

2014

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2014

www.kingwilliamcounty.us



(Cover photo of the Pamunkey River and narrative courteously of Joe Topham)

This photo was taken a few hundred yards from a wide, marsh-lined “island” set far back from any road along the river. Once a peninsula in the Pamunkey River, “The Island” was cut off from the south either by an earthquake or major flood, just in time to escape the fate of being deemed a part of Hanover County by the Virginia Assembly.



THE PAMUNKEY RIVER

The Pamunkey River is named for a tribe within Powhatan’s Confederacy who occupied the lower section of the river when Captain John Smith made his first exploration of the stream in 1609. The Pamunkey Indians were among the most powerful tribes in Powhatan’s Confederacy, and played a significant role in the initial interactions with English settlers in the early 17th Century.

The cover photo was taken a few hundred yards from a wide, marsh-lined island set far back from any road along the river which Chief Opechancanough (Powhatan’s brother and successor) used as his headquarters during his war with the English in 1644. Because of the remoteness of “The Island”, as it is called today, he was able to remain undiscovered amongst the thick marshland of this section of the Pamunkey. It took Governor William Berkley’s forces several months to locate and ultimately capture the warrior-chief, who was estimated to be between 90 and 100 years old at the time. Chief Opechancanough was later killed by an English guard while interned at Jamestown, and this uprising marked the final major Anglo-Powhatan struggle as a peace treaty between the Pamunkey Indians and the Governor of Virginia would be signed two years later.

During the Civil War, Union General George McClellan used White House Landing on the lower Pamunkey, ancestral home of Martha Custis Washington and owned at the time by the Lee family, as the supply depot for his entire 110,000 soldier army. All food, military equipment and weaponry was transported up the York River from the Chesapeake Bay and offloaded at this site, and transported via the Richmond & York River Railroad to the front lines on Richmond’s east end. Upon being unnerved by Confederate attacks around Mechanicsville, McClellan decided to hastily abandon this site in July of 1862, burning all that could not be taken and moving the depot to a more easily defended position on the James River. To this day, the wooden remains of some of these sunken transport ships can be seen at low tide along the southern shore.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2014

Prepared by:

Department of Finance
180 Horse Landing Road
King William, Virginia 23086

**COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

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2014

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2014

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Letter of Transmittal

Directory of Principle Officials

Organization of the County

Certificate of Achievement for Excellence in
Financial Reporting—2013

INTRODUCTORY SECTION

King William County Government and Public Schools



FINANCE DEPARTMENT

180 Horse Landing Road
King William, VA 23086

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November 22, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the County) for the fiscal year ended June 30, 2014. The *Code of Virginia* requires that all general-purpose local governments produce within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

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

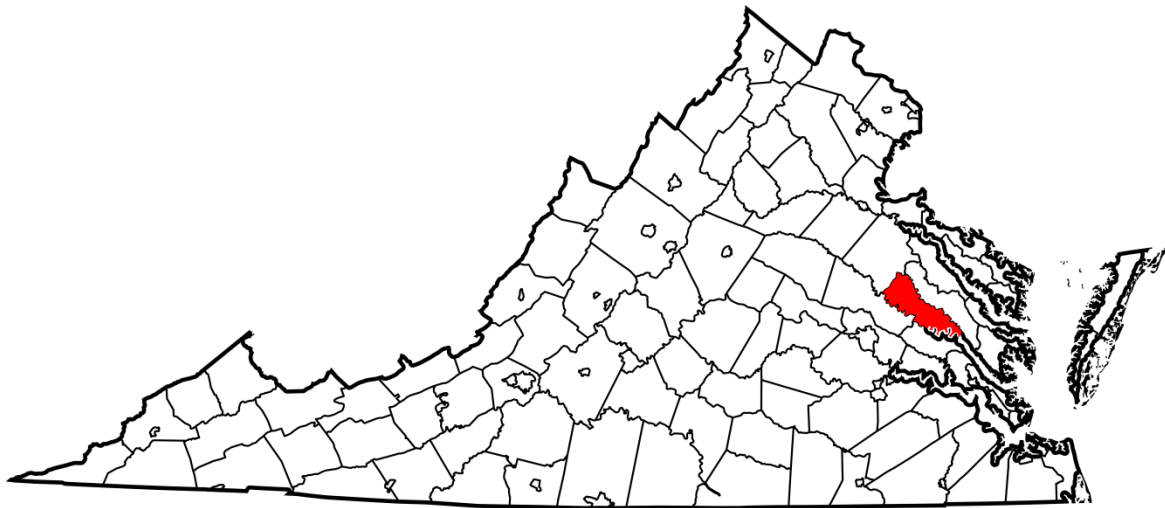
The County's financial statements have been audited by the firm of PBMares LLP, a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditor's Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance the financial statements for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP.

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

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

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Annual population growth has hovered around 1.2%, the past ten years. The 2014 population is estimated at 16,148. The County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



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

Government

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

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

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

School Board

King William County is unique because it is one of two counties in Virginia that has two public school divisions. Children outside the town of West Point attend King William County Public Schools, while children within the town attend West Point Public Schools. King William County's system of taxation was altered by the Virginia General Assembly in 2013 to impose a special school levy for the areas outside of the town of West Point for school contributions to King William County Public Schools. The town of West Point levies their own taxes for support of the town of West Point operations and West Point Public School funding.

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

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

District Goal 1: King William County Public Schools will provide support for all students to achieve above state and national averages as measured by administered assessments.

District Goal 2: All students will graduate from high school with plans for post-secondary study or workforce training.

District Goal 3: All students in King William County Public Schools will be reading on grade level by the time they reach middle school.

District Goal 4: King William County Schools will increase partnerships between parents, teachers, students and administrators to enhance effective communication and participation.

District Goal 5: King William County Public Schools will provide staff development to meet the learning needs of all students as measured by a 2% increase in the annual Standard of Learning (SOL) pass rate.

District Goal 6: King William County Public Schools will increase student achievement in all Annual Measurable Objective (AMO) groups using inquiry-based learning through integration of math, science and technology (STEM) as evidenced by performance levels on benchmark and state-level testing by June 2015.

The division was one of twenty-two out of one-hundred thirty-two divisions in the Commonwealth that had all schools meet state accreditation benchmarks and the school division's on-time graduation rate is ninety-three percent.

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

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

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In December/January, all agencies submit their requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed operating and capital budget in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. In April, the budget is adopted by the Board of Supervisors. An appropriation resolution places legal restrictions on expenditures at the fund level and sets spending limits for all departments. All budgets are adopted on a basis consistent with GAAP. An amended budget-to-actual comparison for the General Fund is provided in this report in Exhibit 20 and 21.

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

Factors Affecting Financial Condition

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

Real Estate Assessments

King William County's housing economy has been significantly impacted by the turmoil in the national housing market in comparison to the unprecedented growth that has characterized the region in past years. After witnessing double-digit annual increases in home values, the local real estate housing market today continues to be impacted by the challenging economic environment.

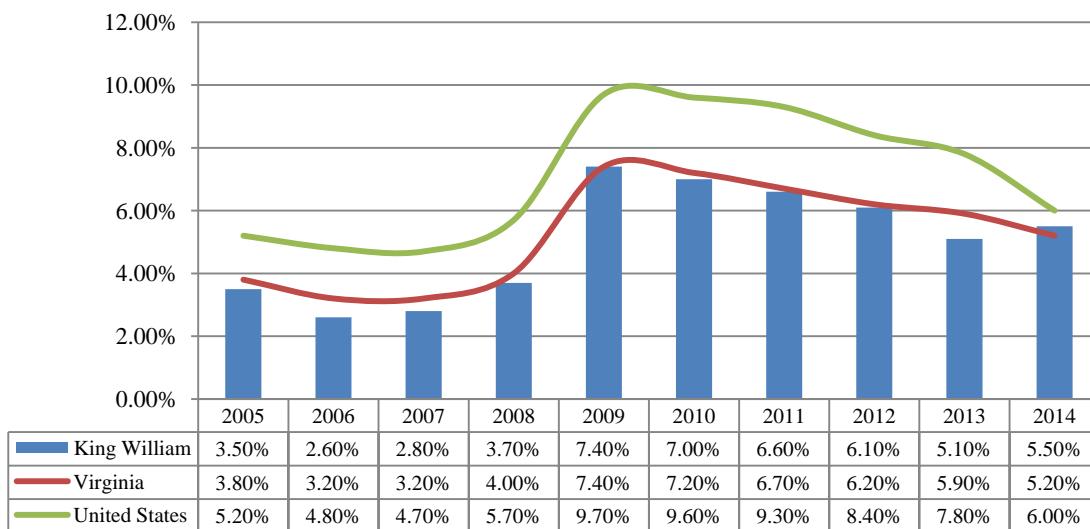
The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2010, effective January 1, 2011. It reflected similar taxable real property values from the 2008 reassessment, with a three-year average of \$1,654.6 million from 2008 to 2010 and \$1,676.2 million in 2011 to the present. Property values are slightly down to \$1,666 million in 2014 and are expected to drop in the coming year. In 2014, the general property taxes of the County were derived from real estate (including mobile homes and mines and minerals), personal property (including airplanes), machinery and tools, and public service corporations.

Local Economy

Several key economic indicators show the County's economy has shown signs of improvement from the recent downturn. Permits, privilege fee, and regulatory licenses in 2014 were up 27.7% from 2013. New residential construction permits continued to improve during 2014. Other local taxes continue to experience year-over-year increases, up 2.1% in 2014 and are partly the result of an increase in taxable sales over the prior year with improvement in the key areas of building materials and farm supplies.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. As of 2014, 50.9% of the County's total population was employed (8,221 out of 16,148), 46.3% of the County's total population was not part of the civilian labor force (7,476 out of 16,148), and 2.8% are currently unemployed (451 out of 16,148). The County's unemployment rate is 5.5% as of September 2014. This figure is higher than last year's rate of 5.1% and slightly higher than Virginia's unemployment rate of 5.2%, but below the National unemployment rate of 6.0%. This reflects slight job growth, as the economy continues its slow recovery.

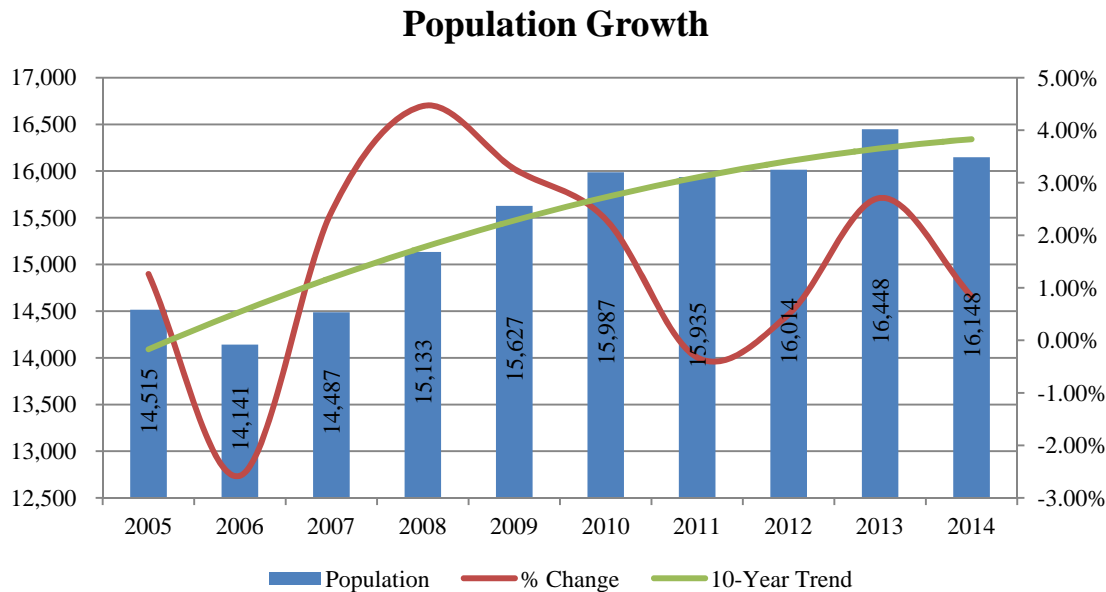
Unemployment Rates



Source: U.S. Bureau of Labor Statistics - September, 2014 (not seasonally adjusted)

Economic Development and Industries

Over the past ten years, King William County's population has increased by approximately 11.3%, with an average annual growth rate of about 1.2%, though there is a high degree of fluctuation in estimation from year to year.



Source: Statistical Table 13

The primary goal of the County's economic development efforts is to assist the existing 336 businesses as they grow and expand within the County. The majority of businesses in King William County are small, with 89.9% having fewer than 20 employees. In fiscal year 2014, there were 11 new startup companies in the County.

Below are additional highlights of economic development for 2014:

- B.W. White Funeral Home expanded
- King William Physical Therapy constructed their new building
- Verizon Wireless opened
- Kennington model home sales office constructed
- Chill Stop convenience station opened located at prior Sunoco gas station opened
- Chillin' n Grillin' restaurant opened
- Store More mini-storage expanded
- Restoration of the Prestly Farm property completed
- King William Sand & Gravel was expanding mining area
- Earth Materials mine received permit for expansion

The County's commitment to maintaining the rural character of King William is captured in the Comprehensive Plan where the "industrial and commercial zoned" acreage amounts to slightly more than 1.5% of total County acreage.

Long-term financial planning

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

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2014-2019 capital budget for new County and School projects totals \$32.2 million. These projects include:

- ☐ \$28.4 million for school system projects
 - ☐ \$23.0 million for new school and auditorium in fiscal year 2018
- ☐ \$3.8 million for the county government

The current CIP defers recommended funding consistent with the Board of Supervisors' financial policies. The fiscal year 2014 Capital Improvement Fund budget totaled \$854,411 for the plan, which included a vehicle replacement program, school bus replacements, roof and road repairs at County facilities, and HVAC and security system improvements at schools.

Relevant financial policies

The Board of Supervisors discussed a fund balance management policy for the County's General Fund during the fiscal year 2014 Budget process. The policy would set the minimum level of unassigned fund balance required for the General Fund and define "rainy day" withdrawal criteria which would provide for enhanced financial planning and stability.

Investments of available funds are made according to a formal Investment Policy that seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

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.

Implementation of New Accounting Requirements

In fiscal year 2014, the County implemented GASB Statements No. 65 through No. 67, and No. 70, as applicable. In fiscal year 2015, the County will implement GASB Statements No. 68, No. 69, and No. 71, as applicable. Additional information relative to the Statements is contained in Note 14 to the Financial Statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2013. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully submitted,



Daniel M. Stuck
Interim County Administrator



Troy Bingham
Finance Services Manager

COUNTY OF KING WILLIAM, VIRGINIA

Directory of Principal Officials
June 30, 2014

Board of Supervisors

Otto O. Williams, Chairman

Stephen K. Greenwood
C. T. Redd, III

Terry S. Stone
Travis J. Moskalski

Interim County Administrator

Daniel M. Stuck

School Board

Steven M. Tupponce, Chair
Lindsay M. Robinson, Vice Chair

Bryan K. Major

Donald B. Longest, Sr.

Kathy H. Morrison

Superintendent of Schools

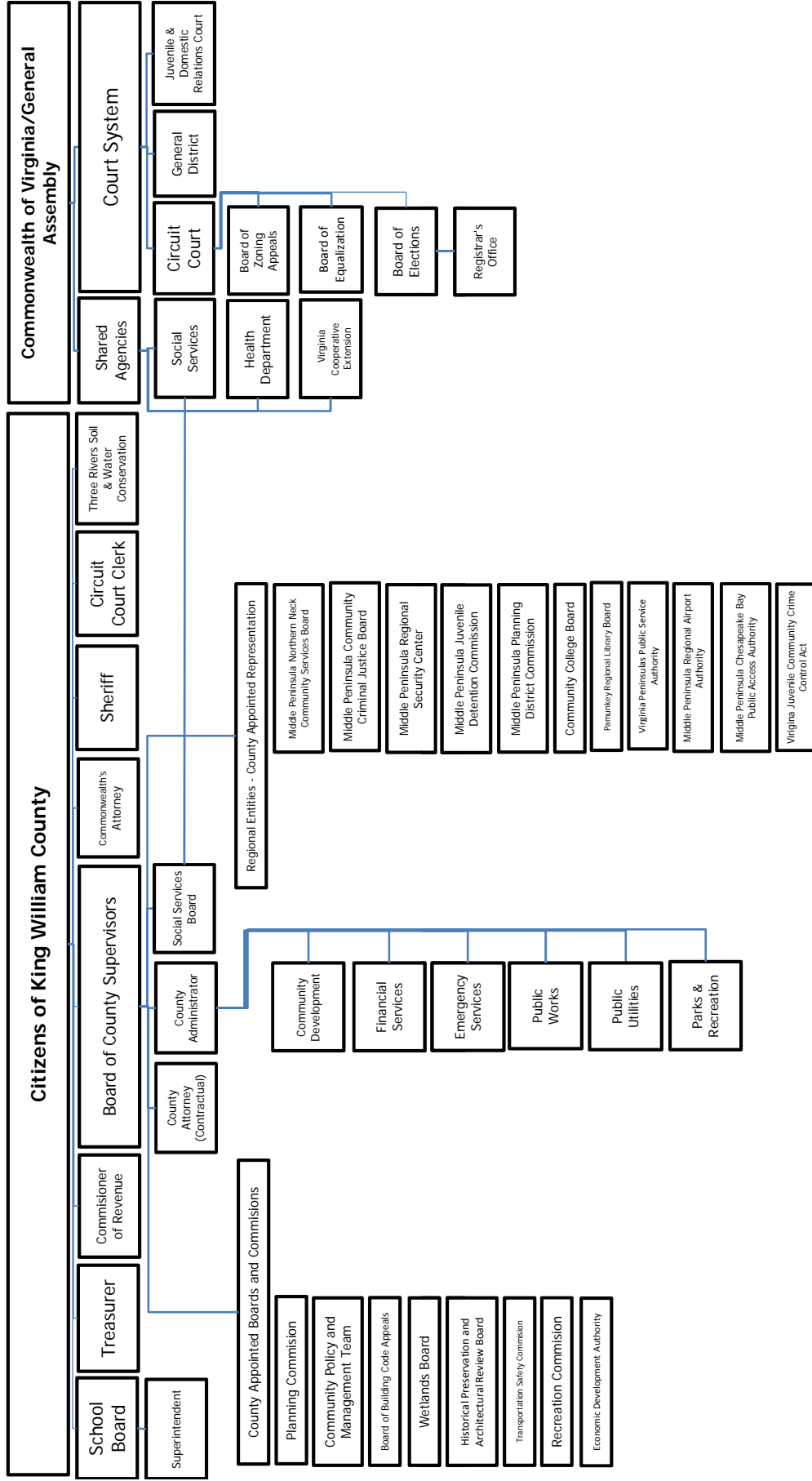
Dr. Mark R. Jones

Other Officials

Daniel M. Stuck
Sally W. Pearson
J. S. "Jeff" Walton
Harry L. Whitt
Matthew R. Kite
Thomas B. Hoover
Jeffrey W. Shaw
George C. Fairbanks, IV
Patricia M. Norman
Anne Mitchell

County Attorney
Commissioner of the Revenue
Sheriff
Treasurer
Commonwealth Attorney
Judge of the Circuit Court
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
Clerk of the Circuit Court
Director of Social Services

County of King William Organization Chart FY14





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

2014

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2014

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

Supplemental Schedules

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require 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 County'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 County'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the County restated net position in the Governmental Activities to write-off bond issue costs in accordance with GASB Statement No. 65.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-17 and 71-72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules 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 Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2014 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 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.

PBMares, LLP

Harrisonburg, Virginia
November 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follows this discussion and analysis.

FISCAL YEAR 2014 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$31.3 million at June 30, 2014, which represents an increase of \$1.0 million, or 3.5%, from June 30, 2013. Of this amount, \$7.9 million is classified as unrestricted net position and may be used to meet the government's ongoing obligations to citizen's and creditors.
- The total cost of the County's programs or governmental activities, was \$24.2 million, an increase of \$1.4 million, or 5.8% from the prior year's cost of \$22.8 million. Total revenues for governmental activities decreased 1.5% to \$24.6 million from the prior year.
- Net position of the County's governmental activities increased by \$0.4 million from the prior year, as compared to an increase of \$2.2 million in fiscal year 2013.
- At June 30, 2014, the County has \$26.9 million (\$26.3 million in unpaid principal balance and \$616 thousand in premiums) of long-term debt outstanding. This includes \$10.4 million of general obligation bonds, \$10.9 million of revenue bonds, \$3.2 million of capital leases related to assets on the books, and \$1.8 million of state literary fund loans.
- The School Board component unit has positive net position of \$18.4 million at June 30, 2014, which represents an increase of \$0.7 million, or 4.1% from the prior year. Revenues, including the County contribution, totaled \$24.1 million, a decrease of 1.8% from the prior year, and expenses totaled \$23.4 million, an increase of 2.5% from the prior year. The increase in expenditures is due primarily to \$567 thousand implementation of the Capital Improvement Plan for fiscal year 2014.
- As of June 30, 2014, the County governmental funds reported combined fund balances of \$8.5 million, a decrease of \$0.5 million from the prior year. The County's General fund had a total fund balance of \$7.1 million at June 30, 2014. Of the General Fund fund balance, \$0.5 million, or 7.7% is restricted fund balance for debt service, \$1.8 million, or 25.8% is committed for fund balance, \$4.7 million, or 66.4% is unassigned fund balance, and the remaining is non-spendable fund balance.
- General Fund revenues were \$25 thousand over the amended budget. Expenditure savings of \$1.7 million were recognized by County Departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2013 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplementary information, and combining and individual fund statements and schedules.

- The statistical section includes selected financial and demographic data related to the County; generally, presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-profit Organizations*; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify findings are found in the compliance section.

Financial Section Overview

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

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

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

The required supplementary information includes the Schedule of Funding Progress for the Virginia Retirement System and the Other Postemployment Benefits Program (OPEB) (Exhibit 9).

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

King William County Summary of Net Position (\$ in millions)						
Table 1						
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$17.8	\$22.3	\$5.4	\$4.8	\$23.2	\$27.1
Capital assets	31.3	32.9	16.8	16.2	48.1	49.1
Total assets	49.1	55.2	22.2	21.0	71.3	76.2
Deferred outflows of resources	0.4	-	-	-	0.4	-
Total assets and deferred outflows	49.5	55.2	22.2	21.0	71.7	76.2
Liabilities:						
Current liabilities	4.5	13.8	3.4	2.9	7.9	16.7
Long-term liabilities	25.0	28.9	0.4	0.4	25.4	29.3
Total liabilities	29.5	42.7	3.8	3.3	33.3	46.0
Deferred inflows of resources	7.1	-	-	-	7.1	-
Total liabilities and deferred inflows	36.6	42.7	3.8	3.3	40.4	46.0
Net position:						
Net investment in capital assets	4.8	4.3	16.7	16.2	21.5	20.5
Restricted	1.9	4.0	-	-	1.9	4.0
Unrestricted	6.2	4.2	1.7	1.5	7.9	5.7
Total net position	\$12.9	\$12.5	\$18.4	\$17.7	\$31.3	\$30.2
<i>Table 1 may differ from Exhibit 1 due to rounding.</i>						

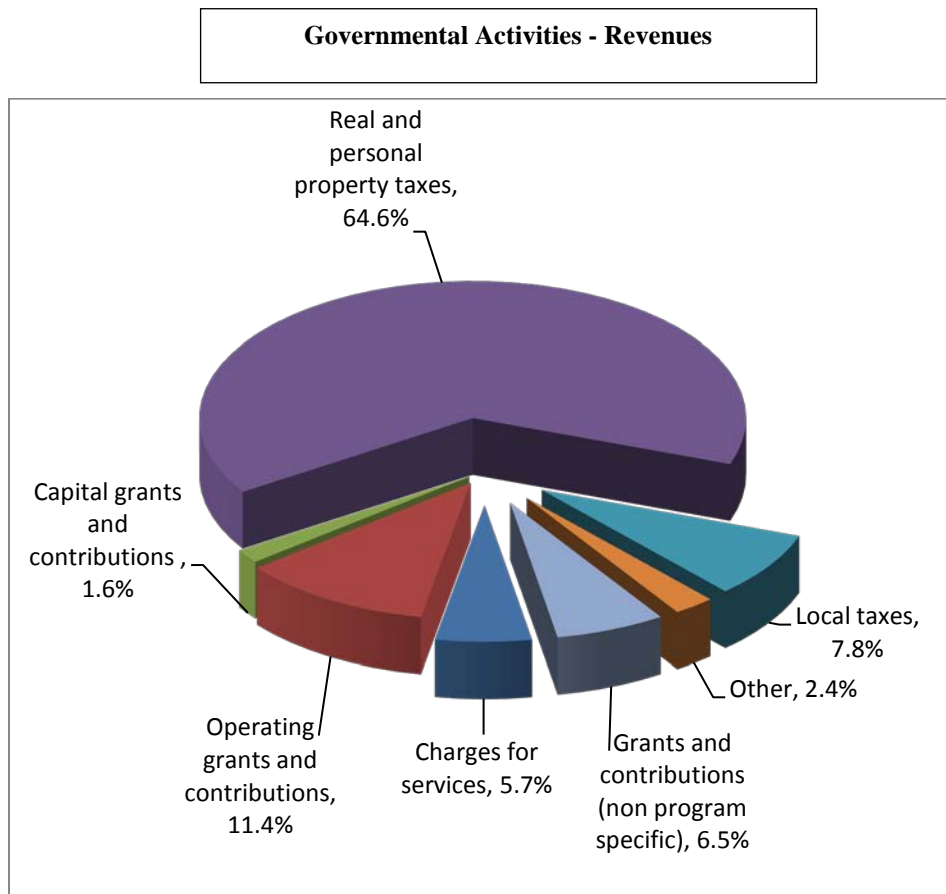
The Reporting Entity: The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement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

The total reporting entity, which includes the School Board component unit, had positive net position of \$31.3 million at June 30, 2014. Net position increased from the prior year by \$1.0 million, which reflects current year revenues exceeding expenses by this amount.

The Primary Government: The primary government had net position of \$12.9 million at June 30, 2014, which reflects an increase of \$0.4 million from the prior year. A portion of net position, \$4.8 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$8.1 million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2014 totaled \$26.9 million (which includes \$.6 million in premium). Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position increased by \$0.4 million compared to an increase of \$2.2 million in fiscal year 2013.



Revenues from governmental activities for fiscal year 2014 totaled \$24.6 million, a decrease of \$0.4 million from fiscal year 2013. Taxes comprise the largest source of revenues, totaling \$17.8 million, of which general property taxes account for \$15.9 million, or 64.6%, of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$4.6 million, or 18.7% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$1.6 million, or 6.5% of revenues.

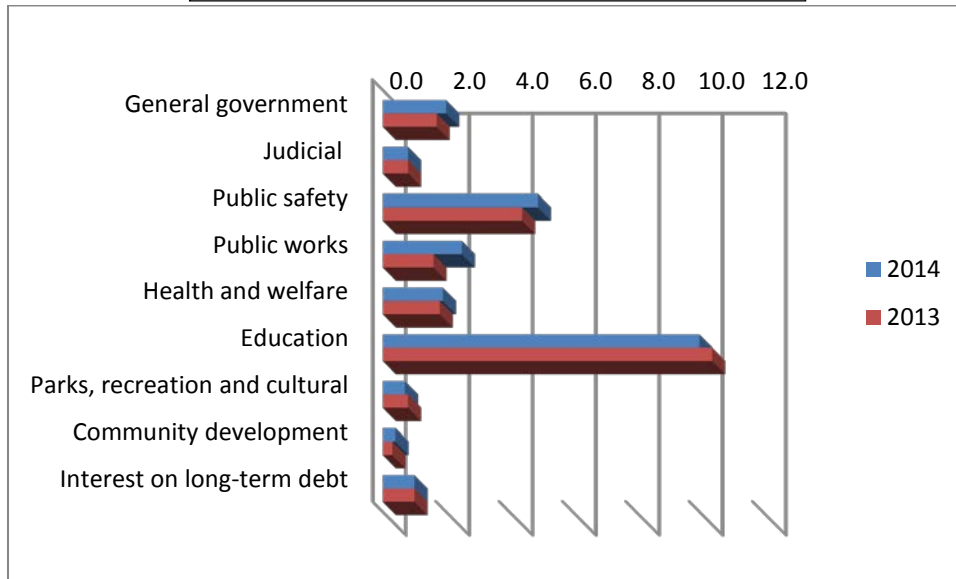
Real and personal property tax revenue decreased by \$491 thousand, primarily attributable to the change from a unified levy in 2013 to a "split tax" levy with the town of West Point in 2014.

Local sales and use tax revenue, business license tax, and recordation taxes remained the same as the prior year. Charges for services and grants and contributions also remained the same as the prior year.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2014 and 2013.

Table 2	King William County Change in Net Position (\$ in millions)					
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program revenues:						
Charges for services	\$1.4	\$1.8	\$0.6	\$0.6	\$2.0	\$2.4
Operating grants and contributions	2.8	2.5	13.0	12.6	15.8	15.1
Capital grants and contributions	0.4	0.4	-	-	0.4	0.4
General revenues:						
Real and personal property taxes	15.9	16.4	10.5	11.2	26.4	27.6
Other taxes	1.9	1.8	-	-	1.9	1.8
Other	0.6	0.5	-	0.1	0.6	0.6
Grants and contributions (non program specific)	1.6	1.6	-	-	1.6	1.6
Total revenues	24.6	25.0	24.1	24.5	48.7	49.5
<u>Expenses</u>						
General government	2.0	1.7	-	-	2	1.7
Judicial	0.8	0.8	-	-	0.8	0.8
Public safety	4.9	4.4	-	-	4.9	4.4
Public works	2.5	1.6	-	-	2.5	1.6
Health and welfare	1.9	1.8	-	-	1.9	1.8
Education	10.0	10.4	23.4	22.8	33.4	33.2
Parks, recreation and cultural	0.7	0.8	-	-	0.7	0.8
Community development	0.4	0.3	-	-	0.4	0.3
Interest on long-term debt	1.0	1.0	-	-	1.0	1.0
Total expenses	24.2	22.8	23.4	22.8	47.6	45.6
Change in net position	0.4	2.2	0.7	1.7	1.1	3.9
Beginning net position, as restated	12.5	10.3	17.7	16.0	30.2	26.3
Ending net position	\$12.9	\$12.5	\$18.4	\$17.7	\$31.3	\$30.2
Table 2 may differ from Exhibit 2 due to rounding.						

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$24.2 million, an increase of 6.1% from \$22.8 million in fiscal year 2013. The increase of \$1.4 million is due to increases in expenses for public works, public safety, and general government. These increases are attributed to the following:

- Increase in Public Works expenses was due to facility maintenance and repairs that had been delayed from prior years that were now being addressed and refuse and disposal cost increases from Virginia Peninsulas Public Service Authority (VPPSA).
- Increase in Public Safety expenses was due to increased cost of additional aid for an ailing volunteer fire department that continued from fiscal year 2013 and an increase in staffing cost for 911 and dispatch services.
- Increase in General Government expenses was due to general inflation for services and the quadrennial reassessment for the County.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$10.0 million, or 41.3%, of total expenses. Public safety expenses, which total \$4.9 million or 20.2%, represent the second largest expense category for governmental activities.

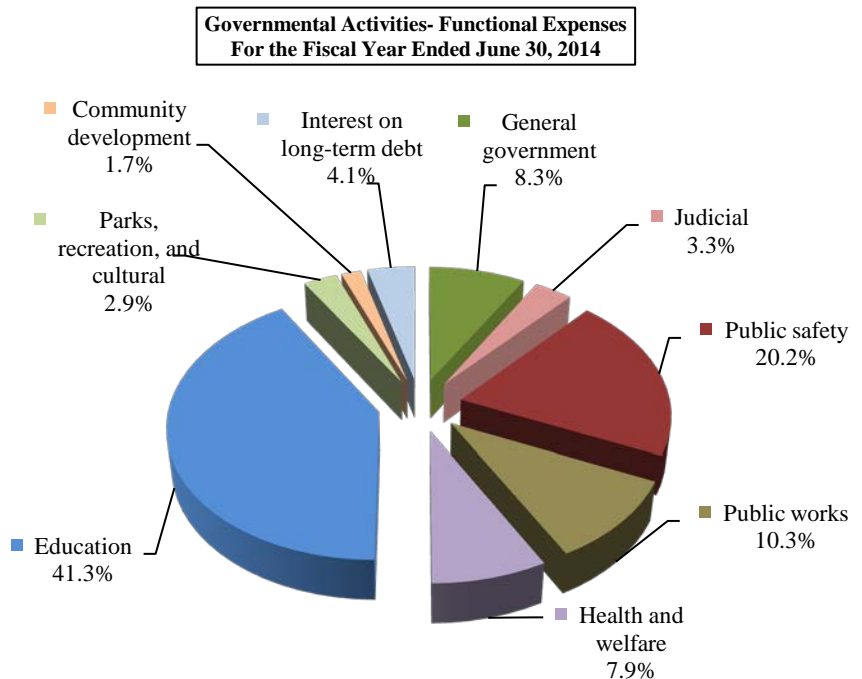


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the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

Table 3	Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2014 and 2013 (\$ in millions)				
	Total Cost of Services		Net Cost of Services		
	2014	2013	2014	2013	
General government	\$ 2.0	\$ 1.7	\$ 1.8	\$ 1.5	
Judicial	0.8	0.8	0.4	0.4	
Public safety	4.9	4.4	3.2	2.8	
Public works	2.5	1.6	1.8	1.1	
Health and welfare	1.9	1.8	0.8	0.7	
Education	10.0	10.4	10.0	9.8	
Parks, recreation and cultural	0.7	0.8	0.4	0.7	
Community development	0.4	0.3	0.2	0.2	
Interest on long-term debt and other	1.0	1.0	1.0	1.0	
Total	<u>\$ 24.2</u>	<u>\$ 22.8</u>	<u>\$ 19.6</u>	<u>\$ 18.2</u>	

Table 3 may differ from Exhibit 2 due to rounding

After recognizing the effect of revenue from these fees, grants, and contributions of \$4.6 million, the net cost of governmental activities was \$19.6 million, compared to a total cost of \$24.2 million.

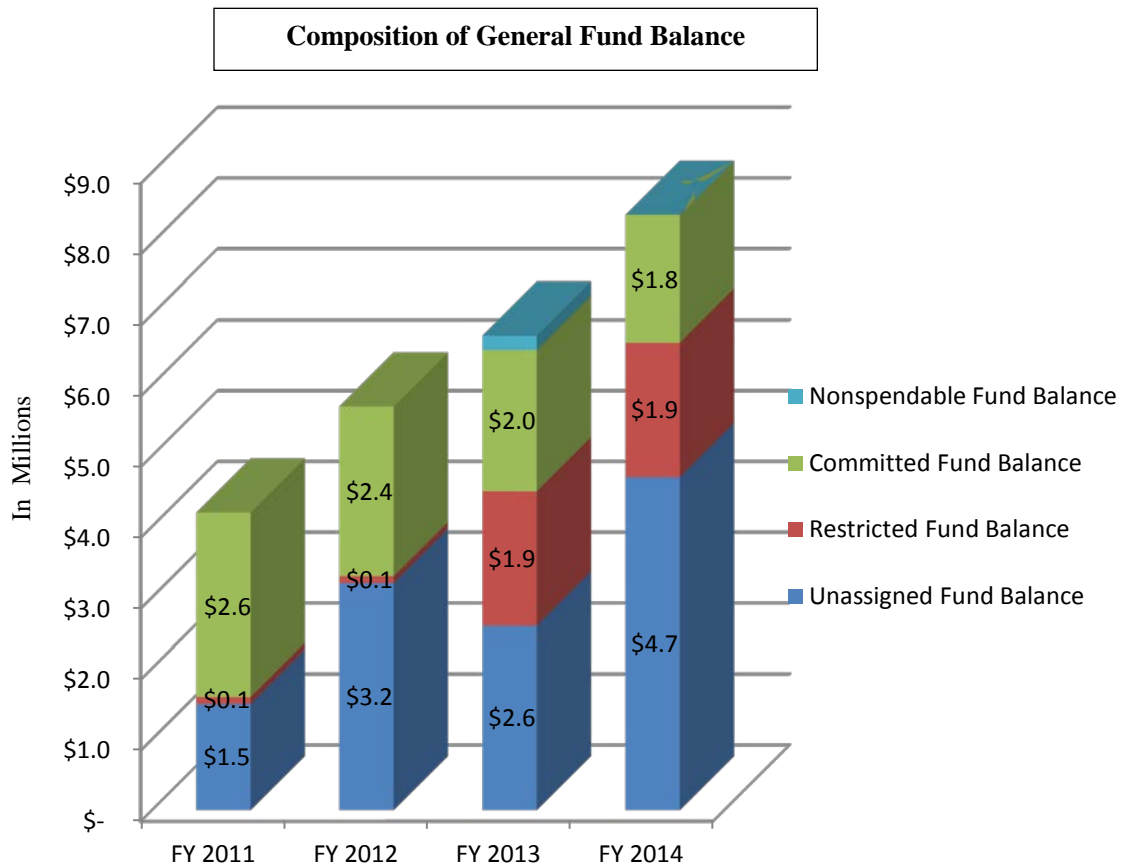
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds: As of June 30, 2014, the County's governmental funds reported a combined ending fund balance of \$8.5 million (Exhibit 3), a decrease of \$0.4 million as compared with the prior year. This decrease is primarily due to capital projects spending of prior year proceeds on designated projects. The General and School Capital Projects Funds combined reported a total fund balance of \$1.3 million, a decrease of \$0.8 million from the prior year.

Other significant outlays in fiscal year 2014 included the following:

- The General Fund contributed \$8.1 million in operating funds to finance the Schools operations.
- The General Capital Projects Fund and School Capital Projects Fund incurred \$1.8 million in capital outlay for the public safety radio system project and school bus purchases.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$4.7 million (Exhibit 3). This represents 30.4% of general operating revenues budgeted for the coming year in the General Fund. This 10% is identified as the minimum amount needed to safeguard the County's financial stability. This level, when combined with committed and nonspendable fund balances, provides the County with sufficient funds to operate approximately six months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last four fiscal years.



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2014 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 18.0	\$ 17.8	\$ 17.9
Other	0.8	1.0	1.5
Intergovernmental	4.2	5.0	4.4
Total revenues	<u>23.0</u>	<u>23.8</u>	<u>23.8</u>
<u>Expenditures</u>			
Expenditures	<u>23.0</u>	<u>24.4</u>	<u>22.7</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(0.6)</u>	<u>1.1</u>
<u>Other financing uses</u>			
Various financing uses, net	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>
Total other financing uses, net	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>
Change in fund balance	\$ <u>(0.8)</u>	\$ <u>(1.4)</u>	\$ <u>0.3</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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

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

Final amended budget revenues increase was \$0.8 million to offset the \$1.4 million increase for the expenditure budget. The amended revenue budget increase related to increased expectations on charges for services in the water system and federal grant revenues carried forward from fiscal year 2013 for volunteer retention and recruitment efforts. Actual expenditures for the General Fund totaled \$22.7 million or \$1.7 million less than the amended budget. Savings are due to County departmental efforts to control spending on contracts and regional partners charging less than expected for services.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

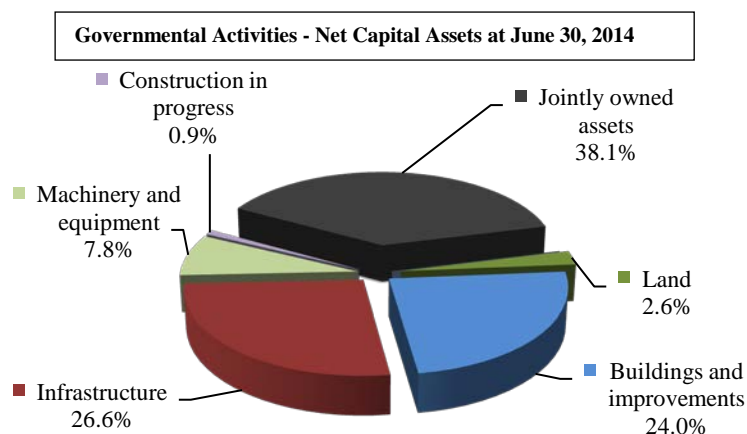
The County's capital assets include items such as public safety equipment, buildings, parks and recreation facilities, libraries, and public works vehicles, and equipment.

Table 5 King William County Capital Assets (\$ in millions)						
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2014	2013	2014	2013	2014	2013
Land	\$0.8	\$0.7	\$0.1	\$0.1	\$0.9	\$0.8
Buildings and improvements	10.8	10.7	5.3	5.3	16.1	16.0
Equipment	4.3	2.1	3.5	3.4	7.8	5.5
Jointly owned assets	15.4	16.8	23.2	21.8	38.6	38.6
Land improvements	-	-	0.3	0.1	0.3	0.1
Infrastructure	12.1	13.2	0.3	0.3	12.4	13.5
Construction in progress	0.3	1.5	-	-	0.3	1.5
Total Capital Assets	43.7	45.0	32.7	31.0	76.4	76.0
Less: Accumulated depreciation/ amortization	(12.4)	(12.1)	(15.9)	(14.8)	(28.3)	(26.9)
Net Capital Assets	\$31.3	\$32.9	\$16.8	\$16.2	\$48.1	\$49.1

Table 5 may differ from Note 5 due to rounding.

As of June 30, 2014, the total reporting entity had net capital assets of \$48.1 million in capital assets, a decrease of \$1.0 million from the prior year. This decrease is due to capital investment project costs are less than depreciation expense this year. Capital asset investment increased \$0.4 million while accumulated depreciation increased \$1.4 million for the reporting entity.

For governmental activities, the County's investment in non-depreciable assets totaled \$1.1 million, while depreciable assets totaled \$30.2 million (net of depreciation). Total net capital assets for governmental activities decreased by \$1.6 million, or 4.8% from the prior year. The decrease is the result of joint-owned assets being removed from the County governmental activities and transferred to the School Board as the assets age and the debt is paid for those assets.



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

- The School Board component unit paid off \$1.4 million in debt on jointly owned assets which resulted in transfer from the capital assets governmental activities to capital assets of the School Board. The School Board also added new buses for \$0.2 million in machinery and equipment and \$0.2 million in air conditioning improvements at the existing schools and school board offices.
- Governmental activity additions include \$2.2 million in additions to equipment for the public safety radio hardware project, generators, and vehicles and \$0.1 million in donated land for parks and recreation in Central Garage.

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

Long-term Obligations

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

Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	July 1, 2013	Net Decrease	June 30, 2014
Governmental Activities:			
General obligation bonds	\$ 11.4	\$ (1.0)	\$ 10.4
Revenue bonds	11.0	(0.1)	10.9
State literary fund loans	2.2	(0.4)	1.8
Capital leases	3.5	(0.3)	3.2
County's premium on bonds	0.7	(0.1)	0.6
Subtotal	28.8	(1.9)	26.9
Compensated absences	0.3	-	0.3
Total long-term obligations	\$ 29.1	\$ (1.9)	\$ 27.2

Table 6 may differ from Note 6 due to rounding.

As of June 30, 2014, the County's governmental activities had long-term obligations totaling \$27.2 million, of which \$26.9 million represents indebtedness related to capital leases, long-term commitments, and issuances of bonds on behalf of the County and the School Board component unit. This represents a decrease of \$1.9 million, or 6.5% in long-term obligations from the prior year. The decrease is due primarily to the following activities during the fiscal year:

- In September 2013, the County partial refunded a 2006 Economic Development Authority Revenue Bond for the schools for \$1.4 million leaving \$105,000 in the original 2006 Revenue Bond as outstanding.
- The County retired \$3.3 million (including premiums) of principal related to capital leases, revenue bonds, state literary fund loans, and general obligation bonds.
- Compensated absences remained constant.

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

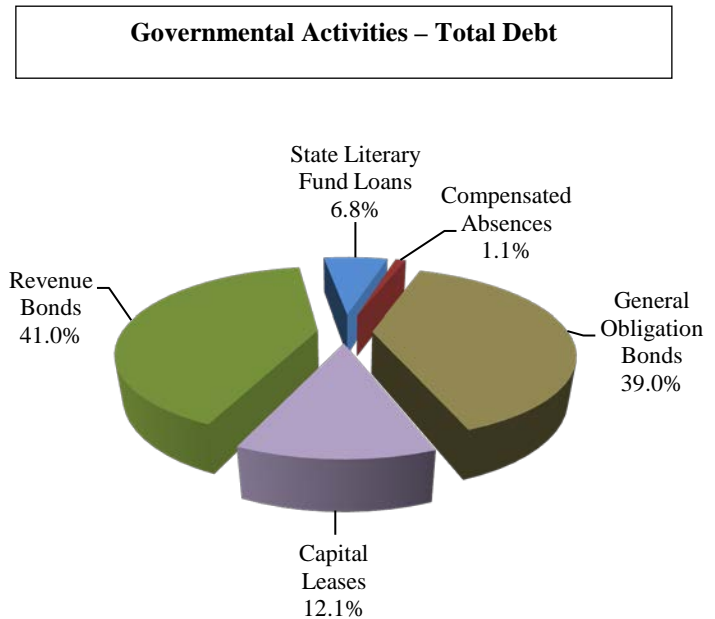
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for King William County in June 2014 was 5.2%, down 0.1% from June 2013. This still compares favorably to the National average rate of 6.0%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,148, a decrease of 1.8% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2014 from 2,179 to 2,193. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$39,847 as of 2012, compared to \$44,491 for the Richmond Metropolitan Area, as reported by Governing.com. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2015 Budget and Rates

- For fiscal year 2015, the adopted budget for the General Fund is \$22.1 million, a decrease of 10.9% from fiscal year 2014. Revenues are comprised primarily of general property taxes at 74.0%, other local taxes at 9.7%, permits, privilege fees, regulatory licenses, and fines at 1.0%, State assistance at 13.3%, and other revenues at 2.0%.
- In fiscal year 2015, the County's contribution to the School Board component unit is \$10.5 million which includes the County's contribution to the School Board's Operating Fund of \$8.2 million and \$2.3 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 47.5% of the General Fund appropriations. The percentage of General Fund appropriations supporting Schools is 1.9% more than fiscal year 2014.



- Public safety accounts for 18.2% of appropriations in fiscal year 2015, the second largest component of budgeted expenditures.
- The tax rate for real property increased \$0.03 to \$0.82 per \$100 of assessed value for the portion of the County not in the town of West Point and decreased \$0.41 to \$0.38 per \$100 of assessed value for the portion of the County in the town of West Point for fiscal year 2015. Detail on the tax rates is provided in Table 6, Statistical Section of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of King William County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Financial Services Manager, King William County, 180 Horse Landing Road, PO Box 215, King William, VA 23086 telephone (804) 769-4929, or visit the County's website at www.kingwilliamcounty.us.

BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 1

Page 1

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Deposits and investments	\$ 6,022,130	\$ 3,864,638
Receivables (net of allowances for uncollectibles)		
Property taxes, including penalties	7,748,303	-
Accounts receivable	328,418	29,068
Due from primary government	-	34,480
Due from other governments	981,164	799,494
Due from other funds	-	694,428
Prepaid items	9,313	-
Restricted cash	2,667,259	-
Capital assets, net of accumulated depreciation and amortization		
Land	825,098	76,340
Buildings and improvements	10,755,631	5,310,684
Equipment	4,317,753	3,459,444
Jointly owned assets	15,434,378	23,222,446
Land improvements	-	310,724
Infrastructure	12,093,562	294,167
Intangibles	9,800	-
Construction in progress	269,997	-
Less: accumulated depreciation and amortization	(12,407,554)	(15,913,512)
Total assets	49,055,252	22,182,401
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	392,204	-
Total deferred inflows of resources	392,204	-

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government Governmental Activities	Component Unit School Board
LIABILITIES		
Accounts payable	\$ 692,549	\$ 306,705
Accrued liabilities	10,657	2,132,326
Due to other governments	102,507	-
Due to other funds	-	694,428
Due to component unit - School Board	34,480	-
Deposits	46,900	-
Unearned revenue	825,966	-
Insurance and benefit claims	-	125,000
Accrued interest payable	472,763	-
Noncurrent Liabilities:		
Due within one year:		
Bonds payable	1,404,698	-
Literary loans	434,200	-
Capital leases	309,023	-
Compensated absences	191,809	143,617
Due in more than one year:		
Bonds payable, net	20,452,643	-
Literary loans	1,368,232	-
Capital leases	2,905,000	-
Compensated absences	95,761	71,809
Other postemployment benefits	127,708	289,325
Total liabilities	29,474,896	3,763,210
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	5,946,448	-
Unavailable revenues - developer agreements	1,137,380	-
Total deferred inflows of resources	7,083,828	-
NET POSITION		
Net investment in capital assets	4,817,073	16,760,293
Restricted:		
Debt service	549,936	-
Capital projects	1,311,774	-
Unrestricted	6,209,949	1,658,898
Total net position	\$ 12,888,732	\$ 18,419,191

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government administration	\$ 1,991,266	\$ -	\$ 200,716	\$ -	
Judicial administration	828,978	26,098	383,598	25,903	
Public safety	4,869,354	561,506	1,128,150	-	
Public works	2,511,346	449,819	8,240	256,687	
Health and welfare	1,925,297	266	1,082,488	-	
Education	9,976,507	-	-	-	
Parks, recreation and cultural	659,605	97,908	44,303	102,000	
Community development	383,302	216,907	-	-	
Interest	1,020,009	-	-	-	
Total governmental activities	\$ 24,165,664	\$ 1,352,504	\$ 2,847,495	\$ 384,590	

Component Unit:

School Board - education	\$ 23,390,536	\$ 593,012	\$ 13,041,274	\$ -
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General Revenues:

General property taxes
Grants and contributions not restricted to specific programs
Local sales and use
Consumer utility
Business license taxes
Motor vehicle license taxes
Recordation and wills
Other
Revenue from use of money and property
Miscellaneous

Total general revenues

Change in net position

Net position, beginning, as restated

Net position, ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Primary Government	Component Unit
Governmental Activities	School Board
\$ (1,790,550)	\$ -
(393,379)	-
(3,179,698)	-
(1,796,600)	-
(842,543)	-
(9,976,507)	-
(415,394)	-
(166,395)	-
(1,020,009)	-
<u>(19,581,075)</u>	<u>-</u>
<u>-</u>	<u>(9,756,250)</u>
15,901,942	-
1,639,303	10,455,604
803,574	-
232,777	-
353,097	-
366,296	-
154,912	-
344,955	-
91,637	422
<u>145,429</u>	<u>31,446</u>
<u>20,033,922</u>	<u>10,487,472</u>
452,847	731,222
<u>12,435,885</u>	<u>17,687,969</u>
<u>\$ 12,888,732</u>	<u>\$ 18,419,191</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 6,020,549	\$ 1,581	\$ -	\$ 6,022,130
Receivables, net of allowances for uncollectibles:				
Property taxes, including penalties	7,748,303	-	-	7,748,303
Accounts receivable	328,418	-	-	328,418
Due from other governments	981,164	-	-	981,164
Prepaid items	9,313	-	-	9,313
Restricted cash	549,936	1,761,860	355,463	2,667,259
Total assets	\$ 15,637,683	\$ 1,763,441	\$ 355,463	\$ 17,756,587
LIABILITIES				
Accounts payable	\$ 409,244	\$ 45,009	\$ 238,296	\$ 692,549
Accrued liabilities	10,657	-	-	10,657
Due to other governments	102,507	-	-	102,507
Due to component unit - School Board	9,980	-	24,500	34,480
Deposits	46,900	-	-	46,900
Unearned revenue	326,641	499,325	-	825,966
Total liabilities	905,929	544,334	262,796	1,713,059
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	7,591,500	-	-	7,591,500
Total deferred inflows of resources	7,591,500	-	-	7,591,500
FUND BALANCES				
Nonspendable:				
Prepaid items	9,313	-	-	9,313
Restricted:				
Debt service	549,936	-	-	549,936
Capital projects	-	1,219,107	92,667	1,311,774
Committed:				
School operations and capital projects	1,115,676	-	-	1,115,676
Courthouse security	134,614	-	-	134,614
Courthouse maintenance	12,820	-	-	12,820
Regional animal shelter	9,583	-	-	9,583
Asset forfeiture- Sheriff	6,629	-	-	6,629
Asset forfeiture- Commonwealth Attorney	697	-	-	697
Four-for-life programs	1,159	-	-	1,159
Fire programs	6,805	-	-	6,805
Transportation	165,353	-	-	165,353
Water utility	304,189	-	-	304,189
Recreation programs	23,431	-	-	23,431
EMS billings	57,434	-	-	57,434
Unassigned	4,742,615	-	-	4,742,615
Total fund balances	7,140,254	1,219,107	92,667	8,452,028
Total liabilities, deferred inflows of resources and fund balances	\$ 15,637,683	\$ 1,763,441	\$ 355,463	\$ 17,756,587

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Funds	
Total fund balances - total governmental funds	\$ 8,452,028	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 43,706,219	
Less: accumulated depreciation and amortization	<u>(12,407,554)</u>	
Net capital assets		31,298,665
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
Property taxes	1,645,052	
Developer agreements (long-term credits)	<u>(1,137,380)</u>	
		507,672
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds, net	(21,857,341)	
Literary loans	(1,802,432)	
Capital leases	(3,214,023)	
Deferred charge on refunding	392,204	
Compensated absences	(287,570)	
Interest payable	(472,763)	
Other postemployment benefits	<u>(127,708)</u>	
		<u>(27,369,633)</u>
Net position of governmental activities		<u><u>\$ 12,888,732</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
Revenues:				
General property taxes	\$ 15,659,767	\$ -	\$ -	\$ 15,659,767
Other local taxes	2,255,611	-	-	2,255,611
Permits, privilege fees, proffers and regulatory licenses	222,561	-	-	222,561
Fines and forfeitures	96,349	-	-	96,349
Revenue from use of money and property	91,261	375	1	91,637
Charges for services	708,788	-	-	708,788
Miscellaneous	128,725	16,704	-	145,429
Recovered costs	238,041	86,765	-	324,806
Intergovernmental	4,406,118	80,680	-	4,486,798
Total revenues	23,807,221	184,524	1	23,991,746
Expenditures:				
Current:				
General government administration	1,614,235	-	-	1,614,235
Judicial administration	653,387	-	-	653,387
Public safety	4,647,683	-	-	4,647,683
Public works	1,566,425	-	-	1,566,425
Health and welfare	1,901,885	-	-	1,901,885
Education	8,126,913	-	-	8,126,913
Parks, recreation and cultural	622,912	-	-	622,912
Community development	387,357	-	-	387,357
Capital outlays	-	1,303,678	474,853	1,778,531
Debt service:				
Principal	2,082,507	-	-	2,082,507
Interest and fiscal charges	1,094,711	-	-	1,094,711
Total expenditures	22,698,015	1,303,678	474,853	24,476,546
Revenues over (under) expenditures	1,109,206	(1,119,154)	(474,852)	(484,800)
Other financing sources (uses):				
Refunding bonds issued	1,375,000	-	-	1,375,000
Payment to refunded bond escrow agent	(1,346,029)	-	-	(1,346,029)
Transfers in	44,415	263,837	567,000	875,252
Transfers out	(830,837)	(44,415)	-	(875,252)
Other financing sources (uses), net	(757,451)	219,422	567,000	28,971
Net change in fund balances	351,755	(899,732)	92,148	(455,829)
Fund balance, beginning	6,788,499	2,118,839	519	8,907,857
Fund balance, ending	\$ 7,140,254	\$ 1,219,107	\$ 92,667	\$ 8,452,028

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(455,829)
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 and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period. Details supporting this adjustment are as follows:		
Expenditures for capital assets	\$	1,286,868
Less: depreciation and amortization expense		(1,316,782)
Excess of depreciation and amortization over capital outlays		(29,914)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position:		
Loss on disposal of capital assets		(801,704)
Donated capital assets		251,653
		(550,051)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(988,882)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of these items consist of the change in:		
Deferred taxes		242,175
Deferred developer agreements		132,937
		375,112
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Principal repayments:		
General obligation and revenue bonds		1,182,366
Capital leases		314,912
State literary loans		434,200
Payment to refunded bond escrow agent		1,346,029
Refunding bonds issued		(1,375,000)
		1,902,507
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in:		
Interest payable		40,979
Compensated absences		(1,964)
Other postemployment benefits		(23,863)
Deferred charge on refunding		125,824
Amortization of premium on bonds payable		58,928
		199,904
Change in net position of governmental activities	\$	452,847

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 15,959,103	\$ 15,755,693	\$ 15,659,767	\$ (95,926)
Other local taxes	2,033,521	2,011,390	2,255,611	244,221
Permits, privilege fees and regulatory licenses	123,797	104,900	222,561	117,661
Fines and forfeitures	62,000	62,000	96,349	34,349
Revenue from use of money and property	81,900	81,900	91,261	9,361
Charges for services	335,666	428,795	708,788	279,993
Miscellaneous	9,000	44,000	128,725	84,725
Recovered costs	237,608	237,608	238,041	433
Intergovernmental	4,202,691	5,056,332	4,406,118	(650,214)
Total revenues	23,045,286	23,782,618	23,807,221	24,603
Expenditures:				
Current:				
General government administration	1,671,305	1,745,780	1,614,235	(131,545)
Judicial administration	645,697	808,295	653,387	(154,908)
Public safety	4,430,435	5,464,055	4,647,683	(816,372)
Public works	1,577,661	1,607,417	1,566,425	(40,992)
Health and welfare	2,077,355	2,192,049	1,901,885	(290,164)
Education	8,335,949	8,335,949	8,126,913	(209,036)
Parks, recreation and cultural	712,727	712,727	622,912	(89,815)
Community development	381,495	409,702	387,357	(22,345)
Debt service:				
Principal - County	460,123	460,123	475,128	15,005
Principal - School Board	1,607,379	1,607,379	1,607,379	-
Interest and fiscal charges - County	365,875	365,875	365,776	(99)
Interest and fiscal charges - School Board	728,935	728,935	728,935	-
Total expenditures	22,994,936	24,438,286	22,698,015	(1,740,271)
Revenues over (under) expenditures	50,350	(655,668)	1,109,206	1,764,874
Other financing sources (uses):				
Refunding bonds issued	-	-	1,375,000	1,375,000
Payment to refunded bond escrow agent	-	-	(1,346,029)	(1,346,029)
Transfers in	-	-	44,415	44,415
Transfers out	(792,000)	(830,837)	(830,837)	-
Total other financing uses, net	(792,000)	(830,837)	(757,451)	73,386
Change in fund balance	(741,650)	(1,486,505)	351,755	1,838,260
Fund balance, beginning	741,650	1,486,505	6,788,499	5,301,994
Fund balance, ending	\$ -	\$ -	\$ 7,140,254	\$ 7,140,254

See Notes to Financial Statements.

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 65,683
Due from other governments	<hr/> 2,869
Total assets	<hr/> \$ 68,552 <hr/>
LIABILITIES	
Amounts held	\$ 7,611
Due to other governments	<hr/> 60,941
Total liabilities	<hr/> \$ 68,552 <hr/>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

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

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

Financial Statement Presentation

Management's Discussion and Analysis

GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of a "management's discussion and analysis" (MD&A).

Government-wide Financial Statements

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

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

Statement of Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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 County's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

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 variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current comparison of final budget and actual results.

A. Financial Reporting Entity

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit

The County has no blended component units to be included for the fiscal year ended June 30, 2014.

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2014. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

School Textbook Fund accounts for centralized school textbook operation.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2014 was approximately \$54,000.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of \$12,000 per quarter (\$48,000 annually).

Middle Peninsula Regional Airport Authority

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

1. Governmental Funds

The County reports the following major governmental funds:

a. General Fund

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

b. Capital Projects Funds

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

2. Fiduciary Funds (Agency Funds)

Fiduciary Funds (Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Agency Funds include the Special Welfare Fund and Virginia Juvenile Community Crime Council Act (VJCCCA) Fund.

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and the School Board is authorized to transfer budgeted amounts within the school systems categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the School Fund, and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

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

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

Investments for the County, as well as for its component unit, are reported at fair value. The Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

G. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$151,000 at June 30, 2014 and is comprised solely of property taxes.

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

I. Restricted Cash

In accordance with the agreements resulting in the issuance of debt, the General Fund has a portion of its cash balance restricted due to the intended use, as prescribed in the applicable bond covenants. The School Capital Projects Fund has restricted its cash balances in accordance with debt agreements. The restriction relates to the intended use of these funds, as prescribed in these agreements. The General Capital Projects Fund has restricted a portion of its balance, in accordance with the intended use of funds received by the County as developer proffers, and an additional portion has been restricted as prescribed in applicable bond covenants. These restrictions are shown as "Restricted Cash" on the Governmental Funds' Balance Sheet and the Statement of Net Position.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The County has only one type of item, which arises under the full accrual basis of accounting, that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. The first item, which arises under the modified accrual basis of accounting, is unavailable revenues from property taxes. Accordingly, the item, unavailable revenue – property taxes, is reported only in the Governmental Funds' Balance Sheet. The second item, which arises under the full accrual basis of accounting, is unavailable revenue from developer agreements. This unavailable revenue is the result of the County entering into various agreements with developers for connection fee credits to be applied to future water and sewer connections. Accordingly, the item, unavailable revenue – developer agreements, is reported in the government-wide Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

K. Capital Assets

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. The General Fund is responsible for paying the liability for compensated absences for the general government employees, and has been used in prior years to liquidate the governmental funds’ liability.

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

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

M. Long-Term Obligations

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

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

N. Fund Equity

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

N. Fund Equity (Continued)

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

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

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

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

O. Use of Estimates

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

P. Net Position

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

Note 2. Deposits and Investments

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

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

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

Investment Policy

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

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

As of June 30, 2014, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

Credit Risk

As of June 30, 2014, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

As of June 30, 2014, 100% was invested in LGIP with a "AAAm" credit rating, as rated by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2014, all investments were in the LGIP.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Interest Rate Risk

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

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

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

Note 3. Receivables and Unearned Revenues

Receivables at June 30, 2014 for the County, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Property taxes	\$ 7,899,706
Trade and other accounts	328,418
Gross receivables	8,228,124
Less allowance for uncollectible accounts	151,403
Net receivables	\$ 8,076,721

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$151,403 as of June 30, 2014.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Unearned Revenue (Continued)

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

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 1,645,052	\$ -
Advance collection of 2014-2015 taxes	-	152,433
2014-2015 property tax receivable	5,946,448	-
Personal Property Tax Relief Act – state reimbursement	-	20,090
Developer agreements – current	-	144,276
Developer agreements – long-term	1,137,380	-
Developer proffers	-	499,325
Equitable sharing program	-	9,842
	<u>\$ 8,728,880</u>	<u>\$ 825,966</u>

Note 4. Due To/From Other Governments

At June 30, 2014, the County has receivables from other governments as follows:

	Primary Government	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 133,880
Public assistance	22,847	-
Comprehensive services	98,729	-
Shared costs	108,002	-
Communications tax	30,235	-
Sales and use tax	637,836	-
Other	19,072	-
Federal government:		
School funds	-	665,614
Public assistance	38,656	-
Other governments:		
County of King and Queen	15,807	-
Town of West Point	9,980	-
Total	<u>\$ 981,164</u>	<u>\$ 799,494</u>

At June 30, 2014, the County has payables from the Primary Government to other governments as follows:

Other governments:	
Town of West Point	<u>\$ 102,507</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

Primary Government - Governmental Activities

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 723,098	\$ 102,000	\$ -	\$ 825,098
Construction in progress	1,464,520	268,037	(1,462,560)	269,997
Total capital assets, not being depreciated or amortized	2,187,618	370,037	(1,462,560)	1,095,095
Capital assets, being depreciated or amortized:				
Buildings and improvements	10,654,887	100,744	-	10,755,631
Equipment	2,074,303	943,990	1,299,460	4,317,753
Intangibles	9,800	-	-	9,800
Infrastructure	13,215,178	123,750	(1,245,366)	12,093,562
Jointly owned assets	16,861,757	-	(1,427,379)	15,434,378
Total capital assets being depreciated or amortized	42,815,925	1,168,484	(1,373,285)	42,611,124
Less accumulated depreciation or amortization for:				
Buildings and improvements	(2,981,078)	(263,222)	-	(3,244,300)
Equipment	(1,753,404)	(296,482)	163,100	(1,886,786)
Intangibles	(7,840)	(980)	-	(8,820)
Infrastructure	(3,848,604)	(370,239)	443,662	(3,775,181)
Jointly owned assets	(3,545,105)	(385,859)	438,497	(3,492,467)
Total accumulated depreciation or amortization	(12,136,031)	(1,316,782)	1,045,259	(12,407,554)
Total capital assets being depreciated or amortized, net	30,679,894	(148,298)	(328,026)	30,203,570
Governmental activities capital assets, net	\$ 32,867,512	\$ 221,739	\$ (1,790,586)	\$ 31,298,665

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government administration	\$ 298,889
Judicial administration	169,801
Public safety	243,999
Public works	165,439
Health and welfare	6,443
Education	385,859
Parks, recreation and cultural	44,052
Community development	2,300
Total depreciation and amortization expense – governmental activities	\$ 1,316,782

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 76,340	\$ -	\$ -	\$ 76,340
Total capital assets, not being depreciated or amortized	76,340	-	-	76,340
Capital assets, being depreciated or amortized:				
Buildings and improvements	5,310,684	-	-	5,310,684
Equipment	3,370,551	244,560	(155,667)	3,459,444
Infrastructure	294,167	-	-	294,167
Land improvements	106,268	204,456	-	310,724
Jointly owned assets	21,795,067	1,427,379	-	23,222,446
Total capital assets being depreciated or amortized	30,876,737	1,876,395	(155,667)	32,597,465
Less accumulated depreciation or amortization for:				
Buildings and improvements	(4,223,434)	(8,622)	-	(4,232,056)
Equipment	(2,481,427)	(145,225)	155,667	(2,470,985)
Infrastructure	(312,839)	(99,383)	-	(412,222)
Land improvements	(8,068)	(14,892)	-	(22,960)
Jointly owned assets	(7,756,231)	(1,019,058)	-	(8,775,289)
Total accumulated depreciation or amortization	(14,781,999)	(1,287,180)	155,667	(15,913,512)
Total capital assets being depreciated or amortized, net	16,094,738	589,215	-	16,683,953
Governmental activities capital assets, net	\$ 16,171,078	\$ 589,215	\$ -	\$ 16,760,293

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County’s share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2014, the County transferred assets with costs of \$1,427,379 and accumulated depreciation of \$438,497 to the Component Unit - School Board.

Component Unit – School Board:

Depreciation expense	\$ 848,683
Accumulated depreciation on joint-tenancy asset transfer	438,497
Total depreciation and amortization – School Board	\$ 1,287,180

Note 6. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the County for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 11,445,125	\$ -	\$ (1,088,179)	\$ 10,356,946	\$ 1,093,287
Revenue bonds	10,949,455	1,375,000	(1,440,216)	10,884,239	311,411
State Literary Fund loans	2,236,632	-	(434,200)	1,802,432	434,200
Capital leases	3,528,935	-	(314,912)	3,214,023	309,023
Premiums on bonds payable	675,084	-	(58,928)	616,156	-
	28,835,231	1,375,000	(3,336,435)	26,873,796	2,147,921
Compensated absences	285,606	376,449	(374,485)	287,570	191,809
Governmental activities long-term liabilities	\$ 29,120,837	\$ 1,751,449	\$ (3,710,920)	\$ 27,161,366	\$ 2,339,730

Annual requirements to amortize long-term debt other than compensated absences are as follows:

Year Ending June 30,	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 309,023	\$ 76,307	\$ 311,411	\$ 400,086
2016	315,000	66,457	508,751	386,543
2017	320,000	56,110	522,244	366,881
2018	330,000	45,463	545,733	346,583
2019	225,000	37,869	467,000	325,723
2020-2024	1,200,000	121,512	2,900,700	1,352,774
2025-2029	515,000	15,128	4,684,400	685,333
2030-2033	-	-	944,000	68,889
	\$ 3,214,023	\$ 418,846	\$ 10,884,239	\$ 3,932,812

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Year Ending June 30,	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,093,287	\$ 481,998	\$ 434,200	\$ 54,073
2016	1,093,662	426,996	434,200	41,047
2017	1,099,318	371,403	434,032	28,021
2018	1,105,269	315,076	250,000	15,000
2019	1,111,533	258,875	250,000	7,500
2020-2024	4,763,877	516,234	-	-
2025-2027	90,000	690	-	-
	<u>\$ 10,356,946</u>	<u>\$ 2,371,272</u>	<u>\$ 1,802,432</u>	<u>\$ 145,641</u>

General Fund revenues are used to liquidate liabilities for compensated absences and other long-term obligations.

Details of Long-Term Obligations

Revenue Bonds:

\$1,100,000 revenue bond, issued July 1998, due in annual maturities of \$73,411 to \$83,733 through July 2018, interest at 4.55%	\$ 314,139
\$1,050,000 EDA lease revenue bond, issued December 2005, due in annual maturities of \$35,000 to \$70,000 through August 2030, interest ranging from 4% to 5.125%	830,000
\$1,490,000 EDA lease revenue bond, issued July 2006, due in annual maturities of \$35,000 through August 2016, interest ranging from 4.2% to 4.3%	105,000
\$1,460,000 VRA refunding bond, issued December 2006, due in annual maturities of \$55,000 to \$110,000 through October 2029, interest ranging from 4.6% to 5%	1,245,000
\$2,055,000 EDA lease revenue bond, issued August 2007, due in annual maturities of \$60,000 to \$140,000 through August 2032, interest at 5%	1,795,000
\$5,220,100 IDA lease revenue refunding bond, issued September 2011, due in annual maturities beginning January 2016 of \$190,000 to \$632,700 through January 2029, interest at 3%	5,220,100
\$1,375,000 revenue refunding bond, issued September 2013, due in annual maturities beginning August 2014 of \$52,000 to \$87,000 through August 2031, interest at 3.175%	<u>1,375,000</u>
Total revenue bonds	<u>10,884,239</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

General Obligation Bonds:

\$6,513,732 issued November 2002, due in annual maturities of \$323,287 to \$371,613 through July 2022, plus interest payable semi-annually at 4.6% to 5.1%	\$ 3,121,946
\$715,000 issued November 1998, due in annual maturities of \$35,000 through July 2018, plus interest payable semi-annually at 5.1%	175,000
\$6,750,000 issued November 2002, due in annual maturities of \$335,000 through July 2022, plus interest payable semi-annually ranging from 4.6% to 5.1%	3,015,000
\$7,055,000 issued November 2003, due in annual maturities of \$350,000 to \$355,000 through July 2023, plus interest payable semi-annually ranging from 4.6% to 5.35%	3,505,000
\$605,000 issued November 2004, due in annual maturities of \$30,000 through July 2024, plus interest payable semi-annually at 4.1% to 5.1%	330,000
\$270,000 issued July 2010, due in annual maturities of \$15,000 to \$20,000 through June 2027, interest free	<u>210,000</u>
Total general obligation bonds	<u>10,356,946</u>

State Literary Fund Loans:

\$5,000,000 issued December 1998, due in annual maturities of \$250,000 through December 2018, interest at 3%	1,250,000
\$3,131,232 issued August 1996, due in annual maturities of \$184,032 to \$184,200 through September 2016, interest at 3%	<u>552,432</u>
Total State Literary Fund loans	<u>1,802,432</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

Capital Leases:

\$1,395,000 capital lease agreement, due in annual maturities of \$90,000 to \$110,000 through August 2017, interest at 6.0%. This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices, and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. The total cost of assets acquired under this obligation was \$1,395,000. \$ 405,000

\$90,643 capital lease agreement, with final installment due in August 2014, interest at 2.62%. This lease was obtained to provide financing for two 2011 Ford Crown Victorias and one 2011 Chevrolet Tahoe which are used by the police department. The total cost of assets acquired under this obligation was \$77,526. 9,023

\$3,000,000 capital lease agreement, due in annual maturities of \$210,000 to \$260,000 through January 2026, interest at 1.952%. This lease was obtained to provide financing for the acquisition and installation of emergency 911 communications equipment and facilities and improvements to the County's water utility system. The assets were not completed as of year end. The total cost of these assets in construction in progress at year end was \$1,797,950. 2,800,000

Total capital leases 3,214,023

Premiums on bonds payable 616,156

Total long-term obligations \$ 26,873,796

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

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the year ended June 30, 2014.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 206,197	\$ 172,656	\$ 163,427	\$ 215,426	\$ 143,617

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Debt Refunding

In September 2013, the County issued \$1,375,000 in Revenue Refunding Bonds to refund the EDA Series 2006 Lease Revenue Bonds. As a result, the callable 2006 bonds were considered to be defeased in substance and the non-callable bonds are shown as a liability on the financial statements with a balance of \$105,000 at year end. The reacquisition price was less than the carrying amount of the old debt by \$151,029. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$293,271 and resulted in an economic gain of \$66,092.

Note 8. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About VRS Plan 2 VRS Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership data is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p>
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<ul style="list-style-type: none">• State employees*• School division employees• Political subdivision employees*• Judges appointed or elected to an original term on or after January 1, 2014• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<ul style="list-style-type: none">• Members of the State Police Officers' Retirement System (SPORS)• Members of the Virginia Law Officers' Retirement System (VaLORS)• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
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***Non-Eligible Members
(Continued)**

Those employees eligible for an Optional Retirement Plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Retirement Contributions

Same as VRS Plan 1.

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Vesting (Continued)	Vesting (Continued)	Vesting (Continued)
Members are always 100% vested in the contributions they make.		<p><u>Defined Contributions Component</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under VRS Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Earliest Reduced Retirement Eligibility</p> <p>Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after on calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Disability Coverage	Disability Coverage	Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.	Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.	State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP and VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Same as VRS Plan 1.	<p><u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The County elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. The School Board elected to phase in the increase and provided a 1% salary increase to all employees on July 1, 2012 and a 4% salary increase to all employees on July 1, 2013. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2014, the contribution rate for the County was 11.39%, for the School Board's professional employees, 11.66%, and for the School Board's non-professional employees, 8.35%, exclusive of the employee's share, of annual covered payroll.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

B. Funding Policy (Continued)

For the years ended June 30, 2014, 2013, and 2012, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School board were \$1,849,548, \$1,663,010, and \$1,236,807, respectively, and were equal to 100% of the required contribution for professional employees for each year.

C. Annual Pension Cost (APC)

For fiscal year 2014, the County and the School Board's non-professional employees' annual pension costs of \$738,889 were equal to the County's required and actual contributions.

Three-year trend information for the County and the School Board's non-professional employees is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2014	\$ 560,249	100%	\$ -
June 30, 2013	562,470	100%	-
June 30, 2012	445,990	100%	-
School Board Non-professional:			
June 30, 2014	\$ 178,640	100%	\$ -
June 30, 2013	165,129	100%	-
June 30, 2012	158,031	100%	-

The fiscal year 2014 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a COLA of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's Plan was 80.13% funded. The actuarial accrued liability (AAL) for benefits was \$13,091,727, and the actuarial value of assets was \$10,490,538, resulting in a UAAL of \$2,601,189. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,479,683, and ratio of the UAAL to the covered payroll was 74.75%.

As of June 30, 2013, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 96.59% funded. The actuarial accrued liability for benefits was \$2,114,569, and the actuarial value of assets was \$2,042,481, resulting in a UAAL of \$72,088. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,251,971, and ratio of the UAAL to the covered payroll was 5.76%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Note 9. Other Postemployment Benefits

The County and School Board adopted Government Auditing Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers of Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for non-pension postemployment benefits; the health care premiums for retirees.

A. Plan Provisions

In addition to providing the pension benefits described in Note 8, the County and School Board provide other postemployment benefits (OPEB) for employees who are eligible for retirement benefits. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and School Board and can be amended through its personnel manuals.

B. Funding Policy

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

C. Plan Description

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

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

The plans do not issue stand-alone financial reports.

D. Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, 2014 was calculated as follows:

	County	School Board
Annual required contribution (ARC)	\$ 28,400	\$ 100,800
Interest on net OPEB obligation	4,154	8,446
Adjustment to annual required contribution	(3,591)	(8,923)
Annual OPEB cost	28,963	100,323
Contributions made	(5,100)	(52,300)
Increase in net OPEB obligation	23,863	48,023
Net OPEB obligation, beginning of year	103,845	241,302
Net OPEB obligation, end of year	<u>\$ 127,708</u>	<u>\$ 289,325</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

Trend Information

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>		<u>Net OPEB Obligation</u>
County:					
June 30, 2014	\$	28,963	17.61%	\$	127,708
June 30, 2013		27,355	27.41%		103,845
June 30, 2012		25,661	20.26%		83,990
School Board:					
June 30, 2014	\$	100,323	52.13%	\$	289,325
June 30, 2013		96,695	62.57%		241,302
June 30, 2012		124,344	45.44%		205,107

E. Actuarial Methods and Assumptions

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

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

Valuation Methods

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

E. Actuarial Methods and Assumptions (Continued)

Employees Included in the Calculations

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

Actuarial Assumptions

In the January 2012 County actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on discount rates of 4.0%, investment rate of return of 4.0%, payroll growth rate of 3.75%, inflation rate of 1.5%, and a health care trend assumption of 7.2% graded to 4.8% over 83 years using the Getzen Trend Model, for an unfunded liability, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$203,500. The remaining amortization period at January 1, 2012 was 30 years.

In the June 2013 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 3.5%, investment rate of return of 3.5%, payroll growth rate of 3.0%, inflation rate of 1.5%, and a health care trend assumption of 7.0% graded to 4.8% over 70 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$916,000. The remaining amortization period at June 30, 2013 was 30 years.

F. Funding Status and Funding Progress

The following table shows the funding status for the County and School Board:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit – School Board:						
June 30, 2013	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2014, 2013, and 2012, the School Board paid \$123,202, \$108,529, and \$65,342, respectively, for employees toward these benefits, which was equal to the required contributions.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended, to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was 1.11%, 1.11%, and .60%, for the School Board's employees for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2012 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 29 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management

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

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

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

Health Insurance – School Board

During the prior fiscal year, the School Board chose to retain a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There has been no significant reduction in insurance coverage during the past year.

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

Based on the requirements of GASB Statement No. 10, the School Board records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2014 and 2013:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2014	\$ 300,000	\$ 1,674,773	\$ (1,849,773)	\$ 125,000
June 30, 2013	161,077	2,030,190	(1,891,267)	300,000

Federal and State Assisted Programs

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments, Contingencies and Subsequent Events

Operating Leases

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

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. Per the agreement, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2014, approximately \$1,137,380 in connection credits are still available and are recorded on the Statement of Net Position.

Note 13. Restatement of Net Position

In accordance with the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County removed debt issuance costs, previously recognized as amortizable assets, as if they had been recognized as expense in the period for which they had been incurred. The beginning fund balances in the Governmental Activities have been restated to reflect the expense that was previously reported as assets in prior years.

	Primary Government Governmental Activities
Net position, June 30, 2013, as previously reported	\$ 12,570,912
Effect of write-off of debt issue costs	(135,027)
Net position, June 30, 2013, as restated	<u>\$ 12,435,885</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT

Exhibit 9

Page 1

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2013	\$ 10,490,538	\$ 13,091,727	\$ 2,601,189	80.13%	\$ 3,479,683	74.75%
June 30, 2012	9,906,116	12,388,497	2,482,381	79.96%	3,367,986	73.71%
June 30, 2011	9,813,281	12,271,043	2,457,762	79.97%	3,380,593	72.70%
B. Component Unit - School Board non-professional:						
June 30, 2013	\$ 2,042,481	\$ 2,114,569	\$ 72,088	96.59%	\$ 1,251,971	5.76%
June 30, 2012	1,840,485	2,077,808	237,323	88.58%	1,251,537	18.96%
June 30, 2011	1,670,279	1,847,154	176,875	90.42%	1,224,187	14.45%

COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT

Exhibit 9

Page 2

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit - School Board:						
June 30, 2013	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2014	\$ 28,400	17.96%
2013	26,900	27.88%
2012	25,400	20.47%
B. Component Unit - School Board:		
2014	\$ 100,800	51.88%
2013	97,100	62.31%
2012	123,600	45.71%

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENT OF NET POSITION -
AGENCY FUNDS
June 30, 2014**

	Agency Funds						
	Special Welfare	VJCCCA	Project Lifesaver	D.A.R.E.	Donation to Sheriff's Office	Totals	
ASSETS							
Cash and cash equivalents	\$ 1,744	\$ 58,072	\$ 4,453	\$ 273	\$ 1,141	\$ 65,683	
Due from other governments	-	2,869	-	-	-	2,869	
Total assets	\$ 1,744	\$ 60,941	\$ 4,453	\$ 273	\$ 1,141	\$ 68,552	
LIABILITIES							
Amounts held	\$ 1,744	\$ -	\$ 4,453	\$ 273	\$ 1,141	\$ 7,611	
Due to other governments	-	60,941	-	-	-	60,941	
Total liabilities	\$ 1,744	\$ 60,941	\$ 4,453	\$ 273	\$ 1,141	\$ 68,552	

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>SPECIAL WELFARE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 5,982	\$ 14,974	\$ 19,212	\$ 1,744
LIABILITIES				
Amounts held for social services clients	\$ 5,982	\$ 14,974	\$ 19,212	\$ 1,744
<u>VJCCCA FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 30,861	\$ 161,803	\$ 134,592	\$ 58,072
Due from other governments	620	3,016	767	2,869
Total assets	\$ 31,481	\$ 164,819	\$ 135,359	\$ 60,941
LIABILITIES				
Due to other governments	\$ 31,481	\$ 164,819	\$ 135,359	\$ 60,941
Total liabilities	\$ 31,481	\$ 164,819	\$ 135,359	\$ 60,941

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>PROJECT LIFESAVER</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 5,026	\$ 573	\$ 4,453
LIABILITIES				
Amounts held for project lifesaver	\$ -	\$ 5,026	\$ 573	\$ 4,453
<u>D.A.R.E</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,402	\$ 1,129	\$ 273
LIABILITIES				
Amounts held for D.A.R.E.	\$ -	\$ 1,402	\$ 1,129	\$ 273

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
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DONATIONS TO SHERIFF'S OFFICE**ASSETS**

Cash and cash equivalents	\$ -	\$ 1,332	\$ 191	\$ 1,141
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LIABILITIES

Amounts held for Sheriff's Office	\$ -	\$ 1,332	\$ 191	\$ 1,141
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TOTALS - ALL AGENCY FUNDS**ASSETS**

Cash and cash equivalents	\$ 36,843	\$ 184,537	\$ 155,697	\$ 65,683
Due from other governments	620	3,016	767	2,869

Total assets

\$ 37,463	\$ 187,553	\$ 156,464	\$ 68,552
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LIABILITIES

Amounts held	\$ 5,982	\$ 22,734	\$ 21,105	\$ 7,611
Due to other governments	31,481	164,819	135,359	60,941

Total liabilities

\$ 37,463	\$ 187,553	\$ 156,464	\$ 68,552
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COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2014

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 1,322,646	\$ 221,210	\$ 644,301	\$ 2,188,157
Accounts receivable	29,058	10	-	29,068
Due from primary government	34,480	-	-	34,480
Due from other funds	474,897	-	219,531	694,428
Due from other governments	797,481	2,013	-	799,494
Total assets	\$ 2,658,562	\$ 223,233	\$ 863,832	\$ 3,745,627
LIABILITIES				
Accounts payable	\$ 306,705	\$ -	\$ -	\$ 306,705
Accrued liabilities	2,132,326	-	-	2,132,326
Due to other funds	219,531	-	474,897	694,428
Total liabilities	2,658,562	-	474,897	3,133,459
FUND BALANCES				
Assigned:				
Cafeteria	-	223,233	-	223,233
Textbook	-	-	388,935	388,935
Total fund balances	-	223,233	388,935	612,168
Total liabilities and fund balances	\$ 2,658,562	\$ 223,233	\$ 863,832	\$ 3,745,627
Total fund balances - School Board				\$ 612,168
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not current financial resources, and therefore, not reported in the governmental funds.				
Governmental capital assets		\$ 32,673,805		
Less: accumulated depreciation and amortization		(15,913,512)		
Net capital assets				16,760,293
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,551,481
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences		(215,426)		
Other postemployment benefits		(289,325)		
				(504,751)
Net position of component unit				\$ 18,419,191

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
Revenues:				
Revenue from use of money and property	\$ 310	\$ 112	\$ -	\$ 422
Charges for services	92,725	429,287	-	522,012
Miscellaneous revenue	22,495	8,951	-	31,446
Recovered costs	71,000	-	-	71,000
Intergovernmental:				
Appropriation from primary government	10,455,604	-	-	10,455,604
Commonwealth	11,431,948	14,390	131,072	11,577,410
Federal	985,686	478,178	-	1,463,864
Total revenues	23,059,768	930,918	131,072	24,121,758
Expenditures:				
Current:				
Education	22,962,891	936,641	474,897	24,374,429
Excess of revenues over expenditures	96,877	(5,723)	(343,825)	(252,671)
Other financing sources (uses):				
Transfers in	-	8,418	88,459	96,877
Transfers out	(96,877)	-	-	(96,877)
Total other financing sources (uses), net	(96,877)	8,418	88,459	-
Changes in fund balances	-	2,695	(255,366)	(252,671)
Fund Balances, beginning	-	220,538	644,301	864,839
Fund Balances, ending	\$ -	\$ 223,233	\$ 388,935	\$ 612,168
Net change in fund balances - total governmental funds				\$ (252,671)

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 and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.

Expenditures for capital assets	\$ 449,016
Less: depreciation and amortization expense	(848,683)
Excess of depreciation and amortization over capital outlays	(399,667)

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.

Change in other postemployment benefits	(48,023)
Change in compensated absences	(9,229)
	(57,252)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.

Total revenues	2,582,249
Total expenses	(2,130,319)
	451,930

Net transfer of joint tenancy capital assets from Primary Government to the Component Unit 988,882

Change in net position of governmental activities \$ 731,222

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2014

	School Operating Fund			Variance with
	Original	Final	Actual	Final
	Budget	Budget		Budget
				Over (under)
Revenues:				
Revenue from use of money and property	\$ 500	\$ 500	\$ 310	\$ (190)
Charges for services	73,300	73,300	92,725	19,425
Miscellaneous revenue	-	-	22,495	22,495
Recovered costs	51,000	51,000	71,000	20,000
Intergovernmental:				
Appropriation from primary government	10,664,640	10,664,640	10,455,604	(209,036)
Commonwealth	11,521,770	11,521,770	11,431,948	(89,822)
Federal	873,810	873,810	985,686	111,876
Total revenues	23,185,020	23,185,020	23,059,768	(125,252)
Expenditures:				
Education:				
Instruction	15,385,770	15,385,770	15,217,497	(168,273)
Administration, attendance and health	1,321,600	1,321,600	1,312,894	(8,706)
Pupil transportation	1,553,980	1,553,980	1,557,667	3,687
Operation and maintenance	1,821,750	1,821,750	1,785,485	(36,265)
School food service costs	13,100	13,100	11,205	(1,895)
Technology	723,420	723,420	741,829	18,409
Reimbursement to primary government for debt service	2,365,400	2,365,400	2,336,314	(29,086)
Total expenditures	23,185,020	23,185,020	22,962,891	(222,129)
Excess (deficiency) of revenues over (under) expenditures	-	-	96,877	96,877
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(96,877)	(96,877)
Changes in fund balances	-	-	-	-
Fund Balances, beginning	-	-	-	-
Fund Balances, ending	\$ -	\$ -	\$ -	\$ -

Exhibit 14

School Cafeteria Fund				School Textbook Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)
\$ 100	\$ 100	\$ 112	\$ 12	\$ -	\$ -	\$ -	\$ -
474,000	474,000	429,287	(44,713)	-	-	-	-
11,000	11,000	8,951	(2,049)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,000	13,000	14,390	1,390	15,000	-	131,072	131,072
490,000	490,000	478,178	(11,822)	-	-	-	-
988,100	988,100	930,918	(57,182)	15,000	-	131,072	131,072
-	-	-	-	-	-	-	-
-	-	-	-	-	-	474,897	474,897
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
988,100	988,100	936,641	(51,459)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
988,100	988,100	936,641	(51,459)	-	-	474,897	474,897
-	-	-	-	-	-	-	-
-	-	(5,723)	(5,723)	15,000	-	(343,825)	(343,825)
-	-	8,418	8,418	-	-	88,459	88,459
-	-	-	-	-	-	-	-
-	-	2,695	2,695	15,000	-	(255,366)	(255,366)
-	-	220,538	220,538	(15,000)	-	644,301	644,301
\$ -	\$ -	\$ 223,233	\$ 223,233	\$ -	\$ -	\$ 388,935	\$ 388,935

**COMBINING STATEMENT OF NET POSITION - SCHOOL BOARD
FIDUCIARY FUNDS
June 30, 2014**

	Agency Funds			Totals
	School Activity Fund	Regional Adult Education Program	Regional Alternative Education Program	
ASSETS				
Cash and cash equivalents	\$ 299,968	\$ -	\$ 97,570	\$ 397,538
Accounts receivable	-	31,698	-	31,698
Total assets	\$ 299,968	\$ 31,698	\$ 97,570	\$ 429,236
LIABILITIES				
Accounts payable	\$ -	\$ 1,035	\$ 11,317	\$ 12,352
Accrued liabilities	-	1,994	27,331	29,325
Held in trust	299,968	28,669	58,922	387,559
Total liabilities	\$ 299,968	\$ 31,698	\$ 97,570	\$ 429,236

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>SCHOOL ACTIVITY FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 257,819	\$ 641,178	\$ 599,029	\$ 299,968
LIABILITIES				
Held in trust	\$ 257,819	\$ 641,178	\$ 599,029	\$ 299,968
<u>REGIONAL CTE CENTER</u>				
ASSETS				
Cash and cash equivalents	\$ 25,274	\$ -	\$ 25,274	\$ -
Total assets	\$ 25,274	\$ -	\$ 25,274	\$ -
LIABILITIES				
Held in trust	\$ 25,274	\$ -	\$ 25,274	\$ -
Total liabilities	\$ 25,274	\$ -	\$ 25,274	\$ -
<u>REGIONAL ADULT EDUCATION PROGRAM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 238,863	\$ 238,863	\$ -
Accounts receivable	-	31,698	-	31,698
Total assets	\$ -	\$ 270,561	\$ 238,863	\$ 31,698
LIABILITIES				
Accounts payable	\$ -	\$ 85,110	\$ 84,075	\$ 1,035
Accrued liabilities	-	59,901	57,907	1,994
Held in trust	-	28,669	-	28,669
Total liabilities	\$ -	\$ 173,680	\$ 141,982	\$ 31,698

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>REGIONAL ALTERNATIVE EDUCATION PROGRAM</u>				
ASSETS				
Cash and cash equivalents	\$ 89,820	\$ 429,277	\$ 421,527	\$ 97,570
Accounts receivable	27,778	-	27,778	-
Total assets	\$ 117,598	\$ 429,277	\$ 449,305	\$ 97,570
LIABILITIES				
Accounts payable	\$ 99,606	\$ 18,054	\$ 106,343	\$ 11,317
Accrued liabilities	14,815	95,602	83,086	27,331
Held in trust	3,177	55,745	-	58,922
Total liabilities	\$ 117,598	\$ 169,401	\$ 189,429	\$ 97,570
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 372,913	\$ 1,309,318	\$ 1,284,693	\$ 397,538
Accounts receivable	27,778	31,698	27,778	31,698
Total assets	\$ 400,691	\$ 1,341,016	\$ 1,312,471	\$ 429,236
LIABILITIES				
Accounts payable	\$ 99,606	\$ 103,164	\$ 190,418	\$ 12,352
Accrued liabilities	14,815	155,503	140,993	29,325
Held in trust	286,270	725,592	624,303	387,559
Total liabilities	\$ 400,691	\$ 984,259	\$ 955,714	\$ 429,236

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
June 30, 2014

	Self- Insurance
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,676,481
	<hr/>
Total assets	1,676,481
	<hr/>
LIABILITIES	
Current liabilities:	
Insurance and benefit claims	125,000
	<hr/>
Total liabilities	125,000
	<hr/>
NET POSITION	
Unrestricted	1,551,481
	<hr/>
Total net position	\$ 1,551,481
	<hr/>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2014

	Self- Insurance
Operating revenues:	
Charges for services	\$ 2,581,645
Total operating revenues	2,581,645
Operating expenses:	
Administrative charges	82,574
Risk financing and benefit payments	1,674,773
Reinsurance premium	372,972
Total operating expenses	2,130,319
Operating income	451,326
Nonoperating revenue:	
Interest revenue	604
Total nonoperating revenue	604
Change in net position	451,930
Net position, beginning	1,099,551
Net position, ending	\$ 1,551,481

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2014

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 2,581,645
Claims and benefits paid	(1,849,773)
Payments to suppliers for goods and services	(455,546)
	<u>276,326</u>
Net cash provided by operating activities	<u>276,326</u>
Cash Flows From Investing Activities:	
Interest received on investment securities	604
	<u>604</u>
Net increase in cash and cash equivalents	276,930
Cash and Cash Equivalents:	
Beginning	<u>1,399,551</u>
Ending	<u><u>\$ 1,676,481</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 451,326
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in liabilities:	
Decreases in insurance and benefit claims	(175,000)
	<u>(175,000)</u>
Net cash provided by operating activities	<u><u>\$ 276,326</u></u>

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 9,744,671	\$ 9,541,261	\$ 9,297,315	\$ (243,946)
Real and personal public service corporation property	391,743	391,743	396,929	5,186
Personal property	3,071,262	3,071,262	3,094,143	22,881
Machinery and tools	2,486,427	2,486,427	2,576,446	90,019
Penalties	145,000	145,000	172,035	27,035
Interest	120,000	120,000	122,899	2,899
Total general property taxes	15,959,103	15,755,693	15,659,767	(95,926)
Other local taxes:				
Consumer utility	224,395	224,395	232,777	8,382
Business licenses	275,276	275,276	353,097	77,821
Motor vehicle license taxes	360,000	360,000	366,296	6,296
Bank stock	60,480	60,480	80,255	19,775
Recordation and wills	155,000	155,000	154,912	(88)
Meals	210,000	210,000	264,700	54,700
Local sales and use	748,370	726,239	803,574	77,335
Total other local taxes	2,033,521	2,011,390	2,255,611	244,221
Permits, privilege fees and regulatory licenses:				
Animal licenses	10,000	10,000	6,939	(3,061)
Building permits	50,000	50,000	79,185	29,185
Other permits and licenses	63,797	44,900	136,437	91,537
Total permits, privilege fees and regulatory licenses	123,797	104,900	222,561	117,661
Fines and forfeitures	62,000	62,000	96,349	34,349
Revenue from use of money and property:				
Revenue from use of money	35,000	35,000	44,306	9,306
Revenue from use of property	46,900	46,900	46,955	55
Total revenue from use of money and property	81,900	81,900	91,261	9,361

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Planning and community development	\$ 1,200	\$ 1,200	\$ 1,285	\$ 85
Law enforcement and traffic control	200	200	165	(35)
Court costs	8,958	8,958	16,277	7,319
Commonwealth attorney	1,000	1,000	1,490	490
Water charges	177,217	190,346	449,819	259,473
Parks and recreation	101,980	101,980	97,908	(4,072)
Animal shelter	45,111	45,111	36,761	(8,350)
EMS billings	-	80,000	105,083	25,083
Total charges for services	335,666	428,795	708,788	279,993
Miscellaneous	9,000	44,000	128,725	84,725
Recovered costs:				
JDRC Recovery	3,800	3,800	3,902	102
High school resources officer	55,720	55,720	58,274	2,554
Other recovered costs	178,088	178,088	175,865	(2,223)
Total recovered costs	237,608	237,608	238,041	433
Total revenue from local sources	18,842,595	18,726,286	19,401,103	674,817
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling tax	-	-	4,724	4,724
Communications sales and use	370,000	370,000	359,920	(10,080)
Recordation tax	42,675	42,675	47,221	4,546
Motor vehicles carriers' tax	18,500	18,500	19,660	1,160
Motor vehicle rental tax	2,400	2,400	3,270	870
Personal property tax relief	1,204,130	1,204,130	1,204,130	-
Miscellaneous	409	409	378	(31)
Total non-categorical aid	1,638,114	1,638,114	1,639,303	1,189

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over		
	Original	Final		(Under)		
Primary Government: (Continued)						
General Fund: (Continued)						
Intergovernmental: (Continued)						
Revenue from the Commonwealth: (Continued)						
Categorical aid:						
Shared costs:						
Commonwealth attorney	\$	155,736	\$	155,479	\$	(257)
Sheriff		680,058		680,058		(4,768)
Commissioner of the revenue		87,118		87,118		(249)
Treasurer		66,992		66,992		77,207
Registrar/Electoral Board		41,530		41,530		(4,890)
Clerk of circuit court		184,282		184,282		176,560
						(7,722)
Total shared costs		1,215,716		1,215,716		1,208,045
						(7,671)
Other categorical aid:						
Welfare administration assistance		284,277		328,735		264,262
Victim witness assistance grant		51,560		51,560		51,559
Emergency services - four for life		15,000		15,913		17,072
Litter control grant		9,342		9,342		8,240
Fire program		28,990		40,802		37,929
Radiological emergency preparedness		10,000		10,000		10,000
Wireless E-911 grant		41,965		41,965		42,591
Miscellaneous public safety grants		2,100		2,469		908
Comprehensive services		330,520		408,118		298,598
Miscellaneous		15,000		29,265		58,568
						29,303
Total other categorical aid		788,754		938,169		789,727
						(148,442)
Total categorical aid		2,004,470		2,153,885		1,997,772
						(156,113)
Total revenue from the Commonwealth		3,642,584		3,791,999		3,637,075
						(154,924)
Revenue from the federal government:						
Categorical aid:						
Welfare and administration assistance		551,833		551,833		519,628
Public safety		8,274		712,500		249,415
						(463,085)
Total categorical aid		560,107		1,264,333		769,043
						(495,290)
Total revenue from the federal government		560,107		1,264,333		769,043
						(495,290)
Total intergovernmental		4,202,691		5,056,332		4,406,118
						(650,214)
Total General Fund	\$	23,045,286	\$	23,782,618	\$	23,807,221
					\$	24,603

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 375	\$ 375
Miscellaneous:				
Developer proffers	31,411	31,411	-	(31,411)
Miscellaneous	-	4,055	16,704	12,649
Total miscellaneous	31,411	35,466	16,704	(18,762)
Recovered costs:				
Town of West Point share - radio system	-	-	86,765	86,765
Total recovered costs	-	-	86,765	86,765
Total revenue from local sources	31,411	35,466	103,844	68,378
Revenue from the Commonwealth:				
Categorical aid:				
Public safety	-	150,000	-	(150,000)
Total revenue from the Commonwealth	-	150,000	-	(150,000)
Revenue from the federal government:				
Categorical aid:				
Public safety	31,000	31,000	80,680	49,680
Total revenue from the federal government	31,000	31,000	80,680	49,680
Total General Capital Projects Fund	\$ 62,411	\$ 216,466	\$ 184,524	\$ (31,942)
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 1	\$ 1
Total School Capital Projects Fund	\$ -	\$ -	\$ 1	\$ 1
Grand Total Revenues - Primary Government	\$ 23,107,697	\$ 23,999,084	\$ 23,991,746	\$ (7,338)
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 500	\$ 500	\$ 310	\$ (190)
Total revenue from use of money and property	500	500	310	(190)
Charges for services	73,300	73,300	92,725	19,425
Miscellaneous revenue	-	-	22,495	22,495
Recovered costs:				
E-rate	51,000	51,000	71,000	20,000
Total recovered costs	51,000	51,000	71,000	20,000
Total revenue from local sources	124,800	124,800	186,530	61,730

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenue:				
Appropriation from primary government	\$ 10,664,640	\$ 10,664,640	\$ 10,664,640	\$ -
Return of funds to primary government	-	-	(209,036)	(209,036)
Total intergovernmental revenue	10,664,640	10,664,640	10,455,604	(209,036)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	2,114,170	2,114,170	2,037,845	(76,325)
Basic school aid	6,238,220	6,238,220	6,330,977	92,757
K-3 initiative	252,070	252,070	260,813	8,743
Special education	699,320	699,320	704,076	4,756
Textbook payment	130,190	130,190	-	(130,190)
Fringe benefits - SS/teacher retirement	1,260,330	1,260,330	1,268,126	7,796.00
Technology	154,000	154,000	131,867	(22,133)
Other state funds	673,470	673,470	698,244	24,774
Total revenue from the Commonwealth	11,521,770	11,521,770	11,431,948	(89,822)
Revenue from the federal government:				
Categorical aid:				
Title I	205,000	205,000	257,291	52,291
Special education - preschool	13,500	13,500	13,777	277
Title VI-B flow through	484,810	484,810	480,441	(4,369)
Title VII - Indian education	14,340	14,340	11,095	(3,245)
Vocational education	26,160	26,160	25,875	(285)
Title II - Eisenhower	65,000	65,000	132,945	67,945
Advanced Placement Program	-	-	765	765
Air force - ROTC	65,000	65,000	63,497	(1,503)
Total revenue from the federal government	873,810	873,810	985,686	111,876
Total intergovernmental	23,060,220	23,060,220	22,873,238	(186,982)
Total School Operating Fund	\$ 23,185,020	\$ 23,185,020	\$ 23,059,768	\$ (125,252)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 100	\$ 100	\$ 112	\$ 12
Charges for service	474,000	474,000	429,287	(44,713)
Miscellaneous	11,000	11,000	8,951	(2,049)
Total revenue from local sources	485,100	485,100	438,350	(46,750)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	13,000	13,000	14,390	1,390
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	490,000	490,000	478,178	(11,822)
Total intergovernmental	503,000	503,000	492,568	(10,432)
Total School Cafeteria Fund	\$ 988,100	\$ 988,100	\$ 930,918	\$ (57,182)
School Textbook Fund:				
Revenue from the Commonwealth:				
Textbook payment	\$ 15,000	\$ -	\$ 131,072	\$ 131,072
Total School Textbook Fund	\$ 15,000	\$ -	\$ 131,072	\$ 131,072
Grand Total Revenues - Component Unit - School Board	\$ 24,188,120	\$ 24,173,120	\$ 24,121,758	\$ (51,362)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 103,060	\$ 103,060	\$ 101,221	\$ (1,839)
General and financial administration:				
County administrator	280,473	282,721	311,692	28,971
Finance	354,740	417,151	380,630	(36,521)
Legal services	77,600	77,600	76,146	(1,454)
Commissioner of the revenue	248,668	216,333	216,333	-
Assessor	177,349	203,500	123,183	(80,317)
Treasurer	245,277	261,277	253,153	(8,124)
Total general and financial administration	1,384,107	1,458,582	1,361,137	(97,445)
Board of elections:				
Electoral board and officials	78,790	78,790	48,305	(30,485)
Registrar	105,348	105,348	103,572	(1,776)
Total board of elections	184,138	184,138	151,877	(32,261)
Total general government administration	1,671,305	1,745,780	1,614,235	(131,545)
Judicial administration:				
Courts:				
Circuit court	22,580	22,580	22,123	(457)
General district court	11,380	11,380	9,590	(1,790)
Special magistrates	100	100	-	(100)
Juvenile and domestic relations court	26,330	26,889	26,889	-
Clerk of the circuit court	279,553	279,553	252,029	(27,524)
Department of court services	85,170	243,128	118,091	(125,037)
Total courts	425,113	583,630	428,722	(154,908)
Commonwealth attorney	220,584	224,665	224,665	-
Total judicial administration	645,697	808,295	653,387	(154,908)
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,638,478	1,493,244	1,459,541	(33,703)
Emergency 911 system	406,190	727,820	685,888	(41,932)
Other law enforcement and traffic control	-	781	202	(579)
Total law enforcement and traffic control	2,044,668	2,221,845	2,145,631	(76,214)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 430,190	\$ 1,142,689	\$ 652,029	\$ (490,660)
Ambulance and rescue squads	12,430	146,695	112,638	(34,057)
Total fire and rescue services	442,620	1,289,384	764,667	(524,717)
Correction and detention:				
Regional security center	844,388	844,388	700,355	(144,033)
Juvenile detention homes	77,800	77,800	71,329	(6,471)
Juvenile and district court services unit	14,300	14,300	11,717	(2,583)
Total correction and detection	936,488	936,488	783,401	(153,087)
Inspections:				
Building inspections	143,376	143,376	133,984	(9,392)
Fire marshal	2,000	2,000	875	(1,125)
Total inspections	145,376	145,376	134,859	(10,517)
Other protection:				
Animal control	132,247	132,247	127,354	(4,893)
Regional animal shelter	271,837	281,516	269,563	(11,953)
Medical examiner	120	120	80	(40)
Emergency services coordinator	457,079	457,079	422,128	(34,951)
Total other protection	861,283	870,962	819,125	(51,837)
Total public safety	4,430,435	5,464,055	4,647,683	(816,372)
Public works:				
Sanitation and waste removal:				
Central garage utility system	210,055	223,184	217,545	(5,639)
Refuse collection	556,000	556,000	555,287	(713)
Refuse disposal	273,630	273,630	238,990	(34,640)
Total sanitation and waste removal	1,039,685	1,052,814	1,011,822	(40,992)
Maintenance of general buildings and grounds	537,976	554,603	554,603	-
Total public works	1,577,661	1,607,417	1,566,425	(40,992)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Health and social services:				
Health:				
Local health department and other health	\$ 413,888	\$ 192,203	\$ 148,856	\$ (43,347)
Total health	413,888	192,203	148,856	(43,347)
Mental health and mental retardation:				
Community Services Board	48,860	48,860	48,860	-
Welfare:				
Public assistance and welfare administration	1,058,837	1,125,216	1,041,422	(83,794)
Comprehensive services	555,770	825,770	662,747	(163,023)
Total welfare	1,614,607	1,950,986	1,704,169	(246,817)
Total health and social services	2,077,355	2,192,049	1,901,885	(290,164)
Education:				
Contributions to community colleges	7,623	7,623	7,623	-
Contribution to component unit - School Board	10,664,640	10,664,640	10,664,640	-
Reimbursement from component unit for debt service	(2,336,314)	(2,336,314)	(2,336,314)	-
Return of funds from component unit	-	-	(209,036)	(209,036)
Total education	8,335,949	8,335,949	8,126,913	(209,036)
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	200,747	200,747	129,752	(70,995)
Recreation programs and events	101,980	101,980	83,160	(18,820)
Arts and cultural	10,000	10,000	10,000	-
Total parks and recreation	312,727	312,727	222,912	(89,815)
Cultural:				
Regional library	400,000	400,000	400,000	-
Total parks, recreation and cultural	712,727	712,727	622,912	(89,815)
Community development:				
Planning and community development:				
Planning	289,080	312,630	302,019	(10,611)
MP regional airport	30,000	30,000	30,000	-
Board of zoning appeals	-	-	1,000	1,000
Mt. Olive improvement project	6,410	11,067	10,913	(154)
Economic development	16,000	16,000	4,940	(11,060)
Total planning and community development	341,490	369,697	348,872	(20,825)
Environmental management:				
Soil and water conservation district	5,000	5,000	5,000	-
Cooperative extension program:				
VPI extension program	35,005	35,005	33,485	(1,520)
Total community development	381,495	409,702	387,357	(22,345)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Debt service:				
Principal - County	\$ 460,123	\$ 460,123	\$ 475,128	\$ 15,005
Principal - School Board	1,607,379	1,607,379	1,607,379	-
Interest and fiscal charges - County	365,875	365,875	365,776	(99)
Interest and fiscal charges - School Board	728,935	728,935	728,935	-
Total debt service	3,162,312	3,162,312	3,177,218	14,906
Total General Fund	\$ 22,994,936	\$ 24,438,286	\$ 22,698,015	\$ (1,740,271)
General Capital Projects Fund:				
Capital projects	\$ 287,411	\$ 2,926,266	\$ 1,303,678	\$ (1,622,588)
Total General Capital Projects Fund	\$ 287,411	\$ 2,926,266	\$ 1,303,678	\$ (1,622,588)
School Capital Projects Fund:				
Capital projects	\$ 567,000	\$ 567,000	\$ 474,853	\$ (92,147)
Total School Capital Projects Fund	\$ 567,000	\$ 567,000	\$ 474,853	\$ (92,147)
Grand Total Expenditures - Primary Government	\$ 23,849,347	\$ 27,931,552	\$ 24,476,546	\$ (3,455,006)
Component Unit:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 15,385,770	\$ 15,385,770	\$ 15,217,497	\$ (168,273)
Administration, attendance and health	1,321,600	1,321,600	1,312,894	(8,706)
Pupil transportation services	1,553,980	1,553,980	1,557,667	3,687
Operation and maintenance services	1,821,750	1,821,750	1,785,485	(36,265)
School food service costs	13,100	13,100	11,205	(1,895)
Technology	723,420	723,420	741,829	18,409
Reimbursement to primary government for debt service	2,365,400	2,365,400	2,336,314	(29,086)
Total School Operating Fund	\$ 23,185,020	\$ 23,185,020	\$ 22,962,891	\$ (222,129)
School Cafeteria Fund:				
Education:				
School food services	\$ 988,100	\$ 988,100	\$ 936,641	\$ (51,459)
Total School Cafeteria Fund	\$ 988,100	\$ 988,100	\$ 936,641	\$ (51,459)
School Textbook Fund:				
Education:				
Instruction	\$ -	\$ -	\$ 474,897	\$ 474,897
Total School Textbook Fund	\$ -	\$ -	\$ 474,897	\$ 474,897
Total Expenditures - Component Unit - School Board	\$ 24,173,120	\$ 24,173,120	\$ 24,374,429	\$ 201,309

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2014

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2014

www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

STATISTICAL SECTION

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COUNTY OF KING WILLIAM, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

This part of the County's Comprehensive Annual Financial 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 and is unaudited.

Contents	Tables
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity	
These tables contain information to help the reader assess the County's most significant local revenue source, property tax.	5-9
Debt Capacity	
These tables present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	10-12
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the County operates.	13-14
Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the financial reports relates to the services the County provides and the activities it performs.	15-17

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

COUNTY OF KING WILLIAM, VIRGINIA

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	2005	2006	2007
Primary government:			
Governmental activities:			
Net investment in capital assets	\$ 930,177	\$ (659,035)	\$ 68,259
Reserved for permanent fund	-	43,036	-
Restricted	-	-	-
Unrestricted	254,796	(783,037)	(869,156)
Total governmental activities net assets	\$ 1,184,973	\$ (1,399,036)	\$ (800,897)
Total governmental activities net position			

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" now refers to this measurement as "net position."

Table 1

June 30,						
2008	2009	2010	2011	2012	2013	2014
\$ 265,030	\$ (312,223)	\$ (513,010)	\$ 1,669,963	\$ 1,461,113	\$ 4,298,661	\$ 4,817,073
-	-	-	-	-	-	-
-	-	-	64,245	62,572	4,024,633	1,861,710
594,739	2,373,837	3,806,931	3,502,991	5,016,956	4,247,618	6,209,949
\$ 859,769	\$ 2,061,614	\$ 3,293,921	\$ 5,237,199	\$ 6,540,641		
					\$ 12,570,912	\$ 12,888,732

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses:					
Governmental activities:					
General government administration	\$ 1,271,109	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984	\$ 1,577,182
Judicial administration	597,394	546,844	703,379	709,576	723,263
Public safety	3,371,458	3,876,633	2,902,265	3,607,687	4,049,433
Public works	1,291,848	1,365,801	1,634,409	1,663,886	1,702,038
Health and welfare	1,520,575	1,633,408	1,647,634	1,756,619	1,950,087
Education	6,480,149	8,735,293	7,914,185	7,904,725	8,541,759
Parks, recreation and cultural	675,125	768,139	795,222	808,883	856,020
Community development	509,256	588,039	632,854	628,507	602,788
Interest	1,565,132	1,650,115	1,683,999	1,726,966	1,470,892
Total expenses	17,282,046	20,583,514	19,501,459	20,460,833	21,473,462
Program revenue:					
Governmental activities:					
Charges for services:					
General government administration	908	-	-	-	-
Judicial administration	110,884	76,748	70,068	89,529	94,142
Public safety	163,256	149,436	141,582	155,621	129,696
Public works	135,539	144,706	242,938	283,945	118,984
Education	-	-	-	-	-
Parks, recreation and cultural	65,390	63,657	62,935	90,002	103,290
Community development	326,978	280,923	366,445	429,266	193,292
Operating grants and contributions:					
General government administration	196,230	212,953	228,053	258,221	250,522
Judicial administration	303,716	395,244	373,098	357,510	387,240
Public safety	788,198	843,276	855,926	883,349	1,007,777
Public works	5,545	8,325	6,886	8,390	8,169
Health and welfare	1,061,677	1,068,504	1,068,868	1,133,758	1,301,243
Parks, recreation and cultural	-	-	5,000	5,639	5,000
Community development	8,000	-	-	-	-
Capital grants and contributions:					
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Education	125,456	126,002	171,793	128,496	130,926
Parks, recreation and cultural	-	-	-	-	-
Community development	251,377	383,705	497,796	120,173	24,779
Total program revenues	3,543,154	3,753,479	4,091,388	3,943,899	3,755,060
Total primary government net expense	(13,738,892)	(16,830,035)	(15,410,071)	(16,516,934)	(17,718,402)
General revenues and other changes in net position/assets:					
Governmental activities:					
General property taxes	10,121,543	11,133,059	12,411,669	14,880,517	15,855,934
Grants and contributions not restricted to specific programs	1,184,450	1,323,143	1,331,018	1,323,126	1,242,316
Local sales and use	-	-	-	-	-
Consumer utility	367,020	392,552	316,991	226,398	216,877
Business licenses	243,080	343,348	307,841	353,398	376,767
Motor vehicle license taxes	264,436	274,860	268,331	283,490	290,584
Emergency telephone tax	171,262	191,211	94,613	-	-
Taxes on recordation and wills	-	-	-	-	-
Communication sales tax	-	-	-	388,000	373,713
Other local taxes	327,245	399,023	614,552	370,588	332,040
Revenues from use of money and property	91,029	105,636	271,379	331,025	117,071
Miscellaneous	13,273	83,195	391,817	21,058	114,945
Total general revenues and other changes	12,783,338	14,246,027	16,008,211	18,177,600	18,920,247
Change in net position/assets	\$ (955,554)	\$ (2,584,008)	\$ 598,140	\$ 1,660,666	\$ 1,201,845

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

Table 2

June 30,

	2010	2011	2012	2013	2014
\$	1,764,919	\$ 1,379,801	\$ 1,390,914	\$ 1,720,020	\$ 1,991,266
	704,861	719,715	731,145	758,278	828,978
	3,861,928	4,206,900	4,069,441	4,363,690	4,869,354
	1,546,058	1,693,960	1,636,299	1,591,495	2,511,346
	2,001,233	1,837,002	1,726,465	1,769,339	1,925,297
	8,109,049	8,679,113	9,555,915	10,430,356	9,976,507
	805,377	836,773	852,555	848,196	659,605
	728,707	537,673	415,658	325,122	383,302
	1,505,477	1,031,300	1,024,553	1,037,029	1,020,009
	21,027,609	20,922,237	21,402,945	22,843,525	24,165,664

-	-	19,500	20,000	-
90,863	15,765	16,767	26,855	26,098
94,812	394,742	389,101	697,301	561,506
130,839	168,958	161,269	141,297	449,819
-	-	-	642,225	266
86,706	131,642	119,114	109,886	97,908
174,608	177,126	150,911	167,649	216,907
229,637	190,203	203,673	196,912	200,716
341,892	372,117	363,618	374,720	383,598
835,995	784,085	801,490	852,544	1,128,150
6,629	7,644	6,473	9,342	8,240
1,386,233	1,321,454	1,119,045	1,028,244	1,082,488
5,319	5,000	9,550	21,668	44,303
-	49,205	-	-	-
-	-	-	-	25,903
25,550	-	-	26,842	-
-	-	-	335,875	256,687
-	-	-	-	-
-	-	-	5,800	102,000
212,500	-	-	-	-
3,621,583	3,617,941	3,360,511	4,657,160	4,584,589
(17,406,026)	(17,304,296)	(18,042,434)	(18,186,365)	(19,581,075)

15,559,634	15,744,965	15,464,547	16,393,302	15,901,942
1,262,902	1,598,315	1,567,627	1,571,449	1,639,303
-	722,243	747,327	776,602	803,574
224,395	226,901	227,669	230,314	232,777
278,531	299,881	275,242	342,712	353,097
299,404	357,659	370,133	369,895	366,296
-	-	-	-	-
156,970	138,994	151,615	171,486	154,912
375,273	-	-	-	-
389,986	278,516	313,264	318,584	344,955
76,982	67,703	89,375	98,719	91,637
14,256	21,906	139,077	56,674	145,429
18,638,333	19,457,083	19,345,876	20,329,737	20,033,922
\$ 1,232,307	\$ 2,152,787	\$ 1,303,442	\$ 2,143,372	\$ 452,847

COUNTY OF KING WILLIAM, VIRGINIA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2005	2006	2007	2008
General Fund:				
Reserved:				
Textbooks	\$ -	\$ -	\$ -	\$ 264,423
Unreserved, designated	-	43,036	-	-
Unreserved, undesignated	102,245	(1,410,084)	(1,573,398)	(878,836)
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	102,245	(1,367,048)	(1,573,398)	(614,413)
All Other Governmental Funds:				
Reserved:				
General capital projects	1,128,317	1,793,405	1,484,039	1,239,343
School capital projects	314,144	195,912	363,158	762,739
Restricted:				
General capital projects	-	-	-	-
School capital projects	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	1,442,461	1,989,317	1,847,197	2,002,082
Total fund balances	\$ 1,544,706	\$ 622,269	\$ 273,799	\$ 1,387,669

Note:

- (1) In fiscal year 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

Table 3

June 30,					
2009	2010	2011	2012	2013	2014
\$ 448,725	\$ 448,725	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
725,041	1,761,923	-	-	-	-
-	-	31,352	7,943	177,025	9,313
-	-	63,728	62,054	1,905,275	549,936
-	-	2,633,223	2,448,301	2,091,395	1,838,390
-	-	1,542,611	3,169,372	2,614,804	4,742,615
1,173,766	2,210,648	4,270,914	5,687,670	6,788,499	7,140,254
1,033,113	1,109,887	-	-	-	-
21,470	516	-	-	-	-
-	-	-	-	2,118,839	1,219,107
-	-	517	518	519	92,667
-	-	(115,199)	(114,072)	-	-
1,054,583	1,110,403	(114,682)	(113,554)	2,119,358	1,311,774
\$ 2,228,349	\$ 3,321,051	\$ 4,156,232	\$ 5,574,116	\$ 8,907,857	\$ 8,452,028

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
General property taxes	\$ 10,080,458	\$ 11,046,031	\$ 12,335,200	\$ 14,645,208
Other local taxes	1,373,043	1,600,994	1,602,328	1,621,874
Permits, privilege fees, proffers and regulatory licenses	493,216	429,832	507,487	582,677
Fines and forfeitures	105,668	68,228	61,357	80,343
Revenue from use of money and property	91,029	105,636	271,379	331,025
Charges for services	204,071	217,410	315,124	385,344
Miscellaneous	13,271	83,197	391,816	21,057
Recovered costs	69,702	391,314	399,878	178,107
Intergovernmental:				
Commonwealth	3,012,019	3,351,886	3,420,574	3,556,576
Federal	912,630	1,009,266	1,117,864	662,086
Total revenues	16,355,107	18,303,794	20,423,007	22,064,297
Expenditures:				
General government administration	1,213,608	1,355,995	1,481,314	1,606,483
Judicial administration	379,921	483,269	545,276	548,832
Public safety	3,499,385	4,077,047	3,288,323	3,702,708
Public works	1,218,343	1,258,884	1,519,831	1,796,594
Health and welfare	1,518,078	1,632,905	1,641,189	1,754,245
Education	5,013,809	5,748,257	5,830,758	5,924,555
Parks, recreation and cultural	666,640	755,898	783,565	806,175
Community development	509,256	584,745	1,051,637	625,676
Capital outlays	983,746	574,226	2,273,439	2,275,620
Debt service:				
Principal	2,050,590	2,103,893	2,107,408	2,145,961
Interest and fiscal charges	1,761,426	1,701,112	1,772,121	1,818,578
Total expenditures	18,814,802	20,276,231	22,294,861	23,005,427
Excess (deficiency) of revenues over (under) expenditures	(2,459,695)	(1,972,437)	(1,871,854)	(941,130)
Other financing sources (uses):				
Transfers in	163,832	375,001	-	-
Transfers out	(163,832)	(375,001)	-	-
Payment to refunded bond escrow agent	-	-	(1,511,962)	-
Long-term debt issued	605,000	1,050,000	2,950,000	2,055,000
Premium on debt issued	45,675	-	85,346	-
Total other financing sources, net	650,675	1,050,000	1,523,384	2,055,000
Net change in fund balance	\$ (1,809,020)	\$ (922,437)	\$ (348,470)	\$ 1,113,870
Debt service as a percentage of noncapital expenditures	21.38%	19.31%	19.38%	19.12%

Table 4

June 30,											
2009		2010		2011		2012		2013		2014	
\$	15,598,733	\$	15,393,779	\$	15,750,252	\$	15,481,278	\$	16,344,544	\$	15,659,767
	1,589,981		1,724,559		2,024,194		2,085,250		2,209,593		2,255,611
	322,076		261,567		186,198		160,620		174,247		222,561
	82,334		79,556		79,454		66,657		72,930		96,349
	117,071		76,982		67,703		89,375		98,719		91,637
	234,994		236,705		455,554		421,357		366,409		708,788
	114,945		14,256		21,906		139,077		874,596		145,429
	241,834		152,078		167,027		208,028		373,705		324,806
	3,719,698		3,532,727		3,637,470		3,421,903		3,495,484		3,637,075
	638,274		773,930		690,553		649,573		559,395		849,723
	22,659,940		22,246,139		23,080,311		22,723,118		24,569,622		23,991,746
	1,547,498		1,732,673		1,372,400		1,346,130		1,390,170		1,614,235
	595,412		538,227		570,469		556,528		597,145		653,387
	4,194,591		4,026,891		4,100,800		4,171,459		4,226,609		4,647,683
	1,530,499		1,564,364		1,574,143		1,517,016		1,498,140		1,566,425
	1,933,241		2,005,090		1,915,180		1,708,920		1,774,541		1,901,885
	6,181,401		6,198,939		6,897,886		7,856,937		8,807,812		8,126,913
	858,490		748,180		801,103		809,495		810,258		622,912
	606,026		729,608		545,236		420,350		322,642		387,357
	1,060,899		43,034		288,710		1,131		1,755,312		1,778,531
	2,073,919		2,052,456		2,088,978		1,926,423		1,865,545		2,082,507
	1,637,624		1,513,975		1,139,851		1,159,869		1,187,707		1,094,711
	22,219,600		21,153,437		21,294,756		21,474,258		24,235,881		24,476,546
	440,340		1,092,702		1,785,555		1,248,860		333,741		(484,800)
	-		-		-		-		965,674		875,252
	-		-		-		-		(965,674)		(875,252)
	-		-		-		(5,141,719)		-		(1,346,029)
	-		-		270,000		5,310,743		3,000,000		1,375,000
	-		-		-		-		-		-
	-		-		270,000		169,024		3,000,000		28,971
\$	440,340	\$	1,092,702	\$	2,055,555	\$	1,417,884	\$	3,333,741	\$	(455,829)
	17.54%		16.89%		15.50%		14.53%		13.57%		13.70%

COUNTY OF KING WILLIAM, VIRGINIA

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property	Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes
2005	\$ 10,080,458	\$ -	\$ 367,020	\$ 243,080	\$ 264,436
2006	11,046,031	-	392,552	343,348	274,860
2007	12,335,200	-	316,991	307,841	268,331
2008	14,645,208	-	226,398	353,398	283,490
2009	15,598,733	-	216,877	376,767	290,584
2010	15,393,779	-	224,395	278,531	299,404
2011	15,750,252	722,243	226,901	299,881	357,659
2012	15,481,278	747,327	227,669	275,242	370,133
2013	16,344,544	776,602	230,314	342,712	369,895
2014	15,659,767	803,574	232,777	353,097	366,296

Notes:

- (1) Prior to fiscal year 2011, local sales and use tax receipts were accounted for in a separate agency fund. In that fiscal year, the agency fund was blended into the General Fund.
- (2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes.

Table 5

Taxes on Recordation and Wills		Emergency Telephone	Communications (2)	Other Local	Total				
\$	268,045	\$	171,262	\$	-	\$	59,200	\$	11,453,501
	333,505		191,211		-		65,518		12,647,025
	368,069		94,613		176,376		70,107		13,937,528
	297,711		-		388,000		72,877		16,267,082
	202,938		-		373,713		129,102		17,188,714
	156,970		-		375,273		389,986		17,118,338
	138,994		-		-		278,516		17,774,446
	151,615		-		-		313,264		17,566,528
	171,486		-		-		318,584		18,554,137
	154,912		-		-		344,955		17,915,378

COUNTY OF KING WILLIAM, VIRGINIA

ASSESSED AND ESTIMATED VALUE OF PROPERTY

Last Ten Calendar Years

(Unaudited)

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools
2004	\$ 909,258,951	\$ 0.87	\$ 84,621,184	\$ 3.65	\$ 148,254,803
2005	1,066,913,767	0.92	95,011,903	3.65	135,948,296
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861
2013	1,665,940,794	0.79	120,782,359	3.65	114,575,046

Notes:

- (1) Real estate is assessed at 100% of fair market value.
- (2) Assessed values are established by the State Corporation Commission.

Table 6

Direct Tax Rate	Public Service (2)	Total Direct Tax	Total
\$ 2.30	\$ 30,502,008	\$ 6.82	\$ 1,172,636,946
2.30	39,061,299	6.87	1,336,935,265
2.30	30,792,861	6.87	1,395,622,550
2.50	32,529,671	7.14	1,684,519,040
2.45	44,709,244	6.91	1,948,080,592
2.45	40,248,359	6.91	1,951,759,141
2.45	42,974,549	6.91	1,959,156,921
2.45	44,005,450	6.91	1,940,889,318
2.45	44,230,704	6.91	1,951,239,703
2.25	46,295,443	6.69	1,947,593,642

COUNTY OF KING WILLIAM, VIRGINIA

Table 7

PROPERTY TAX RATES (1)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service		Total County Direct Tax Rate
				Real Estate	Personal Property	
2004-05	\$ 0.87/0.23	\$ 3.65/0.34	\$ 2.30/0.80	\$ 0.87/0.23	\$ 3.65/0.34	\$ 6.82
2005-06	0.92/0.23	3.65/0.34	2.30/0.80	0.87/0.23	3.65/0.34	6.87
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	0.92/0.25	3.65/0.34	6.87
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	0.99/0.29	3.65/0.50	7.14
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27/0.79/0.79	3.65/0.50	6.90
2013-14 (4)	0.79/0.79/0.82/0.38	3.65/3.65	2.25/2.25	0.79/0.79/0.82/0.38	3.65/3.65	6.71

Notes:

(1) Per \$100 of assessed value.

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

Table 8

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	Fiscal Year June 30,					
		2014			2005		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
RockTenn Container Plant LLC	Paper Mill	\$ 39,901,700	1	2.24%	\$ 83,164,000	1	7.09%
Nestle Purina Pet Care	Cat Litter	9,652,700	2	0.54%	14,998,600	2	1.46%
John N. Mills & Sons	Grain Farm	5,456,700	3	0.31%	4,340,200	5	0.42%
Siegel Family LP	Land-Owner	5,342,800	4	0.30%	-	-	-
Charles S. Hunter III	Land-Owner	5,002,900	5	0.28%	4,726,200	4	0.46%
West Point Square LLC	Developer	4,663,942	6	0.26%	-	-	-
Central Garage II LLC	Developer	4,404,309	7	0.25%	7,835,000	3	0.76%
Romance LLC	Land-Owner	4,198,700	8	0.24%	-	-	-
Riverside Healthcare	Healthcare	2,990,849	9	0.17%	-	-	-
The Lafferty Foundation	Grain Farm	2,766,400	10	0.16%	3,991,400	6	0.39%
Old Town LLC	Developer	-	-	-	3,107,600	7	0.30%
J. Harvey Martin	Grain Farm	-	-	-	2,917,200	8	0.28%
Bailey and Bailey, Inc.	Developer	-	-	-	2,860,000	9	0.28%
Kelmont, LLC	Developer	-	-	-	2,779,760	10	0.27%
Total		\$ 84,381,000		4.75%	\$ 130,719,960		11.71%

Source: Commissioner of Revenue.

COUNTY OF KING WILLIAM, VIRGINIA

Table 9

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Tax Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years Amount ⁽¹⁾⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
2005	\$ 11,102,130	\$ -	\$ 11,102,130	\$ 10,736,144	96.70%	\$ 316,868	\$ 11,053,012	99.56%
2006	12,167,928	-	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%
2007	13,430,788	-	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%
2008	15,898,709	-	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%
2009	17,087,723	-	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2013	17,640,156	(1,421,423)	16,218,733	14,573,056	89.85%	(3) 697,384	15,270,439	94.15%
2014	20,354,582	(1,411,635)	18,942,947	17,781,558	93.87%	464,325	18,245,883	96.32%

Notes:

(1) Exclusive of penalties and interest.

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

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

Source: King William County Commissioner of Revenue and Treasurer

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COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	State Literary Fund Loans	Capital Leases	Revenue Bonds
2005	\$ 20,316,893	\$ 6,329,688	\$ 1,040,000	\$ 8,301,711
2006	19,077,720	5,764,123	980,000	9,112,556
2007	17,852,301	5,198,558	920,000	10,381,132
2008	16,635,583	4,633,069	855,000	12,137,378
2009	15,507,512	4,073,432	785,000	11,821,167
2010	14,438,031	3,539,232	790,736	11,442,351
2011	13,622,081	3,105,032	668,380	11,110,879
2012	12,534,601	2,670,832	638,643	11,181,616
2013	11,445,125	2,236,632	3,528,935	10,949,455
2014	10,973,102	1,802,432	3,214,023	10,884,239

Notes:

(1) See demographic statistics on Table 13.

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

Table 10

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 35,988,292	7.57%	\$ 2,499
34,934,399	7.62%	2,470
34,351,991	6.98%	2,371
34,261,030	6.55%	2,264
32,187,111	5.73%	2,060
30,210,350	5.13%	1,890
28,506,372	4.60%	1,789
27,025,692	4.24%	1,688
28,160,147	-	1,712
26,873,796	-	1,664

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service
2004-05	14,515	\$ 1,172,636,946	\$ 20,316,893	\$ -
2005-06	14,141	1,336,935,265	19,077,720	-
2006-07	14,487	1,395,622,550	17,852,301	-
2007-08	15,133	1,684,519,040	16,635,583	-
2008-09	15,627	1,948,080,592	15,507,512	-
2009-10	15,987	1,951,759,141	14,438,031	-
2010-11	15,935	1,959,156,921	13,622,081	-
2011-12	16,014	1,940,889,318	12,534,601	-
2012-13	16,448	1,951,239,703	11,445,125	1,088,179
2013-14	16,148	1,947,593,642	10,973,102	1,093,287

Notes:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm).

(2) Amounts taken from Table 6.

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

Table 11

	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
\$	20,316,893	1.73%	\$ 1,400
	19,077,720	1.43%	1,349
	17,852,301	1.28%	1,232
	16,635,583	0.99%	1,099
	15,507,512	0.80%	992
	14,438,031	0.74%	903
	13,622,081	0.70%	855
	12,534,601	0.65%	783
	10,356,946	0.53%	630
	9,879,815	0.51%	612

COUNTY OF KING WILLIAM, VIRGINIA

Table 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2014

(Unaudited)

		Debt Outstanding
County of King William	100%	\$ 26,873,796

The County of King William has no overlapping debt.

COUNTY OF KING WILLIAM, VIRGINIA

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2004-05	14,515	\$ 32,771	\$ 475,672,000	1,899	3.50%
2005-06	14,141	32,404	458,224,964	2,000	2.60%
2006-07	14,487	33,969	492,108,903	2,099	2.80%
2007-08	15,133	34,574	523,208,342	2,169	3.70%
2008-09	15,627	35,925	561,399,975	2,157	7.40%
2009-10	15,987	36,802	588,353,574	2,191	7.00%
2010-11	15,935 ⁽²⁾	38,882 ⁽³⁾	619,584,670	2,200	6.60%
2011-12	16,014 ⁽²⁾	39,847	638,109,858	2,187	6.10%
2012-13	16,448 ⁽²⁾	-	-	2,179	5.10%
2013-14	16,148 ⁽²⁾	-	-	2,193	5.50%

Sources:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm)

(2) Weldon Cooper Estimates for Virginia and its Counties and Cities, provisional estimate for FY 2013 and FY 2014

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

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

(5) Virginia Employment Commission

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	Fiscal Year June 30,					
	2014			2005		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Alliance Group -RockTenn	500 to 999	1	9.06%	-	-	-
King William County School Board	250 to 499	2	4.53%	250 to 499	2	4.83%
Nestle Purina Petcare Company	100 to 249	3	2.11%	50 to 99	8	0.96%
Town of West Point School Board	100 to 249	4	2.11%	100 to 249	4	2.25%
County of King William	100 to 249	5	2.11%	100 to 249	6	2.25%
Food Lion	100 to 249	6	2.11%	50 to 99	9	0.96%
Virginia Log Company	50 to 99	7	0.90%	100 to 249	5	2.25%
Riverside Regional Medical Center	50 to 99	8	0.90%	-	-	-
H&R Block	50 to 99	9	0.90%	-	-	-
McDonald's	50 to 99	10	0.90%	-	-	-
Smurfit - Stone Container Corp.	-	-	-	500 to 999	1	9.67%
On Site Resource	-	-	-	250 to 499	3	4.83%
Citizen's & Farmers Bank	-	-	-	100 to 249	7	2.25%
J. Saunders Construction Company	-	-	-	50 to 99	10	0.96%

Source: Virginia Employment Commission.

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COUNTY OF KING WILLIAM, VIRGINIA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government administration	17.3	18.9	17.5	18.5
Judicial administration	3.0	5.0	5.0	5.0
Public safety:				
Sheriff's department	30.4	30.3	31.0	32.0
E911/Dispatch	-	-	-	-
Emergency services	-	1.0	1.0	1.0
Community connection program	2.0	2.6	2.5	2.5
Building inspections	5.0	6.0	5.0	5.0
Animal control	2.0	2.0	2.0	2.0
Public works:				
General maintenance	7.0	6.5	7.0	7.5
Water utility	-	-	-	-
Litter control	0.2	0.7	0.6	0.6
Health and welfare:				
Department of social services	12.0	12.0	12.0	11.0
Culture and recreation:				
Parks and recreation	2.0	4.0	4.0	4.0
Community development:				
Planning	5.0	5.0	4.0	4.0
Totals	85.9	94.0	91.6	93.1

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

Table 15

June 30,					
2009	2010	2011	2012	2013	2014
17.5	17.5	17.1	12.0	23.8	23.8
4.0	4.0	4.0	4.0	4.0	4.0
32.0	32.0	32.0	29.0	20.2	20.2
-	-	-	-	11.0	11.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	3.0	3.0	3.0	2.8	2.8
4.0	4.0	4.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.2	2.2
8.5	8.5	8.5	4.0	4.0	4.0
-	-	-	-	1.0	1.0
0.6	0.6	0.6	0.6	-	-
13.3	13.3	13.3	13.7	13.6	13.6
3.0	3.0	3.0	3.0	13.0	5.4
5.0	5.0	5.0	4.0	4.0	4.0
93.9	93.9	93.5	78.3	102.6	95.0

COUNTY OF KING WILLIAM, VIRGINIA

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Last Ten Fiscal Years

(Unaudited)

Function/Activity		Fiscal Year			
		2005	2006	2007	2008
Sheriff	Physical arrests	701	809	744	688
	Traffic violations	998	750	683	1,050
Fire/EMS Protection	Number of stations	4	3	3	3
	Number of EMS calls answered	235	235	496	210
	Number of Fire calls answered	-	-	-	-
	Number of inspections conducted	25	25	25	25
Community Development	Residential building permits	1,943	1,734	1,713	1,316
	Commercial building permits	-	-	-	-
	Signage/Demolition/Leasehold Usage	-	-	-	-
Planning	Zoning Permits	-	-	-	-
	Land Disturbing Permits	-	-	-	-
Parks and Recreation	Program participants	8,562	8,287	9,460	13,637
Water/Sewer	Service connections	87	124	157	291
	Average daily consumption in gallons	46,300	66,518	96,712	87,100

Source: Finance Department

Note:

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

Table 16

June 30,					
2009	2010	2011	2012	2013	2014
779	855	873	825	576	583
884	715	618	539	617	726
3	3	3	3	3	3
1,863	1,819	2,359	1,575	1,659	1,561
-	-	-	-	394	279
31	31	31	31	31	31
808	546	507	492	431	530
-	-	-	-	-	59
-	-	-	-	-	12
-	-	-	-	-	186
-	-	-	-	-	82
14,377	8,938	10,256	5,807	3,964	1,575
312	328	340	413	223	241
96,712	82,419	103,948	56,744	59,129	54,434

COUNTY OF KING WILLIAM, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
General government:				
General government administration:				
Administration buildings	1	1	1	1
Public safety:				
Police protection:				
Number of stations	1	1	1	1
Patrol units	25	25	27	26
Building inspections:				
Vehicles	4	4	4	4
Animal control:				
Vehicles	2	2	2	2
Emergency services:				
Vehicles	-	-	3	3
Public works:				
General maintenance:				
Trucks/vehicles	7	8	8	8
Landfill:				
Vehicles	1	1	1	1
Sites (Including transfer sites)	4	4	4	4
Health and welfare:				
Department of Social Services:				
Vehicles	2	2	3	3
Culture and recreation:				
Community Centers	1	1	1	1
Parks	1	1	1	1
Park acreage	51	51	51	51
Baseball/softball fields	4	4	4	4
T-ball fields	3	3	3	3
Soccer fields	2	2	2	2
Basketball courts	2	2	2	2
Water system:				
Miles of water mains	1	1	10	11
Number of fire hydrants	8	8	55	55
Sewer system:				
Miles of sewer mains	4	4	13	13
Component Unit - School Board:				
Education:				
Number of Elementary Schools	2	2	2	2
Number of Middle Schools	1	1	1	1
Number of Secondary Schools	1	1	1	1
Number of school buses	40	40	42	45

Source: Finance Department

Table 17

June 30,					
2009	2010	2011	2012	2013	2014
1	1	2	2	2	2
1	1	1	1	1	1
26	26	29	29	23	23
4	4	2	2	1	1
2	2	2	3	3	3
3	2	2	2	1	1
8	10	6	10	4	4
1	1	1	-	-	-
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	2
51	51	51	51	51	82
3	3	3	3	3	3
3	3	3	3	3	3
1	1	1	1	1	-
2	2	2	2	2	2
11	11	11	11	16	14
63	67	67	67	91	101
13	13	13	13	18	16
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
47	44	44	44	46	46

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2014

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2014

www.kingwilliamcounty.us

COMPLIANCE SECTION

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COMPLIANCE SECTION

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ 119,308
<u>Virginia Department of Agriculture and Consumer Services:</u>			
Child Nutrition Cluster:			
Commodity Distributions	Not Provided	10.555	50,515
<u>Virginia Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	40623	10.553	106,793
National School Lunch Program	40623	10.555	320,870
Total Child Nutrition Cluster			478,178
Total Department of Agriculture			597,486
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	63,497
Total Department of Defense			63,497
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Direct payments:</u>			
Bulletproof Vests Partnership Program		16.607	856
Federal Forfeiture - Equitable Sharing Program		16.922	2,137
			2,993
<u>Pass-through payments:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	13-O1152L012	16.738	721
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance			3,714
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Motor Vehicles:</u>			
State and Community Highway Safety	SC-2013-53192-4907-20.600	20.600	940
Alcohol Impaired Driving Countermeasures Incentive Grants	K8-2013-53110-20.601	20.601	431
Total Department of Transportation			1,371
DEPARTMENT OF TREASURY:			
<u>Pass-through payments:</u>			
<u>Office of Attorney General:</u>			
Federal Forfeiture - Equitable Sharing Program	Not provided	21.000	57,980
Total Department of Treasury			57,980

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:			
<u>Direct payments:</u>			
<u>Department of Education:</u>			
Indian Education - Grants to Local Educational Agencies		84.060	\$ 11,095
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	429010000	84.010	257,291
Special Education Cluster:			
Special Education - Grants to States	430710000	84.027	480,441
Special Education - Preschool Grants	625210000	84.173	13,777
Total Special Education Cluster			494,218
Vocational Education - Basic Grants to States	610950000	84.048	25,875
Advanced Placement Program	609570000	84.330	765
Improving Teacher Quality State Grants	614800000	84.367	132,945
			911,094
Total Department of Education			922,189
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	4,487
Temporary Assistance to Needy Families	Not Provided	93.558	101,960
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	623
Low-Income Home Energy Assistance	Not Provided	93.568	10,415
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	15,598
Chafee Education and Training Vouchers Program (ETV)	Not Provided	93.599	548
Child Welfare Services - State Grants	Not Provided	93.645	719
Foster Care - Title IV-E	Not Provided	93.658	43,383
Adoption Assistance	Not Provided	93.659	51,948
Social Services Block Grant	Not Provided	93.667	66,545
Chafee Foster Care Independent Living	Not Provided	93.674	812
State Children's Insurance Program	Not Provided	93.767	3,311
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	99,970
Total Department of Health and Human Services			400,319
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
<u>Federal Emergency Management Agency:</u>			
Staffing for Adequate Fire and Emergency Response		97.083	172,217
<u>Pass-through payments:</u>			
<u>Department of Emergency Management:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Not Provided	97.036	14,134
Emergency Management Performance Grants	Not Provided	97.042	31,000
Homeland Security Grant Program	Not Provided	97.067	49,680
			94,814
Total Department of Homeland Security			267,031
Total Federal Awards Expended			\$ 2,313,587

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

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

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

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of King William, Virginia and its component unit were determined using a risk-based approach in accordance with OMB Circular A-133.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$50,515 at the time received were consumed during the year ended June 30, 2014. These commodities were included in the determination of federal awards expended during the year ended June 30, 2014.

Note 3. Relationship to the Basic Financial Statements

For fiscal year 2014, the County recognized amounts in the Schedule of Expenditures of Federal Awards (SEFA) associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current year, \$103,693 of prior year expenditures related to the following grants were included in the SEFA:

Bulletproof Vests Partnership Program (CFDA # 16.607)	\$ 542
Title I Grants to Local Educational Agencies (CFDA # 84.010)	31,525
Improving Teacher Quality State Grants (CFDA # 84.367)	57,492
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA # 97.036)	<u>14,134</u>
	\$ <u>103,693</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 22, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency.

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 a material misstatement of the County'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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2014-003.

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.

PBMares, LLP

Harrisonburg, Virginia
November 22, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (County) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, circular, and specifications require 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 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.

Basis for Qualified Opinion on the Title I Program

As described in the accompanying Schedule of Findings and Questioned Costs, the School Board did not comply with the requirement regarding CFDA 84.010, Title I Grants to Local Educational Agencies, as described in finding number 2014-005 for Eligibility. Compliance with the requirement is necessary, in our opinion, for the School Board to meet the requirements applicable to this program.

Qualified Opinion on the Title I Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-005. Our opinion on the major federal program is qualified with respect to this matter.

The School Board's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that were not identified.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-004 to be a material weakness. 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.

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

PBMares, LLP

Harrisonburg, Virginia
November 22, 2014

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> √ </u> No
Significant deficiencies identified?	<u> √ </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> √ </u> Yes	<u> </u> No

Federal awards

Internal control over major programs:

Material weaknesses identified?	<u> √ </u> Yes	<u> </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> √ </u> None Reported

Type of auditor's report issued on compliance for major programs:

- Qualified for the CFDA 84.010, Title I Grants to Local Educational Agencies – Eligibility
- Unmodified for all applicable compliance requirements of the Title I Grants to Local Educational Agencies and for all other major programs and applicable compliance requirements

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? √ Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions

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

Auditee qualified as low-risk auditee? Yes √ No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

A. Significant Deficiency in Internal Control

2014-001: Significant Deficiency in Lacking Segregation of Duties over School Payroll

Requirement: Duties related to significant accounting processes, including payroll, should be segregated to the fullest extent, to avoid potential fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition: In auditing the internal control over the School Board's payroll system, it was determined controls over new employee setup in the system were not segregated from the payroll function until the second month of the fiscal year. During this time, the same individual was able to access and update the employee master file, as well as input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank. Additional procedures are in the process of being implemented by the School Board to mitigate the lack of segregation of duties; however, those procedures were not yet fully implemented at year end.

Effect: The potential effect of this lack of segregation of duties over these functions could allow for errors and defalcations within payroll. Furthermore, the lack of segregation also creates an environment in which there is more potential for human error, which could go undetected. Lastly, having only one individual trained in the payroll process could be detrimental to the School Board in the event of an untimely absence and could potentially cause unwanted delays or processing errors.

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

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings

2014-002: Lack of Compliance with the Virginia Public Procurement Act

The County is required to adhere to the Virginia Public Procurement Act of the *Code of Virginia*. During the audit for fiscal year 2014, we noted the County did not comply with the Virginia Public Procurement Act when purchasing certain services. We noted vendors were being used after contracts had expired and the services had not been re-bid, as well as methods that were used to determine the price of each phase and component of a project instead of examining the total project cost, which would have resulted in the need for quotes.

We recommend the County adhere to the Virginia Public Procurement Act, in an effort to prevent the risk of circumventing controls over purchasing and a procedure be put in place to monitor when contracts end once awarded.

2014-003: Lack of Compliance with the Conflict of Interest Act

The State and Local government Conflict of Interest Act (the Act) is designed to ensure the judgment of public employees is not compromised or affected by inappropriate conflicts. The Act prohibits local government officers or employees from participating in certain transactions. Statements of economic interests are required to be filed with the clerk of the governing body by January 15 of each year. We noted two of the economic interest statements were not filed on a timely basis.

We recommend all required economic disclosure forms be completed by January 15th of each year as required.

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2014-004: Material Weakness - Allowable Costs

Program: Special Education Cluster (CFDA Numbers 84.027 and 84.173) and Title I Grants to Local Educational Agencies (CFDA Number 84.010)– U.S. Department of Education – Commonwealth of Virginia Department of Education.

Requirements: OMB Circular A-87, Attachment B 11(h) – “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

Condition: The required semi-annual certifications were completed annually by some employees instead of semi-annually. One certification examined lacked the employee’s signature, one certification certified a future time period, and another certification was for the incorrect federal program. There are inadequate internal controls for review procedures of time certifications to ensure their accuracy. Although time certifications were completed, they were not completed accurately.

Effect: Noncompliance with OMB Circular A-87 may result in reduced funding for these programs.

Questioned costs: Undeterminable.

Recommendation: The School Board should develop control procedures to ensure employees complete and sign certifications of time charged to federal programs after they have worked that time as required by OMB Circular A-87.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

2014-005: Noncompliance - Eligibility

Program: Title I Grants to Local Educational Agencies (CFDA 84.010) – U.S. Department of Education – Commonwealth of Virginia Department of Education

Requirements: With Targeted Assistance schools, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the local education agency and supplemented by the school. A school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing.

Condition: Within our sample, it was determined eligibility approval documentation was not maintained for all students selected from Acquinton Elementary School. Supporting documentation for the eligibility determination, including test scores, was not available for two of the students selected for testing. The supporting documentation for one of the students selected for testing indicated the student was proficient and not in need of Title I services. Because documentation was not maintained, it is not possible to determine whether students selected to receive Title I services were ranked in order of those children with the greatest need for special assistance.

Effect: Noncompliance with OMB Circular A-87 may result in reduced funding for this program.

Questioned costs: Undeterminable.

Recommendation: Documentation supporting eligibility determinations, including test scores, teacher observations, or other objective criteria should be maintained for all students receiving Title I services in the Targeted Assistance program. Administrative approval of the eligibility determination should also be maintained.

COUNTY OF KING WILLIAM, VIRGINIA

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2014

Identifying Number: 2014-001 Significant Deficiency in Lacking Segregation of Duties over School Payroll

Finding:

Certain employees at the School Board had the ability to setup new employees, input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank. Procedures are being implemented to segregate these duties, but were not fully implemented by year end.

Corrective Action Taken or Planned:

Beginning with the second month of the fiscal year, the payroll clerk no longer had access to the employee setup, salary change, and new deduction setup functions. These functions were moved to the budget financial coordinator at that time. Internal control has been further strengthened by moving the new employee setup function, as well as salary changes to human resources. Cross-training is almost complete at this time, with assistance being provided by the budget office as needed.

Identifying Number: 2014-002 Lack of Compliance with the Virginia Public Procurement Act

Finding:

The Virginia Public Procurement Act of the *Code of Virginia* was not adhered to in certain instances at the County.

Corrective Action Taken or Planned:

County staff concurs with the assessment that public procurement policies were not followed by County departments. These issues were identified as part of the audit of fiscal year 2013 and the County has started to take steps to mitigate procurement problems. It is important to note that County has issued numerous invitations for bid (IFB) and request for proposals (RFP) in fiscal year 2014. The County still recognizes the need for additional staff for procurement, qualified staff to take on County's procurement documentation, and training for current staff of the County to solve this problem completely. County management will recommend additional training in the fiscal year 2016 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2014**

Identifying Number: 2014-003 Lack of Compliance with the Conflict of Interest Act

Finding:

Two Statements of Economic Interest were not filed with the clerk of the governing body in a timely manner.

Corrective Action Taken or Planned:

County staff concurs that the filing deadlines were not met for two officials. Staff will continue to notify those required to file reports at least one week prior to the deadline if the reports have not been submitted. If reports are not timely filed, a list of those failing to file will be provided to the Commonwealth Attorney. The form and filing requirement instructions will continue to be delivered to those elected and appointed officials required to file at least 30 days before the filing deadline.

Identifying Number: 2014-004 Allowable Costs

Finding:

OMB Circular A-87 requires time certifications be completed at least semi-annually by all employees expected to work solely on a single Federal award or cost objective. Time certifications were not completed accurately by employees working under the Special Education Cluster and Title I Grants to Local Educational Agencies programs.

Corrective Action Taken or Planned:

In order to ensure all employees accurately complete time certifications, specific due dates have been established by administration. Employees will receive additional training concerning this requirement and the assistant Superintendent of Instruction will review all certifications to ensure accuracy.

Identifying Number: 2014-005 Eligibility

Finding:

Eligibility approval documentation was not maintained for all students selected for testing. Because documentation was not maintained, it is not possible to determine whether students selected to receive Title I services were ranked in order of those children with the greatest need for special assistance.

Corrective Action Taken or Planned:

The employee that knowingly failed to maintain the proper documents is no longer paid using Title I funds. The School Board no longer allocates Title I funding to the school that was in non-compliance. All Title I funds are now supporting programs at Cool Spring Elementary. Administration will review eligibility approval documents semi-annually, in conjunction with the completion of time certifications.

COUNTY OF KING WILLIAM, VIRGINIA

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

Identifying Number: 2013-01 Material Weakness Due to Material Audit Adjustments

Finding:

Material audit adjustments were made to the original trial balance. The most significant audit adjustments related to the recordation of capital assets.

Corrective Action Taken or Planned:

County staff concurs with the assessment that policies, lack of training, and personnel are all responsible for this understatement of capital assets since 2003. The County has taken positive steps in fiscal year 2014 to address future problems related to financial reporting of the County. County staff is actively identifying policies that need to be addressed by the Board. The County would still need additional staff to “manage” large capital project budgets, qualified staff to take on policy revisions, and training for current staff around the County to solve these problems completely. County management will recommend additional staff and training requirements in the fiscal year 2015 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

Identifying Number: 2013-02 Significant Deficiency in Lacking Segregation of Duties over School Payroll

Finding:

Some employee contracts were not up-to-date for the current school year and some employees were not being paid in accordance with their signed contract. Also, the payroll clerk at the School Board had the ability to setup new employees, input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank.

Corrective Action Taken or Planned:

Although several employees were not paid in accordance with their contracts, all employees except for one part-time employee were being paid the correct salary. Several wrong contracts had not been updated to reflect position changes during the year. As of November 2013, generation and review of contracts was transferred to the Human Resources department.

As of August 2013, the payroll clerk could no longer access the employee master file. The entering of new employees into the payroll system and subsequent changes are now entered by the Budget Financial Coordinator. These functions were scheduled to be transferred to the Human Resources department during the 2013-2014 fiscal year but were delayed. The direct deposit remittance that is faxed to the bank is now signed by the Budget Financial Coordinator instead of the payroll clerk.

COUNTY OF KING WILLIAM, VIRGINIA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Identifying Number: 2013-03 Lack of Compliance with the Virginia Public Procurement Act

Finding:

The Virginia Public Procurement Act of the *Code of Virginia* was not adhered to in certain instances at both the County and the School Board.

Corrective Action Taken or Planned:

County:

County staff concurs with the assessment public procurement policies were not followed by County departments. The County identified these issues prior to the audit of fiscal year 2013 and started to take steps to mitigate future procurement problems. It is important to note that County staff in September 2013, pursued certification from the Commonwealth as a procurement officer, staff has engaged the commonwealth procurement office for system training on the state procurement system (eVa), and has issued numerous invitations for bid (IFB) and request for proposals (RFP) in fiscal year 2013 and subsequently in fiscal year 2014. With all that in place, the County still recognizes the need for additional staff for procurement, qualified staff to take on County's procurement policy revisions, and training for current staff/volunteers around the County to solve this problem completely. County management will recommend additional staff and training requirements in the fiscal year 2015 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

School Board:

All phases of related projects are now combined when applying procurement policy.

Identifying Number: 2013-04 Lack of Documented Approval of Budget Amendments and Expenditures in Excess of Budget

Finding:

Expenditures were greater than budgeted appropriations in the Capital Projects Fund and amendments were not properly approved, as required by the *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia*.

Corrective Action Taken or Planned:

County staff concurs there was a single large budget entry that was processed without a corresponding resolution of approval from the County Board of Supervisors in fiscal year 2013. The budget adjustment was an actual decrease in budget authority for the County in response to an out of balance based budget for the original budget showed transfers in of \$3.3 million for capital projects in the General Fund with no subsequent transfer out from another fund that had proceeds to cover the projects. When this was discovered by staff in fiscal year 2013, the unspent budget authority in the General Fund was removed and subsequent Board resolutions were completed by the Board for specific projects in the capital project funds in fiscal year 2013. Due to the fact, the initial decrease was not approved by the Board; the entry was not in compliance with the *Code of Virginia*. All future budget adjustment increases or decreases will be approved by the Board prior to entry in the accounting system. A single spreadsheet showing the budget and expenditures, by department and fund, is shared with the Board each month to ensure they are made aware of all current spending and authority to spend for all facets of the County operations.

COUNTY OF KING WILLIAM, VIRGINIA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Identifying Number: 2013-05 Lack of Adherence to Employee Contracts

Finding:

Certain School Board employees were not being paid in accordance with their most current contract.

Corrective Action Taken or Planned:

Although several employees were not paid in accordance with contract, all employees except for one part-time employee were being paid the correct salary, in accordance with the salary scales. The several wrong contracts had not been updated to reflect position changes during the year. As of November 2013, generation and review of contracts was transferred to the Human Resources department. The finance department also reviews the contract amounts.

Identifying Number: 2013-06 Lack of Tracking of Capital Assets and Knowledge of Procurement Policies

Finding:

Capital assets purchased or donated by the School Activity Funds are not currently being recorded. There is also a lack of knowledge of the School Board's purchasing policies in relation to these capital assets.

Corrective Action Taken or Planned:

School Principals have received additional instruction and training in relation to capital asset additions and purchasing policies.

Identifying Number: 2013-07 Lack of Segregation of Child Welfare Trust Funds at the Department of Social Services

Finding:

Separate accounts for all Child Welfare Trust funds had not been established as required by the *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia*.

Corrective Action Taken or Planned:

Social Services Board and County:

County staff concurs with the finding that Social Services was commingling Child Welfare Trust Funds with other funds and monthly reconciliations were not being done by staff to reconcile individual children accounts with the County Treasurer's office. The County identified this issue prior to the audit of fiscal year 2014 and started to take steps to clear the fund. County staff involved the auditors with clarifying liability entries and in January 2014 County staff transferred all unrelated revenues that had not been spent by the Department of Social Services to the General Fund to clear the fund to children only accounts.

COUNTY OF KING WILLIAM, VIRGINIA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Identifying Number: 2013-07 Lack of Segregation of Child Welfare Trust Funds at the Department of Social Services (Continued)

Corrective Action Taken or Planned: (Continued)

Future corrective action is to follow State guidelines for the Child Welfare Trust Account/Special Welfare by having County staff/Treasurer follow up on monthly reconciliation of children accounts from Social Services staff, and limiting deposit capability to children related accounts only.

Identifying Number: 2013-08 Lack of Termination of Access Privileges at the Department of Social Services

Finding:

Certain terminated employees had access privileges to the Virginia Department of Social Services system for a period longer than three working days after their termination. The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require these privileges be removed within three working days of the employment termination.

Corrective Action Taken or Planned:

Social Services Board and County:

County staff concurs with the finding that Social Services did not follow State guidelines for removal of employees from the system three days after separation from employment. The employee ID in the system was left active by the Department of Social Services for two months after the employee had separated from employment. The Department of Social Services feels there was extenuating circumstances with this employee and following the State guidelines could have led to missing information in the system on cases that were assigned to the former social worker if the employee ID was deleted.

Future corrective action will be done by County staff to develop a comprehensive post-employment checklist in Human Resources that identifies systems, access, and other employee privileges that their supervisor is responsible for securing after employment and County staff will insure compliance by all County and Social Services staff in the future.

COUNTY OF KING WILLIAM, VIRGINIA

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

Identifying Number: 2013-09 Allowable Costs

Finding:

OMB Circular A-87 requires time certifications be completed at least semi-annually by all employees expected to work solely on a single Federal award or cost objective. Time certifications were not completed by any employees working under the Special Education Cluster federal award.

Corrective Action Taken or Planned:

Appropriate personnel were not aware of the time certification requirement for the Special Education Cluster. Time certifications for the first half of the current fiscal year were completed by December 19, 2013.

Identifying Number: 2013-10 Special Tests and Provisions

Finding:

Virginia Administrative Code Title 8, Section 20-81-70 requires the reevaluation of students at least once every three years for students receiving Special Education services. One student's reevaluation was not completed within the three years of the student's prior evaluation.

Corrective Action Taken or Planned:

The need for adherence to established controls has been communicated to appropriate personnel.



KING WILLIAM COUNTY

ESTABLISHED 1702

