Administrative expenses	-	(15,998)	15,998
Other changes	-	(1,718)	1,718
Net changes	2,177,758	2,031,364	146,394
Balances at June 30, 2018	\$ 29,568,926	\$ 27,679,704	\$ 1,889,222

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (Continued)

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

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

	<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 (asset)	\$ 6,042,298	\$ 1,889,222	\$ (1,532,752)

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 \$717,775. 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	\$ 442,643	\$ 132
Change in assumptions	-	62,013
Net difference between projected and actual earnings on pension plan investments	-	244,515
Employer contributions subsequent to the measurement date	913,772	-
Total	<u>\$ 1,356,415</u>	<u>\$ 306,660</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

County of New Kent (Continued)

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

The \$913,772 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	\$ 258,134
2021	110,449
2022	(211,126)
2023	(21,474)
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 NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

School Board Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the New Kent County Schools, (the "School division") are automatically covered by VRS Retirement Plan upon employment. This 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 plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described earlier in this note in relation to the County plan.

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>50</u>
Inactive members:	
Vested inactive members	17
Non-vested inactive members	34
Inactive members active elsewhere in VRS	<u>20</u>
Total inactive members	71
Active members	<u>45</u>
Total covered employees	<u><u>166</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2019 was 5.36% 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 \$68,576 and \$78,027 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

COUNTY OF NEW KENT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

School Board Nonprofessionals (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$ 4,972,240	\$ 4,968,505	\$ 3,735
Changes for the year:			
Service cost	113,813	-	113,813
Interest	339,476	-	339,476
Differences between expected and actual experience	102,502	-	102,502
Contributions – employer	-	78,027	(78,027)
Contributions – employee	-	60,776	(60,776)
Net investment income	-	364,919	(364,919)
Benefit payments, including refunds of employee contributions	(245,180)	(245,180)	-
Administrative expenses	-	(3,177)	3,177
Other changes	-	(324)	324
Net changes	310,611	255,041	55,570
Balances at June 30, 2018	\$ 5,282,851	\$ 5,223,546	\$ 59,305

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability (asset)	\$ 717,173	\$ 59,305	\$ (489,409)

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 11. Defined Benefit Pension Plan (Continued)

School Board Nonprofessionals (Continued)

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 benefit of \$9,514. 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	\$ 51,506	\$ 5,593
Change in assumptions	241	-
Net difference between projected and actual earnings on pension plan investments	-	42,355
Employer contributions subsequent to the measurement date	68,576	-
Total	<u>\$ 120,323</u>	<u>\$ 47,948</u>

The \$68,576 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	\$ 62,729
2021	(3,555)
2022	(51,181)
2023	(4,194)
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 NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including New Kent County Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This 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 funded 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 Note 11.

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 \$2,607,783 and \$2,629,605 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2019, the school division reported a liability of \$23,911,000 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 0.20332% as compared to 0.19890% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,690,000. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,044,000
Change in assumptions	285,000	-
Net difference between projected and actual earnings on pension plan investments	-	507,000
Changes in proportionate share	789,000	100,000
Employer contributions subsequent to the measurement date	<u>2,607,783</u>	<u>-</u>
Total	<u><u>\$ 3,681,783</u></u>	<u><u>\$ 2,651,000</u></u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$2,607,783 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	\$ (125,000)
2021	(382,000)
2022	(881,000)
2023	(161,000)
2024	(28,000)
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 NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan – 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	<u>\$ 36,524,000</u>	<u>\$ 23,911,000</u>	<u>\$ 13,471,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 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.

Note 13. Deferred Compensation Plan

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

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Postemployment Benefits – School Local Plan

Health Insurance

Plan Description

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 75 requires that the School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned. This funding methodology mirrors the funding approach used for pension benefits.

Benefits Provided

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

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

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	5
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	5
Active plan members	<u>395</u>
	<u><u>400</u></u>

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Postemployment Benefits – School Local Plan (Continued)

Total OPEB Liability

The School's total OPEB liability of \$1,486,000 was measured as of July 1, 2018 and was determined based on an actuarial valuation performed as of July 1, 2018.

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:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	3.62%
Salary increases, including inflation	4.00%
Healthcare cost trend rates	7.25% for fiscal year 2019, decreasing 0.25% per year to an ultimate rate of 5.00%

Mortality rates: RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018

The actuarial assumptions used in the July 1, 2018 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 July 1, 2018	<u>\$ 1,984,000</u>
Changes for the year:	
Service cost	98,000
Interest	74,000
Differences between expected and actual experience	(607,000)
Benefit payments	(14,000)
Other changes	<u>(49,000)</u>
Net changes	<u>(498,000)</u>
Balance at June 30, 2019*	<u><u>\$ 1,486,000</u></u>

*Measurement date is July 1, 2018

COUNTY OF NEW KENT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 14. Other Postemployment Benefits – School Local Plan (Continued)

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 School's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	<u>1.00% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1.00% Increase (4.62%)</u>
Total OPEB liability	\$ 1,622,000	\$ 1,486,000	\$ 1,360,000

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 School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current healthcare cost trend rates:

	<u>1.00% Decrease (6.25%)</u>	<u>Current Healthcare Cost Trend Rates (7.25%)</u>	<u>1.00% Increase (8.25%)</u>
Total OPEB liability	\$ 1,305,000	\$ 1,486,000	\$ 1,701,000

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 \$95,000. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 529,000
Changes of assumptions	-	43,000
Employer contributions subsequent to the measurement date	<u>14,000</u>	<u>-</u>
Total	<u>\$ 14,000</u>	<u>\$ 572,000</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Postemployment Benefits – School Local Plan (Continued)

The \$14,000 reported as 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 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:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (84,000)
2021	(84,000)
2022	(84,000)
2023	(84,000)
2024	(84,000)
Thereafter	(152,000)

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the County and 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.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>1</u>
Active members	<u>101</u>
Total covered employees	<u><u>102</u></u>

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 – County	\$49,196
June 30, 2018 Contribution – County	\$47,425
June 30, 2019 Contribution – Schools	\$95,817
June 30, 2018 Contribution – Schools	\$92,140

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

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	\$203,789
June 30, 2018 Contribution	\$201,504

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	.22% of covered employee compensation.
June 30, 2019 Contribution	\$11,299
June 30, 2018 Contribution	\$10,039

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

	County	Schools
June 30, 2019 proportionate share of liability	\$728,000	\$1,414,000
June 30, 2018 proportion	.048%	.093%
June 30, 2017 proportion	.047%	.092%
June 30, 2019 expense	\$11,000	\$19,000

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program

June 30, 2019 proportionate share of liability	\$2,572,000
June 30, 2018 proportion	.203%
June 30, 2017 proportion	.198%
June 30, 2019 expense	\$221,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2017	\$ 75,508	\$ 10,187	\$ 65,321
Changes for the year:			
Service cost	6,956	-	6,956
Interest	5,283	-	5,283
Differences between expected and actual experience	(8,152)	-	(8,152)
Contributions – employer	-	10,039	(10,039)
Net investment income	-	1,003	(1,003)
Benefit payments	(78)	(78)	-
Administrative expenses	-	(36)	36
Net changes	4,009	10,928	(6,919)
Balances at June 30, 2018	\$ 79,517	\$ 21,115	\$ 58,402

For the year ended June 30, 2019, the County recognized OPEB expense related to the General Employee Health Insurance Credit Program of \$9,635.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

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

Group Life Insurance Program - County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,000	\$ 13,000
Change in assumptions	-	30,000
Net difference between projected and actual earnings on OPEB plan investments	-	24,000
Changes in proportion	23,000	-
Employer contributions subsequent to the measurement date	49,196	-
Total	<u>\$ 108,196</u>	<u>\$ 67,000</u>

Group Life Insurance Program - Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,000	\$ 25,000
Change in assumptions	-	59,000
Net difference between projected and actual earnings on OPEB plan investments	-	46,000
Changes in proportion	39,000	-
Employer contributions subsequent to the measurement date	95,817	-
Total	<u>\$ 203,817</u>	<u>\$ 130,000</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,000
Change in assumptions	-	22,000
Net difference between projected and actual earnings on OPEB plan investments	-	2,000
Changes in proportion	64,000	-
Employer contributions subsequent to the measurement date	203,789	-
Total	<u>\$ 267,789</u>	<u>\$ 37,000</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,252
Change in assumptions	-	4,299
Net difference between projected and actual earnings on OPEB plan investments	46	150
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	11,299	-
Total	<u>\$ 11,345</u>	<u>\$ 11,701</u>

The deferred outflows of resources related to OPEB resulting from the County'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:

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense	
	County	Schools
2020	\$ (5,000)	\$ (12,000)
2021	(5,000)	(12,000)
2022	(5,000)	(12,000)
2023	1,000	-
2024	2,000	9,000
Thereafter	4,000	5,000

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ 4,000
2021	4,000
2022	4,000
2023	5,000
2024	4,000
Thereafter	6,000

General Employee Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (1,580)
2021	(1,580)
2022	(1,580)
2023	(1,528)
2024	(1,541)
Thereafter	(3,846)

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (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 & HIC: 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 11.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (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	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,113,508	\$ 1,381,313
Plan fiduciary net position	1,594,773	111,639
Employers' net OPEB liability (asset)	\$ 1,518,735	\$ 1,269,674
Plan fiduciary net position as a percentage of total OPEB liability	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.

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:

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return (Continued)

Group Life Insurance and Health Insurance Credit Programs (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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%.

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.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

The following presents the net OPEB liabilities of the County, as well as what the County's net OPEB liabilities 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 discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability - County	\$ 952,000	\$ 728,000	\$ 547,000
GLI Net OPEB liability - Schools	\$ 1,849,000	\$ 1,414,000	\$ 1,062,000
Teacher HIC Net OPEB liability	\$ 2,873,000	\$ 2,572,000	\$ 2,316,000
General Employee HIC Net OPEB liability	\$ 68,567	\$ 58,402	\$ 49,868

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 NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 16. Summary of Other Postemployment Benefit Elements

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Schools</u>
Deferred outflows of resources - OPEB				
Changes in proportion				
VRS- Group Life Insurance	\$ 20,563	\$ 2,437	\$ 23,000	\$ 39,000
VRS – Teacher HIC	-	-	-	64,000
Difference between expected and actual experience				
VRS- Group Life Insurance	32,185	3,815	36,000	69,000
Net difference between projected and actual earnings on plan investments				
VRS- General Employee HIC	41	5	46	-
Employer contributions subsequent to the measurement date				
Local Plan	-	-	-	14,000
VRS- Group Life Insurance	43,982	5,214	49,196	95,817
VRS – Teacher HIC	-	-	-	203,789
VRS – General Employee HIC	10,101	1,198	11,299	-
Total deferred outflow of resources - OPEB	<u>\$ 106,872</u>	<u>\$ 12,669</u>	<u>\$ 119,541</u>	<u>\$ 485,606</u>
Net OPEB liability				
Local Plan	\$ -	\$ -	\$ -	\$ 1,486,000
VRS- Group Life Insurance	650,849	77,151	728,000	1,414,000
VRS – Teacher HIC	-	-	-	2,572,000
VRS – General Employee HIC	52,213	6,189	58,402	-
Total net OPEB liability	<u>\$ 703,062</u>	<u>\$ 83,340</u>	<u>\$ 786,402</u>	<u>\$ 5,472,000</u>
Deferred inflows of resources - OPEB				
Differences between expected and actual experience				
Local Plan	\$ -	\$ -	\$ -	\$ 529,000
VRS- Group Life Insurance	10,523	2,477	13,000	25,000
VRS- Teacher HIC	-	-	-	13,000
VRS- General Employee HIC	5,870	1,382	7,252	-
Changes of assumptions				
Local Plan	-	-	-	43,000
VRS- Group Life Insurance	24,284	5,716	30,000	59,000
VRS – Teacher HIC	-	-	-	22,000
VRS – General Employee HIC	3,480	819	4,299	-
Net difference between projected and actual earnings on plan investments				
VRS- Group Life Insurance	19,427	4,573	24,000	46,000
VRS – Teacher HIC	-	-	-	2,000
VRS – General Employee HIC	122	28	150	-
Total deferred inflow of resources - OPEB	<u>\$ 63,706</u>	<u>\$ 14,995</u>	<u>\$ 78,701</u>	<u>\$ 739,000</u>

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 17. Prior Period Restatement

The following is summary of the restatement due to correction of the Airport Fund's inventory balance at June 30, 2018.

	<u>Airport Fund</u>	<u>Governmental Activities</u>
Net position/fund balance, June 30, 2018, as previously reported	\$ 117,456	\$ 51,355,466
To correct prior year Airport inventory	<u>13,430</u>	<u>13,430</u>
Net position/fund balance, June 30, 2018, as restated	<u>\$ 130,886</u>	<u>\$ 51,368,896</u>

Note 18. 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.

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.

(Continued)

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Note 18. New Accounting Standards (Continued)

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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

COUNTY OF NEW KENT, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 30,961,103	\$ 30,961,103	\$ 31,483,534	\$ 522,431
Other local taxes	4,676,532	4,676,532	5,491,397	814,865
Permits, privilege fees, and regulatory licenses	620,875	620,875	707,645	86,770
Fines and forfeitures	251,000	251,000	223,514	(27,486)
Revenue from the use of money and property	459,500	459,500	775,078	315,578
Charges for services	509,727	516,771	591,434	74,663
Miscellaneous	296,700	1,597,194	1,702,356	105,162
Recovered costs	385,000	439,159	540,288	101,129
Intergovernmental revenues:				
Commonwealth	5,849,780	6,076,747	5,181,877	(894,870)
Federal	-	246,986	1,010,753	763,767
Total revenues	44,010,217	45,845,867	47,707,876	1,862,009
EXPENDITURES				
General government administration	4,649,426	4,561,044	3,975,988	585,056
Judicial administration	1,659,310	1,699,549	1,631,102	68,447
Public safety	9,083,473	10,119,338	9,297,988	821,350
Public works	1,644,791	1,870,409	1,793,726	76,683
Health and welfare	1,968,033	2,086,218	1,949,734	136,484
Education	13,879,593	13,879,593	13,842,693	36,900
Parks, recreation, and cultural	816,079	854,253	750,822	103,431
Community development	1,164,619	1,271,002	1,130,829	140,173
Total expenditures	34,865,324	36,341,406	34,372,882	1,968,524
Excess of revenues over expenditures	9,144,893	9,504,461	13,334,994	3,830,533
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	-	-	742,680	742,680
Transfers in	148,136	210,894	195,122	(15,772)
Transfers out	(9,293,029)	(10,891,741)	(13,447,598)	(2,555,857)
Total other financing sources (uses)	(9,144,893)	(10,680,847)	(12,509,796)	(1,828,949)
Net change in fund balance	-	(1,176,386)	825,198	2,001,584
FUND BALANCE, JULY 1	-	1,176,386	10,386,026	9,209,640
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 11,211,224	\$ 11,211,224

COUNTY OF NEW KENT, VIRGINIA

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 87,900	\$ 87,900	\$ 84,012	\$ (3,888)
Charges for services	81,226	81,226	45,173	(36,053)
Recovered costs	-	10,902	10,902	-
Intergovernmental revenues:				
Commonwealth	51,019	301,254	116,289	(184,965)
Federal	304,078	2,227,851	878,741	(1,349,110)
Total revenues	524,223	2,709,133	1,135,117	(1,574,016)
EXPENDITURES				
Public works	204,223	236,368	186,923	49,445
Capital projects	320,000	2,488,925	1,012,519	1,476,406
Total expenditures	524,223	2,725,293	1,199,442	1,525,851
Excess (deficiency) of revenues over expenditures	-	(16,160)	(64,325)	(48,165)
OTHER FINANCING SOURCES				
Transfers in	33,078	43,801	42,152	(1,649)
Total other financing sources	33,078	43,801	42,152	(1,649)
Net change in fund balance	33,078	27,641	(22,173)	(49,814)
FUND BALANCE, JULY 1, as restated (Note 17)	104,665	53,570	130,886	77,316
FUND BALANCE, JUNE 30	<u>\$ 137,743</u>	<u>\$ 81,211</u>	<u>\$ 108,713</u>	<u>\$ 27,502</u>

COUNTY OF NEW KENT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
Year Ended June 30, 2019

	2018	2017	Plan Year 2016	2015	2014
Total Pension Liability					
Service cost	\$ 1,121,083	\$ 1,101,847	\$ 1,020,689	\$ 947,373	\$ 940,029
Interest on total pension liability	1,879,773	1,725,540	1,603,231	1,490,526	1,375,536
Changes of assumptions	-	(135,401)	-	-	-
Difference between actual and expected experience	251,443	525,074	69,930	(17,916)	-
Benefit payments, including refunds of employee contributions	(1,074,541)	(952,919)	(940,234)	(679,609)	(666,080)
Net change in total pension liability	2,177,758	2,264,141	1,753,616	1,740,374	1,649,485
Total pension liability (beginning)	27,391,168	25,127,027	23,373,411	21,633,037	19,983,552
Total pension liability (ending)	29,568,926	27,391,168	25,127,027	23,373,411	21,633,037
Plan Fiduciary Net Position					
Contributions - employer	768,787	741,927	830,373	789,667	888,904
Contributions - employee	447,731	430,503	432,382	409,532	388,169
Net investment income	1,907,103	2,787,517	399,167	958,373	2,755,972
Benefit payments, including refunds of employee contributions	(1,074,541)	(952,919)	(940,234)	(679,609)	(666,080)
Administrative expenses	(15,998)	(15,573)	(13,345)	(12,422)	(14,214)
Other	(1,718)	(2,507)	(166)	(207)	145
Net change in plan fiduciary net position	2,031,364	2,988,948	708,177	1,465,334	3,352,896
Plan fiduciary net position - beginning	25,648,340	22,659,392	21,951,215	20,485,881	17,132,985
Plan fiduciary net position - ending	27,679,704	25,648,340	22,659,392	21,951,215	20,485,881
Net pension liability (asset) - ending	\$ 1,889,222	\$ 1,742,828	\$ 2,467,635	\$ 1,422,196	\$ 1,147,156
Plan fiduciary net position as a percentage of total pension liability	94%	94%	90%	94%	95%
Covered payroll	\$ 9,131,109	\$ 8,724,191	\$ 8,259,154	\$ 7,802,880	\$ 7,546,356
Net pension liability (asset) as a percentage of covered payroll	21%	20%	30%	18%	15%

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

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

COUNTY OF NEW KENT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 COMPONENT UNIT - SCHOOL NONPROFESSIONAL
 Year Ended June 30, 2019

	2018	2017	Plan Year 2016	2015	2014
Total Pension Liability					
Service cost	\$ 113,813	\$ 118,032	\$ 133,967	\$ 152,260	\$ 148,983
Interest on total pension liability	339,476	335,264	314,163	295,305	279,406
Changes of assumptions	-	7,127	-	-	-
Difference between actual and expected experience	102,502	(165,385)	74,505	34,975	-
Benefit payments, including refunds of employee contributions	(245,180)	(224,566)	(217,821)	(208,453)	(194,074)
Net change in total pension liability	310,611	70,472	304,814	274,087	234,315
Total pension liability (beginning)	4,972,240	4,901,768	4,596,954	4,322,867	4,088,552
Total pension liability (ending)	5,282,851	4,972,240	4,901,768	4,596,954	4,322,867
Plan Fiduciary Net Position					
Contributions - employer	78,027	76,102	79,204	85,947	122,227
Contributions - employee	60,776	60,153	58,414	63,501	73,877
Net investment income	364,919	547,610	77,785	198,775	596,911
Benefit payments, including refunds of employee contributions	(245,180)	(224,566)	(217,821)	(208,453)	(194,074)
Administrative expenses	(3,177)	(3,187)	(2,818)	(2,745)	(3,189)
Other	(324)	(486)	(33)	(42)	32
Net change in plan fiduciary net position	255,041	455,626	(5,269)	136,983	595,784
Plan fiduciary net position - beginning	4,968,505	4,512,879	4,518,148	4,381,165	3,785,381
Plan fiduciary net position - ending	5,223,546	4,968,505	4,512,879	4,518,148	4,381,165
Net pension liability (asset) - ending	\$ 59,305	\$ 3,735	\$ 388,889	\$ 78,806	\$ (58,298)
Plan fiduciary net position as a percentage of total pension liability	99%	100%	92%	98%	101%
Covered payroll	\$ 1,344,177	\$ 1,318,452	\$ 1,159,928	\$ 1,250,311	\$ 1,454,410
Net pension liability (asset) as a percentage of covered payroll	4%	0%	34%	6%	-4%

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

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

COUNTY OF NEW KENT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2019

Year Ended June 30*	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.20332%	\$ 23,911,000	\$ 16,108,787	148.43%	74.81%
2018	0.19890%	24,460,000	17,119,983	142.87%	72.92%
2017	0.19649%	27,536,000	14,877,589	185.08%	68.28%
2016	0.19574%	24,636,000	14,552,241	169.29%	70.68%
2015	0.19841%	23,977,000	14,464,067	165.77%	70.88%

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

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

COUNTY OF NEW KENT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
June 30, 2019

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	\$ 913,772	\$ 913,772	-	\$ 9,451,474	9.67%
2018	768,787	768,787	-	9,131,109	8.42%
2017	741,927	741,927	-	8,724,191	8.50%
2016	789,667	789,667	-	8,259,154	9.56%
2015	888,961	888,961	-	7,802,880	11.39%
2014	823,149	823,149	-	7,546,356	10.91%
2013	655,039	655,039	-	6,987,684	9.37%
2012	628,773	628,773	-	7,020,784	8.96%
2011	389,299	389,299	-	6,739,258	5.78%
2010	384,390	384,390	-	6,609,492	5.82%
Schools - Nonprofessional Employees					
2019	\$ 68,576	\$ 68,576	-	\$ 1,279,415	5.36%
2018	78,027	78,027	-	1,344,177	5.80%
2017	76,102	76,102	-	1,318,452	5.77%
2016	86,299	80,035	(6,264)	1,159,928	6.90%
2015	93,023	85,947	(7,076)	1,250,311	6.87%
2014	122,170	122,170	-	1,454,410	8.40%
2013	111,960	111,960	-	1,332,855	8.40%
2012	87,173	87,173	-	1,263,373	6.90%
2011	80,730	80,730	-	1,170,006	6.90%
2010	59,910	59,910	-	1,165,562	5.14%
Schools - Professional Employees					
2019	\$ 2,607,783	\$ 2,607,783	-	\$ 17,007,905	15.33%
2018	2,629,605	2,629,605	-	16,108,787	16.32%
2017	2,263,303	2,263,303	-	17,119,983	13.22%
2016	2,091,789	2,091,789	-	14,877,589	14.06%
2015	2,110,075	2,110,075	-	14,552,241	14.50%
2014	2,409,714	2,409,714	-	14,464,067	16.66%
2013	2,300,413	2,300,413	-	13,808,000	16.66%
2012	1,530,447	1,530,447	-	13,507,914	11.33%
2011	1,165,167	1,165,167	-	13,047,781	8.93%
2010	1,504,950	1,504,950	-	13,327,914	11.29%

COUNTY OF NEW KENT

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

	Plan Year			
	2018		2017	
	County	Schools	County	Schools
	VRS Health Insurance Credit General Employees	Local Plan	VRS Health Insurance Credit General Employees	Local Plan
Total OPEB Liability				
Service cost	\$ 6,956	\$ 98,000	\$ 6,996	\$ 94,000
Interest on total OPEB liability	5,283	74,000	4,844	69,000
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(8,152)	(607,000)	-	-
Changes in assumptions	-	-	(5,581)	-
Benefit payments	(78)	(14,000)	78	(65,000)
Benefit payments	-	(49,000)	-	-
Net change in total OPEB liability	4,009	(498,000)	6,337	98,000
Total OPEB liability - beginning	75,508	1,984,000	69,171	1,886,000
Total OPEB liability - ending	79,517	1,486,000	75,508	1,984,000
Plan Fiduciary Net Position				
Contributions - employer	10,039	-	9,547	-
Contributions - employee	-	-	-	-
Net investment income	1,003	-	586	-
Benefit payments	(78)	-	78	-
Administrative expenses	(36)	-	(24)	-
Other	-	-	-	-
Net change in plan fiduciary net position	10,928	-	10,187	-
Plan fiduciary net position - beginning	10,187	-	-	-
Plan fiduciary net position - ending	21,115	-	10,187	-
Net OPEB liability - ending	\$ 58,402	\$ 1,486,000	\$ 65,321	\$ 1,984,000
Plan fiduciary net position as a percentage of total OPEB liability	27%	-	13%	-
Covered payroll	\$ 5,019,989	\$ 18,263,000	\$ 4,773,364	\$ 17,018,000
Net OPEB liability as a percentage of covered payroll	1%	8%	1%	12%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF NEW KENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2019

Entity Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - General Employees					
2019	\$ 11,299	\$ 11,299	\$ -	\$ 5,135,737	0.22%
2018	10,039	10,039	-	5,019,989	0.20%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year 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 NEW KENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
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)	Employer's 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	0.20%	\$ 2,572,000	\$ 16,382,434	15.70%	8.08%
2018	0.20%	2,513,000	17,119,983	14.68%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	0.05%	\$ 728,000	9,131,109	7.97%	51.22%
2018	0.05%	713,000	8,724,191	8.17%	48.86%
Virginia Retirement System - Group Life Insurance - Schools					
2019	0.09%	\$ 1,414,000	17,452,964	8.10%	51.22%
2018	0.09%	1,383,000	18,438,435	7.50%	48.86%

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.

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

COUNTY OF NEW KENT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - COST-SHARING PLANS
June 30, 2019

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	\$ 203,789	\$ 203,789	\$ -	\$ 17,007,905	1.20%
2018	201,504	201,504	-	16,382,434	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	\$ 49,196	\$ 49,196	\$ -	\$ 9,451,474	0.52%
2018	47,425	47,425	-	9,131,109	0.52%
Virginia Retirement System - Group Life Insurance - Schools					
2019	\$ 95,817	\$ 95,817	\$ -	\$ 18,287,320	0.52%
2018	92,140	92,140	-	17,452,964	0.53%

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 NEW KENT, 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 and GLI 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

COUNTY OF NEW KENT, 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 and GLI 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

**OTHER
SUPPLEMENTARY INFORMATION**

*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 4,306,981	\$ 4,306,981	\$ 4,200,897	\$ 106,084
Interest and other fiscal charges	4,160,166	4,260,166	1,927,417	2,332,749
Total expenditures	8,467,147	8,567,147	6,128,314	2,438,833
Excess (deficiency) of revenues over expenditures	(8,467,147)	(8,567,147)	(6,128,314)	2,438,833
OTHER FINANCING SOURCES				
Transfers in	8,467,147	8,567,147	8,567,147	-
Total other financing sources	8,467,147	8,567,147	8,567,147	-
Net change in fund balance	-	-	2,438,833	2,438,833
FUND BALANCE, JULY 1	-	-	1,100,235	1,100,235
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 3,539,068	\$ 3,539,068

COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COUNTY CAPITAL IMPROVEMENTS FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ 81,257	\$ 119,560	\$ 38,303
Contributions and proffers	-	-	662,014	662,014
Miscellaneous	-	32,405	32,405	-
Intergovernmental revenues:				
Federal	220,000	220,000	-	(220,000)
Total revenues	220,000	333,662	813,979	480,317
EXPENDITURES				
Education	28,200,000	28,272,500	407,207	27,865,293
Capital projects	5,231,253	15,150,610	6,112,001	9,038,609
Total expenditures	33,431,253	43,423,110	6,519,208	36,903,902
Excess (deficiency) of revenues over expenditures	(33,211,253)	(43,089,448)	(5,705,229)	37,384,219
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,000,000	3,200,000	3,200,000	-
Transfers in	-	1,592,995	4,600,731	3,007,736
Transfers out	(154,136)	(310,196)	(310,196)	-
Total other financing sources (uses)	2,845,864	4,482,799	7,490,535	3,007,736
Net change in fund balance	(30,365,389)	(38,606,649)	1,785,306	40,391,955
FUND BALANCE, JULY 1	30,365,389	38,606,649	18,041,267	(20,565,382)
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 19,826,573	\$ 19,826,573

COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2019**

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 888	\$ 888
Intergovernmental revenues:				
Commonwealth	876,260	876,260	309,881	(566,379)
Total revenues	876,260	876,260	310,769	(565,491)
EXPENDITURES				
Health and welfare	1,675,064	1,676,680	661,293	1,015,387
Total expenditures	1,675,064	1,676,680	661,293	1,015,387
Excess (deficiency) of revenues over expenditures	(798,804)	(800,420)	(350,524)	449,896
OTHER FINANCING SOURCES				
Transfers in	798,804	800,420	350,524	(449,896)
Total other financing sources	798,804	800,420	350,524	(449,896)
Net change in fund balance	-	-	-	-
FUND BALANCE, JULY 1	-	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -	\$ -

COUNTY OF NEW KENT, VIRGINIA

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

	<u>Special Welfare</u>	<u>SSI Dedicated</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,311	\$ 1,353	\$ 8,664
Total assets	<u>\$ 7,311</u>	<u>\$ 1,353</u>	<u>\$ 8,664</u>
LIABILITIES			
Amounts held for social services clients	\$ 7,311	\$ 1,353	\$ 8,664
Total liabilities	<u>\$ 7,311</u>	<u>\$ 1,353</u>	<u>\$ 8,664</u>

COUNTY OF NEW KENT VIRGINIA

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

	Beginning Balance	Additions	Reductions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 8,548	\$ 6,857	\$ 8,094	\$ 7,311
Total assets	<u>\$ 8,548</u>	<u>\$ 6,857</u>	<u>\$ 8,094</u>	<u>\$ 7,311</u>
LIABILITIES				
Amounts held for social services clients	\$ 8,548	\$ 6,857	\$ 8,094	\$ 7,311
Total liabilities	<u>\$ 8,548</u>	<u>\$ 6,857</u>	<u>\$ 8,094</u>	<u>\$ 7,311</u>
SSI Dedicated Fund				
ASSETS				
Cash and cash equivalents	\$ 3,437	\$ 2,576	\$ 4,660	\$ 1,353
Total assets	<u>\$ 3,437</u>	<u>\$ 2,576</u>	<u>\$ 4,660</u>	<u>\$ 1,353</u>
LIABILITIES				
Amounts held for others	\$ 3,437	\$ 2,576	\$ 4,660	\$ 1,353
Total liabilities	<u>\$ 3,437</u>	<u>\$ 2,576</u>	<u>\$ 4,660</u>	<u>\$ 1,353</u>
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 11,985	\$ 9,433	\$ 12,754	\$ 8,664
Total assets	<u>\$ 11,985</u>	<u>\$ 9,433</u>	<u>\$ 12,754</u>	<u>\$ 8,664</u>
LIABILITIES				
Amounts held for social service clients	\$ 11,985	\$ 9,433	\$ 12,754	\$ 8,664
Total liabilities	<u>\$ 11,985</u>	<u>\$ 9,433</u>	<u>\$ 12,754</u>	<u>\$ 8,664</u>

DISCRETELY PRESENTED COMPONENT UNIT

SCHOOL BOARD

COUNTY OF NEW KENT VIRGINIA

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

	School Operating Fund	Nonmajor Governmental Funds	Total Component Unit
ASSETS			
Cash and cash equivalents	\$ 2,353,021	\$ 1,255,756	\$ 3,608,777
Accounts receivable, net	15,331	4,627	19,958
Due from other governmental units	947,516	-	947,516
Total assets	<u>\$ 3,315,868</u>	<u>\$ 1,260,383</u>	<u>\$ 4,576,251</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 331,252	\$ 42,579	\$ 373,831
Accrued liabilities	2,984,616	62,029	3,046,645
Total liabilities	<u>3,315,868</u>	<u>104,608</u>	<u>3,420,476</u>
Fund balances:			
Committed			
Cafeteria fund	-	304,150	304,150
Textbook fund	-	851,625	851,625
Total fund balances	<u>-</u>	<u>1,155,775</u>	<u>1,155,775</u>
Total liabilities and fund balances	<u>\$ 3,315,868</u>	<u>\$ 1,260,383</u>	<u>\$ 4,576,251</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Total fund balances – governmental funds \$ 1,155,775

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

Capital assets cost	\$ 45,700,404	
Less: accumulated depreciation	<u>(15,006,610)</u>	30,693,794

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

Pension related deferred outflows	3,802,106	
Pension related deferred inflows	(2,698,948)	
Net pension liability	<u>(23,970,305)</u>	(22,867,147)

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

Other postemployment benefit related deferred outflows	485,606	
Other postemployment benefit related deferred inflows	(739,000)	
Other postemployment benefit liability	<u>(5,472,000)</u>	(5,725,394)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 2,554,599

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

Compensated absences		<u>(279,693)</u>
----------------------	--	------------------

Net position of governmental activities

\$ 5,531,934

COUNTY OF NEW KENT, 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	Nonmajor Governmental Funds	Total Component Unit
REVENUES			
Revenue from the use of money and property	\$ -	\$ 3,272	\$ 3,272
Charges for services	139,142	748,495	887,637
Miscellaneous revenues	52,524	28,831	81,355
Intergovernmental revenues:			
Contributions from County	13,367,515	-	13,367,515
Commonwealth	17,018,900	208,914	17,227,814
Federal	1,135,756	421,841	1,557,597
Total revenues	<u>31,713,837</u>	<u>1,411,353</u>	<u>33,125,190</u>
EXPENDITURES			
Current:			
Education	<u>31,590,695</u>	<u>1,434,839</u>	<u>33,025,534</u>
Excess of revenues over expenditures	<u>123,142</u>	<u>(23,486)</u>	<u>99,656</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(123,142)</u>	<u>123,142</u>	<u>-</u>
Net change in fund balances	-	99,656	99,656
FUND BALANCES AT JULY 1	<u>-</u>	<u>1,056,119</u>	<u>1,056,119</u>
FUND BALANCES AT JUNE 30	<u>\$ -</u>	<u>\$ 1,155,775</u>	<u>\$ 1,155,775</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Net change in fund balances – total governmental funds			\$ 99,656
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital asset additions		897,444	
Jointly owned asset additions		2,928,353	
Depreciation expense		<u>(1,888,884)</u>	1,936,913
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.			
Employer pension contributions			2,676,359
Pension expense			(1,680,972)
Other postemployment benefit contributions			313,606
Other postemployment benefit expense			(377,609)
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.			
Decrease in compensated absences			15,355
Internal services funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service fund is reported with governmental activities.			<u>225,810</u>
Change in net position of governmental activities			<u>\$ 3,209,118</u>

COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SCHOOL OPERATING FUND
Year Ended June 30, 2019**

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 150,000	\$ 150,000	\$ 139,142	\$ (10,858)
Miscellaneous revenues	77,500	77,500	52,524	(24,976)
Intergovernmental revenues:				
Local government	14,074,595	14,147,095	13,367,515	(779,580)
Commonwealth	16,337,077	16,602,001	17,018,900	416,899
Federal	1,002,356	1,097,138	1,135,756	38,618
Total revenues	31,641,528	32,073,734	31,713,837	(359,897)
EXPENDITURES				
Current:				
Education	31,641,528	32,073,734	31,590,695	483,039
Excess of revenues over expenditures	-	-	123,142	123,142
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(123,142)	(123,142)
Total other financing sources (uses)	-	-	(123,142)	(123,142)
Net change in fund balances	-	-	-	-
FUND BALANCES, JULY 1	-	132,879	-	(132,879)
FUND BALANCES, JUNE 30	\$ -	\$ 132,879	\$ -	\$ (132,879)

COUNTY OF NEW KENT, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
Year Ended June 30, 2019

	School Nutrition Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 3,272	\$ 3,272	\$ -	\$ -	\$ -	\$ -
Charges for services	822,518	822,518	748,495	(74,023)	-	-	-	-
Miscellaneous revenues	25,725	25,725	28,831	3,106	-	-	-	-
Intergovernmental revenues:								
Commonwealth	20,130	20,130	19,701	(429)	184,849	184,849	189,213	4,364
Federal	439,725	439,725	421,841	(17,884)	-	-	-	-
Total revenues	1,308,098	1,308,098	1,222,140	(85,958)	184,849	184,849	189,213	4,364
EXPENDITURES								
Current:								
Education	1,308,098	1,308,098	1,194,135	113,963	184,849	307,991	240,704	67,287
Excess (deficiency) of revenues over expenditures	-	-	28,005	28,005	-	(123,142)	(51,491)	71,651
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	-	123,142	123,142	-
Total other financing sources	-	-	-	-	-	123,142	123,142	-
Net change in fund balances	-	-	28,005	28,005	-	-	71,651	71,651
FUND BALANCES, JULY 1	-	(7,040)	276,145	283,185	-	-	779,974	779,974
FUND BALANCES, JUNE 30	\$ -	\$ (7,040)	\$ 304,150	\$ 311,190	\$ -	\$ -	\$ 851,625	\$ 851,625

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2019

	<u>Bridging Communities</u>
ASSETS	
Cash and cash equivalents	\$ 494,207
Accounts receivable, net	1,096
Due from other governments	<u>583</u>
Total assets	<u>495,886</u>
LIABILITIES	
Accounts payable	24,380
Accrued liabilities	<u>61,983</u>
Total liabilities	<u>86,363</u>
NET POSITION	
Held in trust for education	<u><u>\$ 409,523</u></u>

COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019**

	<u>Bridging Communities</u>
ADDITIONS	
Tuition	\$ 920,200
Grants from the Commonwealth of Virginia	125,019
Contributions	19,167
Other revenues	3,943
Total additions	<u>1,068,329</u>
DEDUCTIONS	
Instruction	889,183
Operation and maintenance	61,325
Technology	7,928
Total deductions	<u>958,436</u>
Change in net position	109,893
Net position, beginning	<u>299,630</u>
Net position, ending	<u><u>\$ 409,523</u></u>

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND -
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2019

	<u>Self-Insurance Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,816,875
Accounts receivable, net	<u>459,108</u>
Total assets	<u>3,275,983</u>
LIABILITIES	
Claims payable	364,563
Accrued Expenses	<u>356,821</u>
Total liabilities	<u>721,384</u>
NET POSITION	
Unrestricted	<u>2,554,599</u>
Total net position	<u><u>\$ 2,554,599</u></u>

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND -
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019

	<u>Self-Insurance Fund</u>
OPERATING REVENUES	
Insurance premiums	\$ 4,076,188
Total revenues	<u>4,076,188</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>3,854,747</u>
Total expenses	<u>3,854,747</u>
Operating income	<u>221,441</u>
NONOPERATING REVENUE	
Investment income	<u>4,369</u>
Change in net position	<u>225,810</u>
Net position, beginning	<u>2,328,789</u>
Net position, ending	<u><u>\$ 2,554,599</u></u>

COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND -
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2019**

	Self-Insurance Fund
OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 4,536,708
Payments for premiums	<u>(3,805,706)</u>
Net cash provided by operating activities	<u>731,002</u>
INVESTING ACTIVITIES	
Investment income	<u>4,369</u>
Net cash provided by investing activities	<u>4,369</u>
Net increase in cash and cash equivalents	735,371
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>2,081,504</u>
Ending at June 30	<u><u>\$ 2,816,875</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 221,441
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	460,520
Increase in claims payable	42,242
Increase in accrued expenses	<u>6,799</u>
Total adjustments	<u>509,561</u>
Net cash provided by operating activities	<u><u>\$ 731,002</u></u>

DISCRETELY PRESENTED COMPONENT UNIT

ECONOMIC DEVELOPMENT AUTHORITY

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2019

ASSETS	
Cash and cash equivalents	\$ 173,392
Investments	202,397
Inventories	<u>721,508</u>
Total assets	<u>1,097,297</u>
NET POSITION	
Unrestricted	<u><u>\$ 1,097,297</u></u>

COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2019

OPERATING REVENUES

Contributions from County	\$ 90,000
Total revenues	<u>90,000</u>

OPERATING EXPENSES

Other charges	<u>46,180</u>
Total expenses	<u>46,180</u>

Operating Income	<u>43,820</u>
------------------	---------------

NONOPERATING REVENUE

Investment income	<u>3,051</u>
Total nonoperating revenue	<u>3,051</u>

Change in net position	<u>46,871</u>
------------------------	---------------

Net position, beginning	<u>1,050,426</u>
Net position, ending	<u><u>\$ 1,097,297</u></u>

COUNTY OF NEW KENT VIRGINIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2019

OPERATING ACTIVITIES

Contribution from County	\$ 90,000
Payments for operating activities	(46,180)
	<hr/>
Net cash provided by operating activities	43,820
	<hr/>

INVESTING ACTIVITIES

Purchase of investments	(201,841)
Investment income	3,051
	<hr/>
Net cash used in investing activities	(198,790)
	<hr/>
Net decrease in cash and cash equivalents	(154,970)

CASH AND CASH EQUIVALENTS

Beginning at July 1	328,362
	<hr/>
Ending at June 30	\$ 173,392
	<hr/> <hr/>

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 43,820
	<hr/>
Net cash provided by operating activities	\$ 43,820
	<hr/> <hr/>

STATISTICAL SECTION

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 the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5-9
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	10-11
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	12-13
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	14-16

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

COUNTY OF NEW KENT, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671	\$ 24,578,103	\$ 21,130,986	\$ 24,011,223	\$ 22,251,160	\$ 20,656,456	\$ 22,915,289
Restricted	-	-	33,738	36,885	111,638	97,487	34,668	29,215	37,491	58,228
Unrestricted	21,701,270	26,045,094	25,006,307	23,895,010	22,545,554	25,034,225	24,913,810	27,163,210	30,661,519	34,053,322
Total governmental activities net position	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566	\$ 47,235,295	\$ 46,262,698	\$ 48,959,701	\$ 49,443,585	\$ 51,355,466	\$ 57,026,839
Business-type activities										
Net investment in capital assets	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606	\$ 65,443,647	\$ 64,641,023	\$ 63,704,883	\$ 62,981,757	\$ 62,113,139	\$ 62,364,800
Unrestricted	19,181,071	7,694,815	7,320,135	7,224,382	6,406,631	6,761,564	7,482,355	9,068,490	10,066,347	10,001,452
Total business-type activities net position	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988	\$ 71,850,278	\$ 71,402,587	\$ 71,187,238	\$ 72,050,247	\$ 72,179,486	\$ 72,366,252
Primary Government										
Net investment in capital assets	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277	\$ 90,021,750	\$ 85,772,009	\$ 87,716,106	\$ 85,232,917	\$ 82,769,595	\$ 85,280,089
Restricted	-	-	33,738	36,885	111,638	97,487	34,668	29,215	37,491	58,228
Unrestricted	40,882,341	33,739,909	32,326,442	31,119,392	28,952,185	31,795,789	32,396,165	36,231,700	40,727,866	44,054,774
Total Primary government net position	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554	\$ 119,085,573	\$ 117,665,285	\$ 120,146,939	\$ 121,493,832	\$ 123,534,952	\$ 129,393,091

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

Table 2
Page 1 of 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government administration	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766	\$ 3,540,907	\$ 3,460,790	\$ 3,570,793	\$ 4,208,623	\$ 4,110,361	\$ 4,364,478
Judicial administration	1,281,668	1,626,082	1,689,574	1,724,039	1,958,406	1,467,720	1,561,953	1,653,498	1,678,249	1,780,963
Public safety	6,974,536	6,873,657	8,096,297	7,591,790	7,748,268	7,874,442	8,551,676	10,401,870	9,813,316	10,794,214
Public works	2,111,602	2,135,389	1,917,625	1,874,687	2,020,146	1,382,495	1,956,184	2,126,022	2,309,528	2,422,257
Health and welfare	2,470,269	2,632,900	2,443,203	2,425,394	2,547,174	2,533,163	2,978,320	3,088,212	3,047,140	2,681,916
Education	15,413,852	13,735,944	14,503,170	14,343,635	16,107,096	16,771,912	16,932,338	14,609,161	18,628,193	17,974,955
Parks, recreation and cultural	707,331	710,686	711,281	943,381	754,994	736,236	825,223	815,284	782,790	911,455
Community development	1,017,515	1,194,287	894,520	824,551	855,116	950,049	1,232,325	1,628,657	1,205,772	1,375,161
Interest and other financial charges	3,141,450	2,896,772	2,713,149	2,642,703	2,581,399	2,572,651	1,915,549	3,415,662	1,762,805	1,694,708
Total governmental activities	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946	\$ 38,113,506	\$ 37,749,458	\$ 39,524,361	\$ 41,946,989	\$ 43,338,154	\$ 44,000,107
Business-type activities										
Water and Sewer	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428	\$ 4,573,366	\$ 4,016,909	\$ 4,011,047	\$ 3,952,777	\$ 4,014,301	\$ 4,299,338
Bottoms Bridge	1,053,599	1,040,173	1,026,936	1,018,674	889,145	875,271	856,142	837,766	816,106	796,941
Total business-type activities	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102	\$ 5,462,511	\$ 4,892,180	\$ 4,867,189	\$ 4,790,543	\$ 4,830,407	\$ 5,096,279
Total primary government expenses	\$ 40,015,738	\$ 39,017,405	\$ 40,626,427	\$ 40,826,048	\$ 43,576,017	\$ 42,641,638	\$ 44,391,550	\$ 46,737,532	\$ 48,168,561	\$ 49,096,386
Program Revenues										
Governmental activities										
Charges for services:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	351,749	363,772	329,291	399,170	457,005	396,566	368,540	369,159	407,834	376,349
Public safety	437,179	319,879	461,092	390,953	401,785	569,757	550,385	717,286	735,618	716,582
Public works	45,231	50,901	126,347	145,479	122,127	111,840	69,039	101,822	95,825	89,159
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	294,890	263,089	276,852	271,041	298,204	317,367	301,733	358,905	353,261	385,036
Community development	87,478	106,075	63,701	1,305	1,636	2,305	2,240	999	908	640
Operating grants and contributions	3,541,020	3,361,044	3,850,528	3,680,325	3,966,842	3,542,972	4,147,197	4,098,977	4,109,975	4,253,078
Capital Grants and contributions	26,451	14,818	-	397,482	336,649	-	1,544,281	442,713	1,896,036	1,290,755
Total governmental activities	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755	\$ 5,584,248	\$ 4,940,807	\$ 6,983,415	\$ 6,089,861	\$ 7,599,457	\$ 7,111,599
Business-type activities										
Charges for services:										
Water and Sewer	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827	\$ 3,431,765	\$ 3,945,220	\$ 3,834,861	\$ 4,700,134	\$ 4,373,542	\$ 4,480,431
Bottoms Bridge	98,928	292,400	372,700	588,950	408,475	467,175	533,775	603,400	260,161	303,998
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	3,798,166	2,942,658	305,348	-	-	-	-	-	-	-
Total business-type activities	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777	\$ 3,840,240	\$ 4,412,395	\$ 4,368,636	\$ 5,303,534	\$ 4,633,703	\$ 4,784,429
Total primary government revenues	\$ 12,836,482	\$ 10,905,965	\$ 9,242,799	\$ 9,345,532	\$ 9,424,488	\$ 9,353,202	\$ 11,352,051	\$ 11,393,395	\$ 12,233,160	\$ 11,896,028

COUNTY OF NEW KENT, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2
(Continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental activities	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)	\$ (32,529,258)	\$ (32,808,651)	\$ (32,540,946)	\$ (35,857,128)	\$ (35,738,697)	\$ (36,888,508)
Business-type activities	4,333,147	2,342,602	(272,847)	(1,287,325)	(1,622,271)	(479,785)	(498,553)	512,991	(196,704)	(311,850)
Total primary government net expense	<u>\$ (27,179,256)</u>	<u>\$ (28,111,440)</u>	<u>\$ (31,383,628)</u>	<u>\$ (31,480,516)</u>	<u>\$ (34,151,529)</u>	<u>\$ (33,288,436)</u>	<u>\$ (33,039,499)</u>	<u>\$ (35,344,137)</u>	<u>\$ (35,935,401)</u>	<u>\$ (37,200,358)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284	\$ 25,046,147	\$ 25,661,803	\$ 26,514,680	\$ 28,017,446	\$ 29,199,673	\$31,425,961
Other local taxes	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,550,095	4,784,482	5,491,397
Investment earnings	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,206	742,952	978,650
Miscellaneous	858,794	781,793	865,267	816,074	614,507	354,380	689,860	817,821	705,830	1,735,649
Non-categorical aid from the Commonwealth	6,635,296	2,323,459	2,968,229	2,952,844	2,924,793	2,924,756	2,960,092	2,968,427	2,949,802	2,916,912
Loss on disposal of net assets	-	-	-	-	-	-	-	-	-	-
Transfers	560	(3,660)	-	-	-	-	1,600	625	-	(2,118)
Total governmental activities	<u>\$ 34,363,556</u>	<u>\$ 30,046,786</u>	<u>\$ 30,973,904</u>	<u>\$ 31,641,853</u>	<u>\$ 32,993,987</u>	<u>\$ 33,563,887</u>	<u>\$ 35,237,949</u>	<u>\$ 36,912,620</u>	<u>\$ 38,382,739</u>	<u>\$ 42,546,451</u>
Business-type activities:										
Taxes	\$ 112,973	\$ 117,658	\$ 127,667	\$ 120,765	\$ 132,638	\$ 213,391	\$ 231,748	\$ 281,546	\$ 302,336	\$ 317,212
Investment earnings	63,610	203,188	82,190	72,426	52,923	52,533	53,056	58,839	106,059	177,175
Miscellaneous	-	-	-	-	-	-	-	10,258	5,556	2,111
Transfers	(560)	3,660	-	-	-	-	(1,600)	(625)	-	2,118
Total business-type activities	<u>\$ 176,023</u>	<u>\$ 324,506</u>	<u>\$ 209,857</u>	<u>\$ 193,191</u>	<u>\$ 185,561</u>	<u>\$ 265,924</u>	<u>\$ 283,204</u>	<u>\$ 350,018</u>	<u>\$ 413,951</u>	<u>\$ 498,616</u>
Total primary government	<u><u>\$ 34,539,579</u></u>	<u><u>\$ 30,371,292</u></u>	<u><u>\$ 31,183,761</u></u>	<u><u>\$ 31,835,044</u></u>	<u><u>\$ 33,179,548</u></u>	<u><u>\$ 33,829,811</u></u>	<u><u>\$ 35,521,153</u></u>	<u><u>\$ 37,262,638</u></u>	<u><u>\$ 38,796,690</u></u>	<u><u>\$ 43,045,067</u></u>
Changes in Net Position										
Governmental activities	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662	\$ 464,729	\$ 755,236	\$ 2,697,003	\$ 1,055,492	\$ 2,644,042	\$ 5,657,943
Business-type activities	4,509,170	2,667,108	(62,990)	(1,094,134)	(1,436,710)	(213,861)	(215,349)	863,009	217,247	186,766
Total primary government	<u>\$ 7,360,323</u>	<u>\$ 2,259,852</u>	<u>\$ (199,867)</u>	<u>\$ 354,528</u>	<u>\$ (971,981)</u>	<u>\$ 541,375</u>	<u>\$ 2,481,654</u>	<u>\$ 1,918,501</u>	<u>\$ 2,861,289</u>	<u>\$ 5,844,709</u>

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

Table 3

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 296,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,409,015	-	-	-	-	-	-	-	-	-
Nondspendable	-	3,934	9,319	43,994	367,300	297,507	310,819	508,094	557,826	654,630
Restricted	-	46,118	33,738	36,885	111,638	97,487	34,668	29,215	37,491	58,228
Committed	-	82,456	55,837	133,399	110,812	73,339	75,444	81,050	150,758	96,332
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	7,688,117	7,718,777	7,603,739	7,674,050	8,169,368	8,738,479	9,498,574	9,639,951	10,402,034
Total general fund	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017	\$ 8,263,800	\$ 8,637,701	\$ 9,159,410	\$ 10,116,933	\$ 10,386,026	\$ 11,211,224
All other governmental funds										
Reserved for:										
Construction	\$ 4,405,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	31,734	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	450,208	-	-	-	-	-	-	-	-	-
Capital projects funds	10,674,722	-	-	-	-	-	-	-	-	-
Debt service funds	1,821,150	-	-	-	-	-	-	-	-	-
Nondspendable	-	1,255,909	1,251,693	134,892	19,880	8,469	8,753	104,777	68,266	66,340
Restricted	-	4,137,075	-	-	-	-	-	-	1,388,725	846,541
Committed	-	673,763	305,772	900,499	1,089,353	1,392,202	1,097,498	15,643,941	16,595,048	21,894,543
Assigned	-	12,187,794	15,439,060	15,290,274	13,155,730	15,904,990	14,991,927	89,244	1,207,604	667,592
Unassigned	-	-	-	-	(29,118)	(13,757)	76,123	(706)	(685)	(662)
Total all other governmental funds	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665	\$ 14,235,845	\$ 17,291,904	\$ 16,174,301	\$ 15,837,256	\$ 19,258,958	\$ 23,474,354
Total Fund Balance	\$ 26,088,822	\$ 26,075,166	\$ 24,814,196	\$ 24,143,682	\$ 22,499,645	\$ 25,929,605	\$ 25,333,711	\$ 25,954,189	\$ 29,644,984	\$ 34,685,578

Note:

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

COUNTY OF NEW KENT, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941	\$ 24,678,308	\$ 25,641,948	\$ 26,453,183	\$ 28,181,751	\$ 28,892,482	\$31,483,534
Other local taxes	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,551,333	4,784,482	5,491,397
Permits, privilege fees and licenses	430,902	310,578	377,288	385,976	395,155	561,042	542,595	706,972	727,158	707,645
Fines and Forfeitures	191,841	215,521	242,185	243,811	289,644	244,896	216,030	230,561	249,528	223,514
Revenue from use of money & property	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,207	742,952	978,650
Charges for services	593,784	577,617	637,810	578,161	595,958	591,897	533,312	609,756	616,760	636,607
Contributions and proffers	-	-	-	-	-	-	-	-	849,474	662,014
Miscellaneous	858,794	781,793	865,267	816,074	614,507	354,380	689,860	843,826	705,830	1,735,649
Recovered costs	594,960	485,748	495,986	454,320	265,097	617,157	475,656	427,766	469,782	551,190
Commonwealth of Virginia	4,869,299	4,823,858	5,244,698	5,471,597	5,668,219	5,529,241	5,840,270	6,057,272	5,877,665	5,608,047
Federal Government	990,768	875,463	1,574,059	1,559,054	1,560,065	938,487	2,811,300	998,718	1,258,892	1,889,494
Total revenues	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585	\$ 38,475,493	\$ 39,101,996	\$ 42,633,923	\$ 43,166,162	\$ 45,175,005	\$ 49,967,741
Expenditures										
General government administration	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483	\$ 3,291,289	\$ 3,366,101	\$ 3,332,137	\$ 3,510,891	\$ 3,692,815	\$ 3,975,988
Judicial administration	1,271,058	1,293,438	1,355,640	1,379,237	1,445,417	1,413,082	1,457,164	1,469,075	1,525,220	1,631,102
Public Safety	6,223,255	6,757,429	8,028,355	7,561,349	7,459,094	7,796,549	7,301,905	8,131,676	8,315,161	9,297,988
Public works	1,825,072	1,832,237	1,782,409	1,640,421	1,597,591	1,596,335	1,605,279	1,667,035	1,850,930	1,980,649
Health and welfare	2,487,966	2,529,648	2,354,831	2,349,627	2,500,813	2,517,092	2,947,998	3,002,358	2,972,524	2,611,027
Education	9,292,122	10,689,229	11,314,721	11,343,488	12,789,955	12,527,071	12,905,854	13,052,292	13,500,794	14,249,900
Parks, recreation and cultural	668,412	652,519	617,971	635,788	697,661	691,829	724,004	735,648	732,024	750,822
Community development	964,421	1,118,510	763,602	714,269	711,650	777,280	889,349	1,017,152	955,763	1,130,829
Capital projects	3,473,438	1,649,068	2,639,793	3,573,424	3,958,484	4,296,214	6,852,692	6,511,025	5,313,921	7,124,520
Debt service										
Principal retirement	4,705,781	2,626,864	2,704,858	2,787,611	2,941,726	2,967,281	3,095,530	5,477,112	3,823,765	4,200,897
Interest and other fiscal charges	3,369,345	3,102,636	2,986,517	2,877,650	2,725,850	2,577,144	2,119,505	2,097,463	1,980,293	1,927,417
Bond issuance costs	-	-	-	-	-	707,305	-	39,582	-	-
Total Expenditures	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347	\$ 40,119,530	\$ 41,233,283	\$ 43,231,417	\$ 46,711,309	\$ 44,663,210	\$ 48,881,139
Revenues over (under) expenditures	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)	\$ (1,644,037)	\$ (2,131,287)	\$ (597,494)	\$ (3,545,147)	\$ 511,795	\$ 1,086,602
Other financing sources (uses)										
Transfers in	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327	\$ 8,165,591	\$ 8,740,963	\$ 10,925,576	\$ 11,700,187	\$ 11,308,367	\$ 13,755,676
Transfers out	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)	(8,165,591)	(8,740,963)	(10,923,976)	(11,699,562)	(11,308,367)	(13,757,794)
Issuance of debt	-	-	-	-	-	4,850,000	-	2,246,000	3,179,000	3,942,680
Bond issuance premium	-	-	-	-	-	4,620,242	-	-	-	-
Refunding of bonds	-	-	-	-	-	39,195,000	-	1,919,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(43,103,995)	-	-	-	-
Sale of capital assets	-	51,068	-	71,248	-	-	-	-	-	-
Total other financing sources (uses)	\$ 560	\$ 47,408	\$ -	\$ 71,248	\$ -	\$ 5,561,247	\$ 1,600	\$ 4,165,625	\$ 3,179,000	\$ 3,940,562
Net change in fund balances	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)	\$ (1,644,037)	\$ 3,429,960	\$ (595,894)	\$ 620,478	\$ 3,690,795	\$ 5,027,164
Debt service as a percentage of noncapital expenditures	22.63%	16.72%	16.01%	16.43%	15.29%	14.69%	10.22%	10.14%	10.33%	10.20%

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

Table 5

Taxpayer	2019			2010		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
City of Newport News	1	\$ 29,201,622	1.01%	2	\$ 25,191,700	1.01%
Kent Farms Holding Company LLC	2	25,526,400	0.88%			
New Kent Farms LLC	3	20,360,900	0.70%	1	57,618,300	2.31%
Colonial Downs Holdings Inc	4	20,137,400	0.69%	3	24,859,900	1.00%
Kinney Jonathan C Trustee	5	19,928,800	0.69%	5	18,069,800	0.72%
Kentland Investments LLC	6	13,019,500	0.45%	7	12,971,100	0.52%
SPF Investments LLC	7	11,430,300	0.39%			
Criss Cross Properties LLC	8	9,214,300	0.32%			
AHS Cumberland Hospital LLC	9	8,345,300	0.29%			
Loves Travel Stop & Country Store	10	7,697,900	0.27%			
NKP LB5 LLC				4	19,087,200	0.77%
NKP LB4 LLC				6	15,446,000	0.62%
Patriots Landing Mgmt Corp.				8	11,021,200	0.44%
The Stitzer - INGO Co.				9	9,660,700	0.39%
Terry/Peterson Residential				10	8,287,600	0.33%
Total		<u>\$ 164,862,422</u>	5.68%		<u>202,213,500</u>	8.11%
Total Assessed Valuation of RE		<u>\$ 2,904,713,840</u>	100.00%		<u>2,494,012,256</u>	100.00%

Notes:

(1) Based on January 1, 2018 Real Estate Assessments Less AFD

(2) Based on January 1, 2009 Real Estate Assessments Less AFD

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

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (2)		Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
			Amount (1)	Percentage of Levy				Amount (1)	Percentage of Levy
2019	\$	23,407,973	\$ 22,898,618	97.82%	\$ -	\$ 23,407,973	\$ -	\$ 22,898,618	97.82%
2018		21,754,066	21,103,580	97.01%	-	21,754,066	-	21,103,580	97.01%
2017		21,283,082	20,587,847	96.73%	1,369	21,284,451	449,658	21,037,505	98.84%
2016		20,167,115	19,423,778	96.31%	(25,321)	20,141,794	543,905	19,967,683	99.14%
2015		19,858,010	19,127,721	96.32%	358	19,858,367	606,515	19,734,235	99.37%
2014		19,552,791	18,769,457	95.99%	7,879	19,560,670	685,337	19,454,794	99.46%
2013		18,281,426	17,694,331	96.79%	15,619	18,297,044	540,750	18,235,082	99.66%
2012		18,212,680	17,636,241	96.83%	4,130	18,216,810	535,928	18,172,169	99.75%
2011		18,024,674	17,412,481	96.60%	3,165	18,027,839	587,050	17,999,532	99.84%
2010		18,150,753	17,481,715	96.31%	(130,933)	18,019,820	522,260	18,003,975	99.91%

Notes:

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

Notes are presented on a fiscal year and cash basis.

(1) Exclusive of penalties and interest.

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

COUNTY OF NEW KENT, VIRGINIA

Table 7

Assessed and Estimated Actual Value of Real Property
Last Ten Fiscal Years

Fiscal Year	Residential/ Agricultural Property (4) (5)	Commercial Property (4)	Total Assessed Value	Less: Land-Use Property (4)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Est. Actual Value (2)
2019	\$ 2,632,221,040	\$ 360,857,100	\$ 2,993,078,140	\$ 88,364,300	\$ 2,904,713,840	\$ 0.82	\$ 3,013,188,631	96.40%
2018	2,412,608,040	339,698,160	2,752,306,200	93,489,900	2,658,816,300	0.83	2,732,596,403	97.30%
2017	2,356,232,640	317,636,760	2,673,869,400	86,620,500	2,587,248,900	0.83	2,697,861,210	95.90%
2016	2,199,446,161	287,800,983	2,487,247,144	76,160,300	2,411,086,844	0.84	2,623,955,210	91.89%
2015	2,159,481,911	286,468,033	2,445,949,944	71,259,400	2,374,690,544	0.84	2,563,888,830	92.62%
2014	2,168,009,978	211,393,700	2,379,403,678	76,100,600	2,303,303,078	0.85	2,425,487,949	94.96%
2013	2,135,222,057	211,238,700	2,346,460,757	75,552,700	2,270,908,057	0.81	2,358,252,017	96.30%
2012	2,446,399,899	242,290,949	2,688,690,848	75,360,400	2,613,330,448	0.70	2,448,716,619	106.72%
2011	2,408,011,129	235,381,426	2,643,392,555	72,264,750	2,571,127,805	0.70	2,569,542,911	100.06%
2010	2,372,385,106	188,049,050	2,560,434,156	66,421,900	2,494,012,256	0.73	2,530,073,277	98.57%

Notes:

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

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

(2) Ratio based on 2019 Estimated Ratio provided by the Department of Taxation.

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

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

(5) Includes Land Use Exemptions.

COUNTY OF NEW KENT, VIRGINIA

Table 8

**Assessed Value of Taxable Property Other than Real Property
Last Ten Fiscal Years**

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2019	\$ 237,025,872	\$ 10,654,824	\$ 1,459,008	\$ 144,509,764	\$ 393,649,468
2018	221,039,645	8,901,837	1,318,080	136,421,200	367,680,762
2017	208,527,111	637,147	1,342,334	134,966,269	345,472,861
2016	194,598,143	513,582	1,220,227	128,928,446	325,260,398
2015	187,360,448	590,954	1,227,874	120,632,737	309,812,013
2014	177,749,271	906,954	1,076,630	119,599,045	299,331,900
2013	177,404,046	407,528	1,237,663	110,051,084	289,100,321
2012	167,618,216	411,632	1,390,736	97,839,996	267,260,580
2011	159,680,205	507,358	1,508,951	84,794,487	246,491,001
2010	155,957,292	18,000	1,352,404	82,047,884	239,375,580

Notes:

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

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

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

(3) Includes Real Estate.

COUNTY OF NEW KENT, VIRGINIA

Table 9

Direct Property Tax Rates

Last Ten Fiscal Years

Fiscal Year	Public Service		Machinery & Tools	Aircraft	Mobile Homes
	Real Estate	Personal Property			
2019	\$ 0.82	\$ 3.75	\$ 1.50	\$ 0.75	\$ 0.82
2018	0.83	3.75	1.50	0.75	0.83
2017	0.83	3.75	1.50	0.75	0.83
2016	0.84	3.75	1.50	0.75	0.84
2015	0.84	3.75	1.50	0.75	0.84
2014	0.85	3.75	1.50	0.75	0.85
2013	0.81	3.75	1.50	0.75	0.81
2012	0.70	3.75	1.50	0.75	0.70
2011	0.70	3.75	1.50	0.75	0.70
2010	0.73	3.75	1.50	0.75	0.73

Note:

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

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

Table 10

Fiscal Year	Governmental Activities				Business-Type Activities			Summary Totals		
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Other Long Term Obligations	Lease Revenue & Acquisition Bond	Revenue Bonds	Capital Lease Obligations	Bond Premium	Total Primary Government	Percentage of Total Personal Income	Per Capita Personal Income (1)
2019	\$ 7,069,164	\$ -	\$ 1,386,392	\$ 43,292,000	\$ 13,007,829	\$ 47,680	\$ 3,296,042	\$ 68,099,107	N/A	N/A
2018	7,900,061	-	1,114,090	43,462,000	13,567,688	59,600	3,953,698	70,057,137	N/A	N/A
2017	8,726,826	-	1,622,712	43,280,000	14,106,418	71,520	4,648,039	72,455,514	5.00%	66,794
2016	9,548,336	-	-	43,770,602	14,624,042	-	5,378,815	73,321,795	5.60%	62,213
2015	10,363,309	-	-	46,051,159	15,099,947	-	6,140,431	77,654,846	6.94%	54,876
2014	11,274,259	-	-	43,397,490	14,535,000	-	2,940,805	72,147,554	6.88%	52,442
2013	12,253,753	-	-	45,359,722	14,995,000	-	3,275,157	75,883,632	7.85%	49,581
2012	13,162,303	-	-	47,238,783	15,755,000	-	1,662,288	77,818,374	8.68%	46,790
2011	14,062,018	-	-	49,043,926	16,160,000	-	1,846,825	81,112,769	9.60%	45,009
2010	14,953,146	-	-	50,779,662	16,555,000	-	2,038,724	84,326,532	10.66%	42,643

Notes:

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

(1) Total personal income and per capita personal income data for 2010 through 2017 was obtained from Calculations by the Virginia Regional Economic

Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS

N/A - This information was not available.

COUNTY OF NEW KENT, VIRGINIA

Table 11

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	State Literary Fund Loans	Total General Bonded Debt	Net Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2019	\$ 7,069,164	\$ -	\$ 7,069,164	\$ 315	0.24%
2018	7,900,061	-	7,900,061	362	0.29%
2017	8,726,826	-	8,726,826	402	0.33%
2016	9,548,336	-	9,548,336	452	0.38%
2015	10,363,309	-	10,363,309	507	0.42%
2014	11,274,259	-	11,274,259	563	0.47%
2013	12,253,753	-	12,253,753	628	0.52%
2012	13,162,303	-	13,162,303	687	0.49%
2011	14,062,018	-	14,062,018	749	0.53%
2010	14,953,146	-	14,953,146	806	0.58%

Notes:

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

See Table 7 for property value data.

Population data can be found in Table 12.

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

Table 12

Year	Population (4)	Total Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)
2019	22,462	N/A	N/A	2.5	3,354
2018	21,850	N/A	N/A	2.9	3,307
2017	21,682	1,365,304	66,794	3.3	3,244
2016	21,147	1,308,332	62,213	3.4	3,156
2015	20,424	1,119,023	54,876	4.0	3,027
2014	20,019	1,048,795	52,442	4.7	2,977
2013	19,504	966,330	49,581	5.4	3,001
2012	19,159	896,075	46,790	5.7	2,940
2011	18,773	844,736	45,009	6.5	2,938
2010	18,558	791,406	42,643	7.0	2,888

Notes:

- (1) Total personal income and per capital personal income data for 2010 through 2017 was obtained from Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS
- (2) U.S. Bureau of Labor Statistics - Unemployment Rates by County, Not Seasonally Adjusted at June of each year.
- (3) Virginia Department of Education Fall Membership Reports (division totals)
Fall Membership is the number of students enrolled in public school on September 30th of each year.
- (4) United States Census Bureau, Population Estimates of the Resident Population for Counties of Virginia.

N/A - This information was not available.

COUNTY OF NEW KENT, VIRGINIA

Table 13

Principal Employers

Current and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment**	Employees	Rank	Percentage of Total County Employment**
Cd-Va Enterprises LLC	500 to 999	1				
New Kent County School Board	250 to 499	2		250 to 499	1	
Curtis Contracting Inc	250 to 499	3		50 to 99	7	
County of New Kent	100 to 249	4		100 to 249	3	
AHS Cumberland Hospital	100 to 249	5		100 to 249	2	
Food Lion	100 to 249	6		100 to 249	4	
County of Henrico	100 to 249	7		100 to 249	6	
Cornerstone Support Services	50 to 99	8				
Loves Travel Stops & Country Stores Inc	50 to 99	9				
McDonald's	50 to 99	10		50 to 99	10	
CCC Transportation LLC				50 to 99	5	
Bruce Howard Contracting Inc				50 to 99	8	
Comfort Keepers				50 to 99	9	

Notes:

Source: Virginia Employment Commission

Quarterly Census of Employment and Wages (QCEW)

Data for 2019: 2nd Quarter 2019

Data for 2010: 1st Quarter 2010

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

COUNTY OF NEW KENT, VIRGINIA

Table 14

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

Function / Department	Full-time Equivalent Employees as of June 30									
	2019 (3)	2018 (2)	2017 (2)	2016 (2)	2015 (2)	2014 (2)	2013 (2)	2012 (1)	2011	2010
General government:										
Clerk of the Board (includes purchasing)	4.0	3.9	3.9	4.1	5.5	5.0	5.0	5.0	4.5	4.5
Commissioner of the Revenue	9.0	8.6	8.6	7.9	8.9	8.1	7.1	7.0	6.0	6.0
Treasurer	5.0	4.9	5.0	4.9	4.9	5.1	5.0	5.0	4.0	4.0
Finance	5.0	5.7	5.5	5.5	5.5	5.5	5.5	5.5	4.0	4.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technologies	4.0	4.0	4.0	3.7	3.7	3.0	3.0	3.0	3.0	3.0
Registrar	2.0	2.5	2.7	2.6	2.6	2.7	2.4	2.5	2.0	2.0
County Attorney	-	-	-	-	0.8	1.0	2.0	2.0	2.0	2.0
Total General Government	31.0	31.7	31.7	30.7	33.9	32.4	32.0	32.0	27.5	27.5
Judicial Administration:										
Clerk of the Circuit Court	4.0	4.1	3.9	4.1	4.4	4.3	4.5	4.5	3.0	3.0
Circuit Court Judge	1.0	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Victim Witness	1.0	1.7	1.6	1.1	0.7	1.0	1.0	1.0	1.0	1.0
Commonwealth Attorney	3.0	3.8	4.1	4.0	3.6	4.1	4.1	3.5	3.5	3.5
Total Judicial Administration	9.0	10.7	10.5	10.1	9.6	10.4	10.6	10.0	8.5	8.5
Public Safety:										
Sheriff and Animal Control	52.0	56.5	54.7	53.9	54.6	55.1	55.6	50.5	41.0	39.0
Fire and Emergency Mgmt.	35.0	40.6	38.4	32.4	32.4	30.8	27.6	22.5	16.0	16.0
Building Inspections	6.0	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Public Safety	93.0	102.8	98.2	91.3	92.0	90.9	88.2	78.0	62.0	60.0
Public Works:										
Refuse	2.8	9.4	9.5	9.4	9.6	10.0	9.6	9.0	10.0	10.0
General Services	7.3	9.1	8.6	8.1	8.0	7.3	8.0	9.0	8.0	8.0
Total Public Works	10.0	18.5	18.1	17.5	17.6	17.3	17.6	18.0	18.0	18.0
Health and Welfare:										
Social Services	16.0	16.5	16.1	16.7	14.2	16.5	18.7	16.5	15.5	12.5
Human Services	1.0	1.5	2.0	2.0	1.5	2.0	1.0	1.0		
Total Health and Welfare	17.0	18.0	18.1	18.7	15.7	18.5	19.7	17.5	15.5	12.5
Community Development										
Planning/Environmental/Permitting	9.0	8.2	9.7	8.4	7.4	9.0	7.0	7.0	9.0	9.0
Extension	-	0.5	0.5	0.6	0.5	0.5	0.5	0.5		
Economic Development	2.0	3.5	2.4	2.5	7.6	2.1	2.1	1.0	2.0	2.0
Airport	1.0	1.8	1.7	1.7	1.5	1.3	1.8	1.5	1.0	1.0
Total Community Development	12.0	14.1	14.3	13.2	17.0	12.9	11.4	10.0	12.0	12.0
Parks, Recreation and Cultural										
Parks and Recreation	4.0	8.9	8.3	8.1	7.6	7.4	5.4	3.5	3.5	4.0
Total Parks, Recreation and Cultural	4.0	8.9	8.3	8.1	7.6	7.4	5.4	3.5	3.5	4.0
Total Governmental	176.0	204.7	199.0	189.5	193.4	189.8	184.9	169.0	147.0	142.5
Public Utilities										
Water/Sewer	19.0	18.5	18.5	18.8	17.6	18.0	20.0	18.0	17.0	16.0
Total Public Utilities	19.0	18.5	18.5	18.8	17.6	18.0	20.0	18.0	17.0	16.0
Total County	195.0	223.3	217.5	208.2	211.0	207.8	204.9	187.0	164.0	158.5

Source: Human Resources Department, Human Resources Specialist

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

(2) This document previously provided Full-Time Equivalent Data but that information is no longer available.

(3) Adopted FY19 Budget-The number of approved positions by department (not full-time equivalent).

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

Table 15

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	4	4	4	4	4	4
Public Utilities (2)										
Active Vehicles	19	18	18	18	18	18	18	18	18	17
Refuse Collection (3)										
Refuse collected (tons per year)	5,989	6,094	5,716	5,836	5,985	5,580	5,561	6,134	5,820	6,195
Number of refuse sites	4	4	4	4	4	4	4	4	4	4
Recyclables Collected										
Metal (tons)	289	297	287	254	202	199	201	222	260	277
ONP (tons) (7)	-	-	-	-	-	76	77	91	92	91
OCC (tons)	152	158	126	100	88	81	93	89	93	79
Mixed Paper	370	300	316	-	-	-	-	-	-	-
Propane Tanks (units)	71	96	55	56	82	35	51	58	105	73
Batteries (units)	427	268	229	367	121	156	158	178	127	309
Used Oil (gallons)	13,690	12,056	11,725	10,995	9,857	9,034	12,095	10,368	12,381	12,320
Antifreeze (gallons)	103	265	315	228	352	394	353	560	475	515
Oil Filters (gallons)	770	660	935	1,100	770	1,045	1,045	880	935	935
Category 1 (gallons)	1,540	1,540	1,320	1,650	1,540	1,155	1,155	1,375	1,485	1,265
Co-Mix (tons)	31	94	122	123	-	-	-	-	-	-
Parks, Recreation & Cultural (4)										
Land acres	330	330	330	330	330	330	330	275	275	275
Trails (miles)	6	6	6	6	6	6	6	6	6	5
Number of visitors	35,726	35,025	32,550	32,550	32,300	32,125	26,725	26,725	26,725	24,750
Library (5)										
Material circulated	48,394	44,898	44,924	46,803	45,594	47,805	48,922	52,592	50,637	43,230
Library patrons	41,579	33,357	28,214	22,039	24,156	23,382	24,193	26,466	26,763	25,937
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	2	2	2	2	2
Primary Schools										
Buildings	0	0	0	0	0	0	0	0	0	0
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	750	750	750	750	750
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Number of school buses	57	57	54	54	55	58	60	60	60	60

Sources:

- (1) New Kent County Fire Department
- (2) Public Utilities
- (3) New Kent County General Services and CVWMA (Central Virginia Waste Management Authority)
- (4) New Kent County Parks and Recreation
- (5) Heritage Public Library
 The Heritage Public Library in the past had served two localities, New Kent County and Charles City County.
 FY09 was the first full year the library recorded separate statistics for New Kent and Charles City County.
 The Library migrated systems the week of January 21, 2013 and some data was lost during the migration.
- (6) New Kent County Public Schools
- (7) As of FY15 Old News Print (ONP) is collected with mixed paper

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

Table 16

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sheriff's Department (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	19	19	19
Total Calls Dispatched	47,332	45,970	51,131	40,097	38,426	38,204	34,651	34,964	34,884	31,094
Calls dispatched for traffic	7,394	10,821	12,200	10,624	9,152	9,035	8,702	6,810	6,628	4,043
Calls dispatched for rescue	2,005	1,861	3,072	2,879	2,899	1,756	1,524	2,994	2,765	1,707
Number of criminal warrants served	1,490	1,157	1,317	1,125	1,223	1,189	1,419	1,359	1,318	1,161
Number of civil warrants and traffic notices	5,258	5,849	5,975	4,714	9,422	7,914	6,108	6,829	7,171	7,165
Fire and Rescue (2)										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	4	4	4	4	4	4
Emergency responses	3,623	3,236	3,053	2,714	2,415	2434*	3,255	3,010	2,765	2,891
Fires extinguished	89	75	84	83	104	56	132	112	168	224
Inspections	470	453	466	50	84	176	357	784	810	688
Parks and recreation (3)										
Number of parks maintained	8	8	8	8	8	8	8	7	7	7
Park acreage owned by the County	330	330	330	330	330	330	330	275	275	275
Library (4)										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of bookmobiles (non-operational)	-	-	-	-	-	-	-	-	-	-
Public Utilities (5)										
Water										
Daily average consumption (gallons)	717,188	739,100	689,000	631,233	583,000	660,071	502,263	667,000	828,208	572,212
Number of connections	3,167	3,031	2,847	2,675	2,583	2,418	2,400	2,133	2,101	1,990
Wastewater										
Average daily wastewater treated (thousands of gallons)	394,520	271,000	270,000	272,877	283,000	239,069	244,000	255,000	234,000	320,000
Number of connections	1,755	1,658	1,515	1,365	1,246	1,154	1,142	951	916	809
Reclaimed										
Daily average consumption (gallons)	285,699*****	91,870****	203,000***	71,584**	92,000	240,000	240,000	198,000	-	-
Number of connections	2	4	3	3	3	3	3	3	-	-

* The Volunteer Fire & Rescue numbers decreased in FY2014 due to a new Fire Record Management System. Historically, the County documented all calls at each station which gave credit multiple times for a single incident. The Management System eliminated the double counting.

** For FY16 Reclaimed Water billing was only sent for two months out of the year because Colonial Downs closed and the golf courses used very little.

*** For FY17 6,100,000 total gallons were sent to reclaim over a thirty day period to the Colonial Downs racetrack for track maintenance.

**** For FY18, 11,300,000 total gallons were sent to reclaim over a four month period. WestRock log storage yard was added as a new customer but due to the rain, closing of Royal New Kent Golf Course, and sale of Brickshire Golf Course there was not as much demand for reclaimed.

***** For FY19, there were only two customers and between them they used 8.8 million gallons over a period of three months. The calculation of daily average consumption is based on the number of gallons for each month divided by the number of days in that particular month.

Sources:

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

COMPLIANCE SECTION

**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 Board of Supervisors
County of New Kent, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, 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 17, 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is identified in the accompanying schedule of findings and questioned costs as Item 2019-002.**

County of New Kent, Virginia's Response to Finding

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

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 17, 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 Board of Supervisors
County of New Kent, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of New Kent, 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 the County's major federal program 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, 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 the County's major federal program 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 of New Kent, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed 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 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 17, 2019

COUNTY OF NEW KENT, 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 laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Comprehensive Services Act

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Sheriff Internal Controls

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF NEW KENT, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
Department of Agriculture:				
Pass Through Payments:				
Department of Education:				
School Breakfast Program	10.553	17901-40591	\$ 104,118	
National School Lunch Program	10.555	17901-40623	317,723	
Department of Agriculture:				
National School Lunch Program - Commodities	10.555	17901-45707	61,224	
Total Child Nutrition Cluster				483,065
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10111		180,315
Total Department of Agriculture			\$	663,380
Department of Justice:				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A	\$	2,639
Pass Through Payments:				
Department of Criminal Justice Service:				
Victim Witness Grant	16.575			72,170
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100		21,100
Total Department of Justice			\$	95,909
Department of Transportation:				
Pass Through Payments:				
Department of Aviation:				
Airport Improvement Program	20.106	N/A	\$	878,741
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	60507-53150		17,560
Alcohol Open Container Requirements	20.607	60507-53137		39,650
National Priority Safety Programs	20.616	60507-54084		8,160
Total Department of Transportation			\$	944,111
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$	270,593
Special Education Grants to States	84.027	17901-43071	632,366	
Special Education Preschool Grants	84.173	17901-462521	15,564	
Total Special Education Cluster				647,930
Career and Technical Education -- Basic Grants to States	84.048	17901-61095		33,025
Advanced Placement Program	84.330	17901-60957		510
Language Acquisition State Grant (Title III, Part A)	84.365	N/A		7,300
Supporting Effective Instruction State Grants	84.367	17901-61480		65,147
Student Support and Academic Enrichment Grants	84.424	N/A		16,470
Total Department of Education			\$	1,040,975

COUNTY OF NEW KENT, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115/0950116		\$ 600
Temporary Assistance for Needy Families	93.558	0400115/0400116		110,104
Refugee and Entrant Assistance State Administered Programs	93.566	0500115/0500116		2,513
Low-Income Home Energy Assistance	93.568	0600415/0600416		13,863
Child Care Mandatory and Matching Funds	93.596	0760115/0760116		18,799
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116		111
Foster Care - Title IV-E	93.658	1100115/1100116		71,557
Adoption Assistance	93.659	1120115/1120116		134,982
Social Services Block Grant	93.667	1000115/1000116		76,693
Chafee Foster Care Independence Program	93.674	9150115/9150116		1,296
Children's Health Insurance Program	93.767	0540115/0540116		4,200
Medical Assistance Program	93.778	1200115/1200116		200,189
Total Department of Health and Human Services				\$ 634,907
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	77501-52743		\$ 27,932
Total Department of Homeland Security				\$ 27,932
Total Expenditure of Federal Awards				\$ 3,407,214

COUNTY OF NEW KENT, VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Note 2. Non-Cash Assistance

The County of New Kent participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of \$61,224 from the National School Lunch Program.

Note 3. De Minimis Rate

The County of New Kent has not elected to use the 10% de minimis cost rate.

Note 4. Outstanding Loan Balances

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

COUNTY OF NEW KENT, 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. **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the 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 audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Airport Improvement Program	20.106
Title VI-B 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 determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

2019-001: Airport Improvement Program – 20.106 and Title VI-B Special Education Cluster – CFDA# 84.027, 84.173, Procurement Policies and Procedures

Condition:

The County 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, effective July 1, 2018, 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 County has not updated procurement policies in accordance with the Uniform Guidance.

COUNTY OF NEW KENT, VIRGINIA

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

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

Effect:

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

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

2019-002: Social Services Local Security Officer Alternate

Condition:

The social services department does not have a local security officer alternate in place.

Criteria:

Localities should appoint a primary local security officer as well as at least one alternate local security officer.

Cause:

There was lack of training of an alternate local security officer.

Effect:

There is not an alternate to maintain employee system access if the local security officer is not available.

Recommendation:

Steps should be taken to train an alternate local security officer.

Views of Responsible Officials and Planned Corrective Action:

Management is in the process of training an alternate local security officer.