

COUNTY OF KING & QUEEN,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

COUNTY OF KING & QUEEN, VIRGINIA

BOARD OF SUPERVISORS

James "Jim" Burns, Chairperson

Sherrin Alsop
R. F. Bailey, Jr.

Doris H. Morris, Vice Chairperson
J. Lawrence Simpkins

COUNTY SCHOOL BOARD

Harwood Hall, Chairperson

Celestine Gaines
Brenda Lee

Shannon L. Amos
Howard Hill, Vice Chairperson

SOCIAL SERVICES BOARD

Kelly Bailey, Chairperson

Angela Alley
Celestine Gaines, Vice Chairperson

Bette Albert
Doris Morris

OTHER OFFICIALS

Judge of the Circuit Court
Clerk of the Circuit Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Director of Social Services
County Administrator
Clerk of the School Board
County Attorney

B. Elliott Bondurant
Vanessa Porter
Charles Adkins
Kelly N. Lumpkin
Irene Longest
John R. Charboneau
Dr. Carol B. Carter
Betty Dougherty
Thomas J. Swartzwelder
Anne T. Kennedy
Thomas J. Swartzwelder

COUNTY OF KING & QUEEN, VIRGINIA

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FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 90-91, and 92-110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of King and Queen, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

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

Robinson, Farner, Cox Associates

Richmond, Virginia
October 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$33,155,507 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$1,116,393 (Exhibit 5) after making contributions totaling \$4,215,206 to the School Board.

< As of the close of the current fiscal year; the County's funds reported ending fund balances of \$26,539,631, an increase of \$1,116,393 in comparison with the prior year.

< At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,630,452, or 71% of total general fund expenditures and other uses.

< The combined long-term obligations decreased \$1,549,388 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements(Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,155,507 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of King and Queen, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 27,582,444	\$ 26,472,720	\$ 175,263	\$ 167,279	\$ 27,757,707	\$ 26,639,999
Capital assets	6,777,393	6,534,082	318,283	347,476	7,095,676	6,881,558
Total assets	\$ 34,359,837	\$ 33,006,802	\$ 493,546	\$ 514,755	\$ 34,853,383	\$ 33,521,557
Deferred outflows of resources	\$ 230,835	\$ 195,909	\$ -	\$ -	\$ 230,835	\$ 195,909
Current liabilities	\$ 334,952	\$ 446,336	\$ -	\$ 17,537	\$ 334,952	\$ 463,873
Long-term liabilities outstanding	1,319,512	2,868,900	-	-	1,319,512	2,868,900
Total liabilities	\$ 1,654,464	\$ 3,315,236	\$ -	\$ 17,537	\$ 1,654,464	\$ 3,332,773
Deferred inflows of resources	\$ 274,247	\$ 514,167	\$ -	\$ -	\$ 274,247	\$ 514,167
Net position:						
Investment in capital assets	\$ 6,777,393	\$ 6,534,082	\$ 318,283	\$ 347,476	\$ 7,095,676	\$ 6,881,558
Restricted	224,623	210,062	-	-	224,623	210,062
Unrestricted	25,659,945	22,629,164	175,263	149,742	25,835,208	22,778,906
Total net position	\$ 32,661,961	\$ 29,373,308	\$ 493,546	\$ 497,218	\$ 33,155,507	\$ 29,870,526

Government-wide Financial Analysis (Continued)

The County's net position increased \$3,284,981 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of King and Queen, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,084,859	\$ 3,059,886	\$ 176,394	\$ 183,168	\$ 3,261,253	\$ 3,243,054
Operating grants and contributions	2,611,459	2,428,003	-	-	2,611,459	2,428,003
Capital grants and contributions	256,804	378,263	-	-	256,804	378,263
General revenues:						
General property taxes	7,433,096	7,088,719	-	-	7,433,096	7,088,719
Other local taxes	715,421	681,774	-	-	715,421	681,774
Grants and other contributions not restricted	1,036,085	1,285,109	-	-	1,036,085	1,285,109
Other general revenues	813,536	520,301	122	86	813,658	520,387
Total revenues	\$ 15,951,260	\$ 15,442,055	\$ 176,516	\$ 183,254	\$ 16,127,776	\$ 15,625,309
Expenses:						
General government						
administration	\$ 1,446,801	\$ 1,282,392	-	-	\$ 1,446,801	\$ 1,282,392
Judicial administration	629,357	607,044	-	-	629,357	607,044
Public safety	4,158,939	3,822,281	-	-	4,158,939	3,822,281
Public works	(1,351,672)	664,226	-	-	(1,351,672)	664,226
Health and welfare	1,699,109	1,518,721	-	-	1,699,109	1,518,721
Education	5,569,287	4,557,794	-	-	5,569,287	4,557,794
Parks, recreation, and cultural	185,149	180,484	-	-	185,149	180,484
Community development	325,637	417,948	-	-	325,637	417,948
Wireless service authority	-	-	180,188	194,760	180,188	194,760
Total expenses	\$ 12,662,607	\$ 13,050,890	\$ 180,188	\$ 194,760	\$ 12,842,795	\$ 13,245,650
Change in net position	\$ 3,288,653	\$ 2,391,165	\$ (3,672)	\$ (11,506)	\$ 3,284,981	\$ 2,379,659
Beginning of year	29,373,308	26,982,143	497,218	508,724	29,870,526	27,490,867
End of year	<u>\$ 32,661,961</u>	<u>\$ 29,373,308</u>	<u>\$ 493,546</u>	<u>\$ 497,218</u>	<u>\$ 33,155,507</u>	<u>\$ 29,870,526</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$26,539,631, an increase of \$1,116,393 in comparison with the prior year. Approximately 40% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$175,263. The total decrease in net position was \$3,672. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year, revenues and other sources were greater than budgetary estimates by \$1,407,533. Expenditures and other uses were less than budgetary estimates by \$2,055,123, resulting in a positive variance of \$3,462,656.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounts to \$6,777,393 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

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

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

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2020 fiscal year.

The fiscal year 2020 general fund budget decreased approximately 3.5%. All tax rates remained the same as in 2019.

Requests for Information

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

County of King and Queen, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	Industrial
	<u>Activities</u>	<u>Activities</u>		<u>Board</u>	<u>Authority</u>
ASSETS					
Cash and investments	\$ 26,449,084	\$ 161,022	\$ 26,610,106	\$ 822,038	\$ 227,633
Receivables (net of allowance for uncollectibles):					
Taxes receivable	567,442	-	567,442	-	-
Accounts receivable	82,396	14,241	96,637	23,318	-
Due from other governmental units	308,763	-	308,763	279,620	-
Prepaid items	27,858	-	27,858	74,148	-
Net pension asset	146,901	-	146,901	663,039	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	251,293	-	251,293	39,639	516,019
Buildings and improvements	2,684,200	-	2,684,200	4,341,673	19,937
Machinery and equipment	3,133,946	12,908	3,146,854	443,022	-
Infrastructure	707,954	290,735	998,689	-	-
Construction in progress	-	14,640	14,640	1,441,955	-
Total assets	<u>\$ 34,359,837</u>	<u>\$ 493,546</u>	<u>\$ 34,853,383</u>	<u>\$ 8,128,452</u>	<u>\$ 763,589</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related items	\$ 27,414	\$ -	\$ 27,414	\$ 194,107	\$ -
Pension related items	203,421	-	203,421	947,649	-
Total deferred outflows of resources	<u>\$ 230,835</u>	<u>\$ -</u>	<u>\$ 230,835</u>	<u>\$ 1,141,756</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 193,369	\$ -	\$ 193,369	\$ 221,519	\$ -
Accrued liabilities	61,345	-	61,345	921,005	75,000
Accrued interest payable	-	-	-	14,193	-
Unearned revenue	80,238	-	80,238	-	-
Long-term liabilities:					
Due within one year	24,501	-	24,501	82,404	-
Due in more than one year	1,295,011	-	1,295,011	9,411,348	-
Total liabilities	<u>\$ 1,654,464</u>	<u>\$ -</u>	<u>\$ 1,654,464</u>	<u>\$ 10,650,469</u>	<u>\$ 75,000</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 55,321	\$ -	\$ 55,321	\$ -	\$ -
OPEB related items	18,000	-	18,000	53,680	-
Pension related items	200,926	-	200,926	1,190,697	-
Total deferred inflows of resources	<u>\$ 274,247</u>	<u>\$ -</u>	<u>\$ 274,247</u>	<u>\$ 1,244,377</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 6,777,393	\$ 318,283	\$ 7,095,676	\$ 5,025,391	\$ 535,956
Restricted:					
Asset forfeiture	3,353	-	3,353	-	-
Court security	103,881	-	103,881	-	-
Various public safety programs	15,712	-	15,712	-	-
CDBG	101,677	-	101,677	-	-
Unrestricted (deficit)	25,659,945	175,263	25,835,208	(7,650,029)	152,633
Total net position	<u>\$ 32,661,961</u>	<u>\$ 493,546</u>	<u>\$ 33,155,507</u>	<u>\$ (2,624,638)</u>	<u>\$ 688,589</u>

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

County of King and Queen, Virginia
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,446,801	\$ -	\$ 205,721	106,133
Judicial administration	629,357	246,291	302,871	-
Public safety	4,158,939	277,233	744,600	150,671
Public works	(1,351,672)	-	-	-
Health and welfare	1,699,109	-	1,296,785	-
Education	5,569,287	-	47,085	-
Parks, recreation, and cultural	185,149	-	1,000	-
Community development	325,637	2,561,335	13,397	-
Total governmental activities	<u>\$ 12,662,607</u>	<u>\$ 3,084,859</u>	<u>\$ 2,611,459</u>	<u>\$ 256,804</u>
Business-type activities:				
Wireless Service Authority	\$ 180,188	\$ 176,394	\$ -	\$ -
Total business-type activities	<u>\$ 180,188</u>	<u>\$ 176,394</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 12,842,795</u>	<u>\$ 3,261,253</u>	<u>\$ 2,611,459</u>	<u>\$ 256,804</u>
COMPONENT UNITS:				
School Board	\$ 10,605,724	\$ 86,970	\$ 6,648,525	\$ -
Industrial Development Authority	19,591	28,980	-	-
Total component units	<u>\$ 10,625,315</u>	<u>\$ 115,950</u>	<u>\$ 6,648,525</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Payments from King and Queen County				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	School Board	IDA		
\$ (1,134,947)	\$ -	\$ (1,134,947)	\$ -	\$ -		
(80,195)	-	(80,195)	-	-		
(2,986,435)	-	(2,986,435)	-	-		
1,351,672	-	1,351,672	-	-		
(402,324)	-	(402,324)	-	-		
(5,522,202)	-	(5,522,202)	-	-		
(184,149)	-	(184,149)	-	-		
2,249,095	-	2,249,095	-	-		
<u>\$ (6,709,485)</u>	<u>\$ -</u>	<u>\$ (6,709,485)</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ -	\$ (3,794)	\$ (3,794)	\$ -	\$ -		
\$ -	\$ (3,794)	\$ (3,794)	\$ -	\$ -		
<u>\$ (6,709,485)</u>	<u>\$ (3,794)</u>	<u>\$ (6,713,279)</u>	<u>\$ -</u>	<u>\$ -</u>		
			\$ (3,870,229)	\$ -		
			-	9,389		
			<u>\$ (3,870,229)</u>	<u>\$ 9,389</u>		
\$ 7,433,096	\$ -	\$ 7,433,096	\$ -	\$ -		
227,848	-	227,848	-	-		
185,773	-	185,773	-	-		
217,106	-	217,106	-	-		
84,694	-	84,694	-	-		
656,365	122	656,487	24	1,162		
157,171	-	157,171	97,657	-		
-	-	-	5,532,628	-		
1,036,085	-	1,036,085	-	-		
<u>\$ 9,998,138</u>	<u>\$ 122</u>	<u>\$ 9,998,260</u>	<u>\$ 5,630,309</u>	<u>\$ 1,162</u>		
\$ 3,288,653	\$ (3,672)	\$ 3,284,981	\$ 1,760,080	\$ 10,551		
29,373,308	497,218	29,870,526	(4,384,718)	678,038		
<u>\$ 32,661,961</u>	<u>\$ 493,546</u>	<u>\$ 33,155,507</u>	<u>\$ (2,624,638)</u>	<u>\$ 688,589</u>		

County of King and Queen, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 22,468,681	\$ 1,055,185	\$ 2,925,218	\$ 26,449,084
Receivables (net of allowance for uncollectibles):				
Taxes receivable	567,442	-	-	567,442
Accounts receivable	78,197	-	4,199	82,396
Due from other funds	17,702	-	-	17,702
Due from other governmental units	262,977	-	45,786	308,763
Prepaid items	27,858	-	-	27,858
Total assets	<u>\$ 23,422,857</u>	<u>\$ 1,055,185</u>	<u>\$ 2,975,203</u>	<u>\$ 27,453,245</u>
LIABILITIES				
Accounts payable	\$ 165,079	\$ -	\$ 28,290	\$ 193,369
Accrued liabilities	58,953	-	2,392	61,345
Due to other funds	-	-	17,702	17,702
Unearned revenue	80,238	-	-	80,238
Total liabilities	<u>\$ 304,270</u>	<u>\$ -</u>	<u>\$ 48,384</u>	<u>\$ 352,654</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 560,960	\$ -	\$ -	\$ 560,960
Total deferred inflows of resources	<u>\$ 560,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,960</u>
FUND BALANCES				
Nonspendable	\$ 27,858	\$ -	\$ -	\$ 27,858
Restricted	101,677	-	122,946	224,623
Committed	9,453,573	1,055,185	2,803,873	13,312,631
Assigned	2,344,067	-	-	2,344,067
Unassigned	10,630,452	-	-	10,630,452
Total fund balances	<u>\$ 22,557,627</u>	<u>\$ 1,055,185</u>	<u>\$ 2,926,819</u>	<u>\$ 26,539,631</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,422,857</u>	<u>\$ 1,055,185</u>	<u>\$ 2,975,203</u>	<u>\$ 27,453,245</u>

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

County of King and Queen, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 26,539,631
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 12,817,958	
Accumulated depreciation	<u>(6,040,565)</u>	6,777,393
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Unavailable revenue - property taxes	\$ 505,639	
Net pension asset	<u>146,901</u>	652,540
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
OPEB related items	\$ 27,414	
Pension related items	<u>203,421</u>	230,835
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Net OPEB liabilities	\$ (1,074,503)	
Compensated absences	<u>(245,009)</u>	(1,319,512)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB related items	\$ (18,000)	
Pension related items	<u>(200,926)</u>	(218,926)
Net Position of governmental activities		<u><u>\$ 32,661,961</u></u>

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

County of King and Queen, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 7,445,991	\$ -	\$ -	\$ 7,445,991
Other local taxes	715,421	-	-	715,421
Permits, privilege fees, and regulatory licenses	112,557	-	-	112,557
Fines and forfeitures	232,417	-	-	232,417
Revenue from the use of money and property	616,435	20,762	19,168	656,365
Charges for services	2,697,157	-	42,728	2,739,885
Miscellaneous	144,076	-	13,095	157,171
Recovered costs	24,729	-	-	24,729
Intergovernmental:				
Commonwealth	2,798,198	-	299,562	3,097,760
Federal	806,588	-	-	806,588
Total revenues	<u>\$ 15,593,569</u>	<u>\$ 20,762</u>	<u>\$ 374,553</u>	<u>\$ 15,988,884</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,336,459	\$ -	\$ -	\$ 1,336,459
Judicial administration	541,802	-	-	541,802
Public safety	3,753,749	-	39,312	3,793,061
Public works	628,202	-	5,061	633,263
Health and welfare	1,306,494	-	445,024	1,751,518
Education	4,221,377	-	-	4,221,377
Parks, recreation, and cultural	185,149	-	-	185,149
Community development	323,279	-	-	323,279
Nondepartmental	47,937	-	-	47,937
Capital projects	640,799	1,397,847	-	2,038,646
Total expenditures	<u>\$ 12,985,247</u>	<u>\$ 1,397,847</u>	<u>\$ 489,397</u>	<u>\$ 14,872,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,608,322</u>	<u>\$ (1,377,085)</u>	<u>\$ (114,844)</u>	<u>\$ 1,116,393</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 34,951	\$ 1,753,903	\$ 245,462	\$ 2,034,316
Transfers out	(1,999,365)	(34,951)	-	(2,034,316)
Total other financing sources (uses)	<u>\$ (1,964,414)</u>	<u>\$ 1,718,952</u>	<u>\$ 245,462</u>	<u>\$ -</u>
Net change in fund balances	\$ 643,908	\$ 341,867	\$ 130,618	\$ 1,116,393
Fund balances - beginning	21,913,719	713,318	2,796,201	25,423,238
Fund balances - ending	<u>\$ 22,557,627</u>	<u>\$ 1,055,185</u>	<u>\$ 2,926,819</u>	<u>\$ 26,539,631</u>

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

County of King and Queen, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ 1,116,393

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

Capital asset additions	\$ 856,330	
Depreciation expense	<u>(613,019)</u>	243,311

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

Property taxes	<u>\$ (12,895)</u>	(12,895)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in landfill post-closure care liability	\$ 2,000,000	
OPEB expense	(407,491)	
Pension expense	374,901	
Decrease (increase) in compensated absences	<u>(25,566)</u>	1,941,844

Change in net position of governmental activities		<u><u>\$ 3,288,653</u></u>
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2019

	Enterprise Fund
	<u>Wireless Service Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 161,022
Accounts receivable	14,241
Total current assets	<u>\$ 175,263</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 14,640
Machinery and equipment	120,107
Infrastructure	353,226
Accumulated depreciation	(169,690)
Total net capital assets	<u>\$ 318,283</u>
Total noncurrent assets	<u>\$ 318,283</u>
Total assets	<u><u>\$ 493,546</u></u>
NET POSITION	
Investment in capital assets	\$ 318,283
Unrestricted	175,263
Total net position	<u><u>\$ 493,546</u></u>

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

County of King and Queen, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund <u>Wireless Service Authority</u>
OPERATING REVENUES	
Charges for services:	
Internet subscriber revenues	\$ 176,394
Total operating revenues	<u>\$ 176,394</u>
OPERATING EXPENSES	
Management services	\$ 102,000
Telecommunications	43,560
Other charges	5,435
Depreciation	29,193
Total operating expenses	<u>\$ 180,188</u>
Operating income (loss)	<u>\$ (3,794)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 122
Change in net position	<u>\$ (3,672)</u>
Total net position - beginning	497,218
Total net position - ending	<u><u>\$ 493,546</u></u>

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

County of King and Queen, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund
	Wireless Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 210,657
Payments to suppliers	(163,097)
Payments for operating activities	(5,435)
Net cash provided by (used for) operating activities	\$ 42,125
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 122
Net cash provided by (used for) investing activities	\$ 122
Net increase (decrease) in cash and cash equivalents	\$ 42,247
Cash and cash equivalents - beginning	118,775
Cash and cash equivalents - ending	\$ 161,022
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (3,794)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 29,193
(Increase) decrease in accounts receivable	34,263
Increase (decrease) in accounts payable	(17,537)
Total adjustments	\$ 45,919
Net cash provided by (used for) operating activities	\$ 42,125

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

County of King and Queen, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2019

	Agency <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,252
LIABILITIES	
Amounts held for social services clients	\$ 5,252
Total liabilities	<u>\$ 5,252</u>

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2019.

Discretely Presented Component Units. The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry and developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Authority does not issue a separate financial report.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

Governmental Funds

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

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

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

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

Additionally, the County also reports the following fund types:

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$53,564 at June 30, 2019 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2019.

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

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

I. Compensated Absences

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

J. Use of Estimates

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

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Obligations

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

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

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

P. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

The County Board of Supervisors adopted a minimum required unassigned fund balance of \$3,000,000 on June 10, 2016.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

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

P. Fund Balance (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 27,858	\$ -	\$ -	\$ 27,858
Total Nonspendable Fund Balance	<u>\$ 27,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,858</u>
Restricted:				
Asset forfeiture	\$ -	\$ -	\$ 3,353	\$ 3,353
Court security	-	-	103,881	103,881
Electronic summons	-	-	10,688	10,688
Project lifesaver	-	-	1,725	1,725
Dare	-	-	300	300
Sheriff K-9 and auxiliary funds	-	-	2,999	2,999
CDBG	101,677	-	-	101,677
Total Restricted Fund Balance	<u>\$ 101,677</u>	<u>\$ -</u>	<u>\$ 122,946</u>	<u>\$ 224,623</u>
Committed:				
Capital projects - school	\$ -	\$ 976,604	\$ -	\$ 976,604
Landfill contingency	2,787,615	-	2,803,873	5,591,488
Budgeted use of fund balance	2,433,977	-	-	2,433,977
EDA projects:				
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	100,000	-	-	100,000
Broadband	500,000	-	-	500,000
Rescue services	381,981	-	-	381,981
County capital projects	2,000,000	78,581	-	2,078,581
School construction projects	1,000,000	-	-	1,000,000
Total Committed Fund Balance	<u>\$ 9,453,573</u>	<u>\$ 1,055,185</u>	<u>\$ 2,803,873</u>	<u>\$ 13,312,631</u>
Assigned:				
Future expenditures	\$ 2,344,067	\$ -	\$ -	\$ 2,344,067
Total Assigned Fund Balance	<u>\$ 2,344,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,344,067</u>
Unassigned				
Total Fund Balances	<u>\$ 10,630,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,630,452</u>
	<u>\$ 22,557,627</u>	<u>\$ 1,055,185</u>	<u>\$ 2,926,819</u>	<u>\$ 26,539,631</u>

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

Q. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2019.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 18,920,374
Virginia Investment Pool	4,125,616
Total	<u>\$ 23,045,990</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

According to the County’s investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 18,920,374	\$ 18,920,374
Virginia Investment Pool	4,125,616	4,125,616
Total	<u>\$ 23,045,990</u>	<u>\$ 23,045,990</u>

External Investment Pool

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above Virginia Investment Pool Investment at the net asset value (NAV).

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 4—Due to/from Other Governments:

At June 30, 2019, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ -	\$ 123,868
Welfare	29,976	-
Rolling stock tax	1,718	-
Communications tax	23,774	-
State Sales Tax	38,084	-
Constitutional officer reimbursements	76,391	-
Recordation tax	3,838	-
Mobile home titling tax	75	-
Forestry payment	18,820	-
Wireless grant	3,491	-
School resource officer grant	12,106	-
Comprehensive Services Act	45,786	-
Federal Government:	-	-
School fund grants	-	155,752
Sheriff's DMV grant	3,410	-
Welfare	51,294	-
	<u>\$ 308,763</u>	<u>\$ 279,620</u>
Total due from other governments	<u>\$ 308,763</u>	<u>\$ 279,620</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 251,293	\$ -	\$ -	\$ 251,293
Construction in progress	1,021,407	614,259	1,635,666	-
Total capital assets not subject to depreciation	<u>\$ 1,272,700</u>	<u>\$ 614,259</u>	<u>\$ 1,635,666</u>	<u>\$ 251,293</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,582,596	\$ 24,785	\$ 86,934	\$ 5,520,447
Machinery and equipment	4,977,683	1,289,769	21,700	6,245,752
Infrastructure	237,283	563,183	-	800,466
Total capital assets subject to depreciation	<u>\$ 10,797,562</u>	<u>\$ 1,877,737</u>	<u>\$ 108,634</u>	<u>\$ 12,566,665</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,779,849	\$ 143,332	\$ 86,934	\$ 2,836,247
Machinery and equipment	2,685,147	448,359	21,700	3,111,806
Infrastructure	71,184	21,328	-	92,512
Total accumulated depreciation	<u>\$ 5,536,180</u>	<u>\$ 613,019</u>	<u>\$ 108,634</u>	<u>\$ 6,040,565</u>
Total capital assets subject to depreciation, net	<u>\$ 5,261,382</u>	<u>\$ 1,264,718</u>	<u>\$ -</u>	<u>\$ 6,526,100</u>
Governmental activities capital assets, net	<u>\$ 6,534,082</u>	<u>\$ 1,878,977</u>	<u>\$ 1,635,666</u>	<u>\$ 6,777,393</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

A summary of proprietary fund property, plant and equipment at June 30, 2019 follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ 14,640	\$ -	\$ -	\$ 14,640
Capital assets subject to depreciation:				
Machinery and equipment	\$ 120,107	\$ -	\$ -	\$ 120,107
Infrastructure	353,226	-	-	353,226
Total capital assets subject to depreciation	\$ 473,333	\$ -	\$ -	\$ 473,333
Accumulated depreciation:				
Machinery and equipment	\$ 94,548	\$ 12,651	\$ -	\$ 107,199
Infrastructure	45,949	16,542	-	62,491
Total accumulated depreciation	\$ 140,497	\$ 29,193	\$ -	\$ 169,690
Total capital assets subject to depreciation, net	\$ 332,836	\$ (29,193)	\$ -	\$ 303,643
Business-type activities capital assets, net	\$ 347,476	\$ (29,193)	\$ -	\$ 318,283

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 46,367
Judicial administration	117,232
Public safety	441,812
Public works	3,959
Health and welfare	3,649
Total Governmental activities	\$ 613,019
Business-type Activities	\$ 29,193
Component Unit School Board	\$ 370,158
Component Unit Industrial Development Authority	\$ 3,987

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Construction in progress	212,862	1,229,093	-	1,441,955
Total capital assets not subject to depreciation	\$ 252,501	\$ 1,229,093	\$ -	\$ 1,481,594
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,255,840	\$ 195,909	\$ -	\$ 10,451,749
Machinery and equipment	2,192,347	-	-	2,192,347
Total capital assets subject to depreciation	\$ 12,448,187	\$ 195,909	\$ -	\$ 12,644,096
Accumulated depreciation:				
Buildings and improvements	\$ 5,979,928	\$ 130,148	\$ -	\$ 6,110,076
Machinery and equipment	1,509,315	240,010	-	1,749,325
Total accumulated depreciation	\$ 7,489,243	\$ 370,158	\$ -	\$ 7,859,401
Total capital assets subject to depreciation, net	\$ 4,958,944	\$ (174,249)	\$ -	\$ 4,784,695
Component Unit School Board capital assets, net	\$ 5,211,445	\$ 1,054,844	\$ -	\$ 6,266,289

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Component Unit-Industrial Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 516,019	\$ -	\$ -	\$ 516,019
Capital assets subject to depreciation:				
Buildings and improvements	\$ 39,872	\$ -	\$ -	\$ 39,872
Total capital assets subject to depreciation	\$ 39,872	\$ -	\$ -	\$ 39,872
Accumulated depreciation:				
Buildings and improvements	\$ 15,948	\$ 3,987	\$ -	\$ 19,935
Total accumulated depreciation	\$ 15,948	\$ 3,987	\$ -	\$ 19,935
Total capital assets subject to depreciation, net	\$ 23,924	\$ (3,987)	\$ -	\$ 19,937
Component Unit Industrial Development Authority capital assets, net	\$ 539,943	\$ (3,987)	\$ -	\$ 535,956

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 6—Interfund Transfers:

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

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 34,951	\$ 1,999,365
Capital projects fund	1,753,903	34,951
Special Revenue Fund	245,462	-
Total Primary Government	<u>\$ 2,034,316</u>	<u>\$ 2,034,316</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 219,442	\$ 47,511	\$ 21,944	\$ 245,009	\$ 24,501
Net OPEB liabilities	649,458	455,045	30,000	1,074,503	-
Landfill post closure care	2,000,000	-	2,000,000	-	-
Total Governmental Activities Obligations	<u>\$ 2,868,900</u>	<u>\$ 502,556</u>	<u>\$ 2,051,944</u>	<u>\$ 1,319,512</u>	<u>\$ 24,501</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	<u>Total Amount</u>
<i>Incurring by County:</i>	
Net OPEB liabilities (payable from the General Fund)	\$ 1,074,503
Compensated absences (payable from the General Fund)	<u>245,009</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 1,319,512</u></u>

Component Unit - School Board:

	<u>Balance July 1, 2018</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 117,227		\$ 12,135	\$ 105,092	\$ 10,509
Net pension liability	6,924,000	1,724,000	1,982,000	6,666,000	-
Capital lease	1,307,843	-	66,945	1,240,898	71,895
Net OPEB liabilities	<u>1,370,703</u>	<u>277,861</u>	<u>166,802</u>	<u>1,481,762</u>	<u>-</u>
Total Component Unit-School Board	<u><u>\$ 9,719,773</u></u>	<u><u>\$ 2,001,861</u></u>	<u><u>\$ 2,227,882</u></u>	<u><u>\$ 9,493,752</u></u>	<u><u>\$ 82,404</u></u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board: (Continued)

Year Ending June 30	Component Unit-School Board	
	Capital Lease	
	Principal	Interest
2020	\$ 71,895	\$ 37,847
2021	77,083	35,654
2022	82,550	33,304
2023	88,247	30,786
2024	94,180	28,094
2025	100,424	25,222
2026	106,958	22,159
2027	108,913	18,897
2028	116,073	15,575
2029	123,565	12,034
2030	131,405	8,266
2031	139,605	4,258
Total	<u>\$ 1,240,898</u>	<u>\$ 272,096</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 7—Long-Term Obligations: (Continued)

Long-Term Obligations:

	<u>Total Amount</u>
<i>Incurring by Component Unit-School Board:</i>	
Net OPEB liabilities (payable from the School Operating Fund)	\$ 1,481,762
\$1,420,781 capital lease issued December 15, 2015, secured by HVAC equipment, due in combined annual installments of principal and interest varying from \$101,270 to \$143,863 through February 15, 2031, including interest at 3.05%.	1,240,898
Net pension liability (payable from the School Operating Fund)	6,666,000
Compensated absences (payable from the School Operating Fund)	<u>105,092</u>
Total Long-Term Obligations, Component Unit-School Board	<u>\$ 9,493,752</u>

Note 8—Landfill Postclosure Costs:

The County stopped accepting waste at two County landfills, Mascott and Dahlgren Sanitary Landfills, in October 1993. Both landfills have been subject to groundwater remediation and testing by the Virginia Department of Environment Quality (DEQ). The County has been required to report a \$2,000,000 post-closure care liability and submit an annual landfill financial assurance to the Virginia DEQ. In March 2019, the Virginia DEQ terminated the County's requirement to report a post-closure care liability or submit an annual landfill financial assurance for these two County landfills. No amounts have been reported in the June 30, 2019 financial statements for post-closure care liability for these landfills.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 9—Unearned and Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 505,639
Prepaid property taxes due in December 2019 but paid in advance by taxpayers	55,321	55,321
	\$ <u>55,321</u>	\$ <u>560,960</u>

Unearned revenue consisted of \$80,238 of PPTRA reimbursements.

Note 10—Commitments and Contingencies:

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

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

Note 11—Litigation:

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12—Risk Management:

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

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

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

Note 13—Pension Plans:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 13—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits (Continued)

provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	37	22
Inactive members:		
Vested inactive members	11	7
Non-vested inactive members	21	11
Inactive members active elsewhere in VRS	43	11
Total inactive members	75	29
Active members	52	31
Total covered employees	<u>164</u>	<u>82</u>

Contributions

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

The County’s contractually required employer contribution rate for the year ended June 30, 2019 was 6.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$203,421 and \$183,049 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 0.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Note 13—Pension Plans: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$785 and (\$1,642) for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County’s and Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 13—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly,

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 10,267,669	\$ 10,278,230	\$ (10,561)
Changes for the year:			
Service cost	\$ 266,695	\$ -	\$ 266,695
Interest	700,407	-	700,407
Difference between expected and actual experience	(50,261)	-	(50,261)
Contributions - employer	-	183,197	(183,197)
Contributions - employee	-	121,698	(121,698)
Net investment income	-	755,530	(755,530)
Benefit payments, including refunds of employee contributions	(523,715)	(523,715)	-
Administrative expenses	-	(6,573)	6,573
Other changes	-	(671)	671
Net changes	\$ 393,126	\$ 529,466	\$ (136,340)
Balances at June 30, 2018	\$ 10,660,795	\$ 10,807,696	\$ (146,901)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 2,344,068	\$ 3,124,397	\$ (780,329)
Changes for the year:			
Service cost	\$ 65,157	\$ -	\$ 65,157
Interest	159,345	-	159,345
Difference between expected and actual experience	153,214	-	153,214
Contributions - employer	-	635	(635)
Contributions - employee	-	32,862	(32,862)
Net investment income	-	229,153	(229,153)
Benefit payments, including refunds of employee contributions	(135,410)	(135,410)	-
Administrative expenses	-	(2,022)	2,022
Other changes	-	(202)	202
Net changes	<u>\$ 242,306</u>	<u>\$ 125,016</u>	<u>\$ 117,290</u>
Balances at June 30, 2018	<u>\$ 2,586,374</u>	<u>\$ 3,249,413</u>	<u>\$ (663,039)</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's			
Net Pension Liability (Asset)	\$ 1,176,560	\$ (146,901)	\$ (1,248,745)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ (365,773)	\$ (663,039)	\$ (914,440)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$171,333) and (\$117,670) respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 100,713	\$ 89,108	\$ 45,947
Change in assumptions	-	13,460	-	16,856
Net difference between projected and actual earnings on pension plan investments	-	86,753	-	21,894
Employer contributions subsequent to the measurement date	203,421	-	785	-
Total	\$ 203,421	\$ 200,926	\$ 89,893	\$ 84,697

Note 13—Pension Plans: (Continued)

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

\$203,421 and \$785 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ (70,033)	\$ 14,257
2021	(16,632)	24,433
2022	(105,467)	(31,461)
2023	(8,794)	(2,818)
2024	-	-
Thereafter	-	-

Pension Plan Data

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

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division’s contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$701,756 and \$735,550 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 13—Pension Plans: (Continued)

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

At June 30, 2019, the school division reported a liability of \$6,666,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion was 0.05668% as compared to 0.05630% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$184,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 571,000
Change in assumptions	80,000	-
Net difference between projected and actual earnings on pension plan investments	-	141,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,000	394,000
Employer contributions subsequent to the measurement date	701,756	-
Total	<u>\$ 857,756</u>	<u>\$ 1,106,000</u>

Note 13—Pension Plans: (Continued)

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

\$701,756 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2020	\$	(280,000)
2021		(269,000)
2022		(313,000)
2023		(70,000)
2024		(18,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Mortality rates: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 10,182,000	\$ 6,666,000	\$ 3,755,000

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

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

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 203,421	\$ 200,926	\$ (146,901)	\$ (171,333)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	89,893	84,697	(663,039)	(117,670)
School Board Professional	-	-	-	-	857,756	1,106,000	6,666,000	184,000
Totals	<u>\$ 203,421</u>	<u>\$ 200,926</u>	<u>\$ (146,901)</u>	<u>\$ (171,333)</u>	<u>\$ 947,649</u>	<u>\$ 1,190,697</u>	<u>\$ 6,002,961</u>	<u>\$ 66,330</u>

Note 14—Surety Bonds:

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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$14,414 and \$12,860 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$24,162 and \$24,025 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$3,569 and \$3,803 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the County reported a liability of \$198,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$369,000 and \$59,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was .01301% as compared to .01274% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was .02430% and .00385%, respectively as compared to .02417% and .00372% respectively at June 30, 2018.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$2,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of \$6,000. For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
expected and actual experience	\$ 10,000	\$ 4,000	\$ 18,000	\$ 7,000	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB	-	6,000	-	12,000	-	2,000
Change in assumptions	-	8,000	-	15,000	-	2,000
Changes in proportion	3,000	-	6,000	-	-	-
Employer contributions subsequent to the measurement date	14,414	-	24,162	-	3,569	-
Total	\$ 27,414	\$ 18,000	\$ 48,162	\$ 34,000	\$ 6,569	\$ 5,000

\$14,414, \$24,162 and \$3,569, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2020	\$ (2,000)	\$ (4,000)	\$ (1,000)
2021	(2,000)	(4,000)	(1,000)
2022	(2,000)	(4,000)	-
2023	(1,000)	(1,000)	-
2024	1,000	3,000	-
Thereafter	1,000	-	-

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - General State Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 259,000	\$ 198,000	\$ 149,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 482,000	\$ 369,000	\$ 277,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 77,000	\$ 59,000	\$ 44,000

Group Life Insurance Program Fiduciary Net Position

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

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$55,758 and \$56,414 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2019, the school division reported a liability of \$720,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .05671% as compared to .05618% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$60,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB: (Continued)

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	6,000
Change in proportion	6,000	-
Employer contributions subsequent to the measurement date	55,758	-
Total	<u>\$ 61,758</u>	<u>\$ 11,000</u>

\$55,758 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
2024	(1,000)
Thereafter	-

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	111,639
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division’s proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 805,000	\$ 720,000	\$ 649,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan):

County and School Board

Plan Description

In addition to the pension benefits described in Note 13, the County administers a single-employer defined benefit healthcare plan, The County of King and Queen Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 13, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The King and Queen County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board’s pension plans. The plan does not issue a publicly available financial report.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical, dental and disability insurance. The benefits that are provided for active employees are the same for eligible retirees and spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses. The retiree pays 100% of the medical and dental premiums unless certain conditions are met to include a minimum 30 years of service and minimum age of 50. If these requirements are met, the County pays up to \$63.94 for Family Dental coverage per month and up to \$1,025.38 for Family Medical coverage per month.

Postemployment benefits that are provided to eligible retirees include medical, dental and disability insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the King and Queen County Public School’s retiree healthcare plan. The retiree pays 100% of the medical or dental insurance premium for both the retiree and the spouse/dependent coverage.

Plan Membership

At June 30, 2019 (measurement date for primary government) and at June 30, 2019 (measurement date for School Board), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	46	139
Total active employees without coverage	-	-
Total retirees with coverage	-	5
Total retirees without coverage	-	-
Total	46	144

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$0 and \$25,802.

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2019 and the School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date for the County. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 for the School Board.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation for the County was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Salary Increases	The salary increase rate was 3.00% per annum
Discount Rate	3.070% based on the 20-year tax exempt municipal bond yield
Investment Rate of Return	N/A
Mortality Rate	The mortality rates for active and healthy retirees was calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

The total OPEB liability in the January 1, 2019 actuarial valuation for the School Board was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	The salary increase rate was 5.35% per annum for Service Years 1 and 2 and declining thereafter to 3.50% for 20 or more years of service.
Discount Rate	3.50% rate used to measure the plan's June 30, 2019 Total OPEB liability similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2019.
Investment Rate of Return	N/A
Mortality Rate	The mortality rates for pre-retirement was calculated using the RP-2014 Employee Mortality Tables projected to 2020 using Scale BB with Males setback 1 year and Females set back 1 year. The mortality rates for post-retirement was calculated using the RP-2014 Employee Mortality Tables to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020 with Males set forward 1 year and Females setback 1 year.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20-year tax-exempt municipal bond yield for the County and the Bond Buyer 20-year Bond Go Index for the School Board.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	\$ 457,458	\$ 237,703
Changes for the year:		
Service cost	18,536	18,707
Interest	24,466	11,424
Effect of economic/demographic gains and losses	162,690	51,574
Changes in assumptions	213,353	40,156
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	-	(25,802)
Net changes	<u>\$ 419,045</u>	<u>\$ 96,059</u>
Balances at June 30, 2019	<u><u>\$ 876,503</u></u>	<u><u>\$ 333,762</u></u>

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Rate		
	1% Decrease (2.070%)	Current Discount Rate (3.070%)	1% Increase (4.070%)
Primary Government:			
Total OPEB liability	\$ 1,015,440	\$ 876,503	\$ 762,902
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Component Unit School Board:			
Total OPEB liability	\$ 353,190	\$ 333,762	\$ 314,469

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

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

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

	Rates		
	1% Decrease Rate	Healthcare Cost Trend Current Rate	1% Increase Rate
Primary Government:			
Total OPEB liability	\$ 750,394	\$ 876,503	\$ 1,032,241

The healthcare trend rate baseline used in Year 1 was Medical at 4.600%, Pharmacy at 7.600%, Dental at 3.500% and Vision at 3.00%. The Affordable Care Act excise tax will affect all plans and could raise the average annual trend rate by 0.5% or more each year.

	Rates		
	1% Decrease Rate	Healthcare Cost Trend Current Rate	1% Increase Rate
Component Unit School Board:			
Total OPEB liability	\$ 298,031	\$ 333,762	\$ 375,680

The healthcare Trend rates used in the valuation were based on the long-term healthcare trend rates generated by the Getzen Model, Milliman's *Health Cost Guidelines*, and actuarial judgment. Period 2019 trend rate was 5.70%.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 17—Medical, Dental and Disability Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

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

For the year ended June 30, 2019, the County and the School Board recognized OPEB expense in the amount of \$419,045 and \$43,323. At June 30, 2019, the County reported no deferred inflows or outflows of resources related to OPEB. The School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Component Unit School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,640	\$ -
Changes in assumptions	33,978	3,680
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 77,618</u>	<u>\$ 3,680</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Medical, Dental and Disability Pay-As-You Go (OPEB Plan) will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2020	\$ -	\$ 13,192
2021	-	13,192
2022	-	13,192
2023	-	13,192
2024	-	14,112
Thereafter	-	7,058

Additional disclosures on changes in net OPEB liability, related ratios and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2019

Note 18—Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County’s LODA premium for the year ended June 30, 2019 was \$14,500.

Note 19—Summary of Other Postemployment Benefit Plans:

Primary Government and Component Unit School Board

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 15):								
County	\$ 27,414	\$ 18,000	\$ 198,000	\$ 2,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	6,569	5,000	59,000	2,000
School Board Professional	-	-	-	-	48,162	34,000	369,000	6,000
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	61,758	11,000	720,000	60,000
County Stand-Alone Plan (Note 17)	-	-	876,503	419,045	-	-	-	-
School Stand-Alone Plan (Note 17)	-	-	-	-	77,618	3,680	333,762	43,323
Totals	<u>\$ 27,414</u>	<u>\$ 18,000</u>	<u>\$ 1,074,503</u>	<u>\$ 421,045</u>	<u>\$ 194,107</u>	<u>\$ 53,680</u>	<u>\$ 1,481,762</u>	<u>\$ 111,323</u>

Note 20—Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 21—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

County of King and Queen, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 7,082,313	\$ 7,082,313	\$ 7,445,991	\$ 363,678
Other local taxes	611,000	611,000	715,421	104,421
Permits, privilege fees, and regulatory licenses	47,920	47,920	112,557	64,637
Fines and forfeitures	153,800	153,800	232,417	78,617
Revenue from the use of money and property	456,030	456,030	616,435	160,405
Charges for services	2,170,650	2,170,650	2,697,157	526,507
Miscellaneous	55,000	55,000	144,076	89,076
Recovered costs	11,500	11,500	24,729	13,229
Intergovernmental:				
Commonwealth	2,271,335	2,307,036	2,798,198	491,162
Federal	1,253,080	1,325,738	806,588	(519,150)
Total revenues	<u>\$ 14,112,628</u>	<u>\$ 14,220,987</u>	<u>\$ 15,593,569</u>	<u>\$ 1,372,582</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,451,243	\$ 1,495,743	\$ 1,336,459	\$ 159,284
Judicial administration	613,053	613,053	541,802	71,251
Public safety	3,397,006	3,835,232	3,753,749	81,483
Public works	693,757	693,757	628,202	65,555
Health and welfare	1,742,247	1,742,247	1,306,494	435,753
Education	4,208,347	4,243,298	4,221,377	21,921
Parks, recreation, and cultural	173,949	173,949	185,149	(11,200)
Community development	393,133	398,840	323,279	75,561
Nondepartmental	347,598	197,598	47,937	149,661
Capital projects	1,559,350	1,579,350	640,799	938,551
Total expenditures	<u>\$ 14,579,683</u>	<u>\$ 14,973,067</u>	<u>\$ 12,985,247</u>	<u>\$ 1,987,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (467,055)</u>	<u>\$ (752,080)</u>	<u>\$ 2,608,322</u>	<u>\$ 3,360,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 34,951	\$ 34,951
Transfers out	(445,149)	(2,066,668)	(1,999,365)	67,303
Total other financing sources (uses)	<u>\$ (445,149)</u>	<u>\$ (2,066,668)</u>	<u>\$ (1,964,414)</u>	<u>\$ 102,254</u>
Net change in fund balances	\$ (912,204)	\$ (2,818,748)	\$ 643,908	\$ 3,462,656
Fund balances - beginning	912,204	2,818,748	21,913,719	19,094,971
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,557,627</u>	<u>\$ 22,557,627</u>

County of King and Queen, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Major Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ 4,000	\$ 19,168	\$ 15,168
Charges for services	25,000	25,000	42,728	17,728
Miscellaneous	-	-	13,095	13,095
Intergovernmental:				
Commonwealth	521,229	521,229	299,562	(221,667)
Total revenues	<u>\$ 546,229</u>	<u>\$ 550,229</u>	<u>\$ 374,553</u>	<u>\$ (175,676)</u>
EXPENDITURES				
Current:				
Public safety	\$ 37,678	\$ 41,678	\$ 39,312	\$ 2,366
Public works	100,000	100,000	5,061	94,939
Health and welfare	766,378	766,378	445,024	321,354
Total expenditures	<u>\$ 904,056</u>	<u>\$ 908,056</u>	<u>\$ 489,397</u>	<u>\$ 418,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (357,827)</u>	<u>\$ (357,827)</u>	<u>\$ (114,844)</u>	<u>\$ 242,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 345,149	\$ 343,109	\$ 245,462	\$ (97,647)
Total other financing sources (uses)	<u>\$ 345,149</u>	<u>\$ 343,109</u>	<u>\$ 245,462</u>	<u>\$ (97,647)</u>
Net change in fund balances	\$ (12,678)	\$ (14,718)	\$ 130,618	\$ 145,336
Fund balances - beginning	12,678	14,718	2,796,201	2,781,483
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,926,819</u>	<u>\$ 2,926,819</u>

County of King and Queen, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 266,695	\$ 268,433
Interest	700,407	693,483
Difference between expected and actual experience	(50,261)	(297,323)
Changes in assumptions	-	(56,188)
Benefit payments, including refunds of employee contributions	(523,715)	(495,260)
Net change in total pension liability	\$ 393,126	\$ 113,145
Total pension liability - beginning	10,267,669	10,154,524
Total pension liability - ending (a)	\$ 10,660,795	\$ 10,267,669
Plan fiduciary net position		
Contributions - employer	\$ 183,197	\$ 173,073
Contributions - employee	121,698	112,839
Net investment income	755,530	1,131,245
Benefit payments, including refunds of employee contributions	(523,715)	(495,260)
Administrative expense	(6,573)	(6,600)
Other	(671)	(1,004)
Net change in plan fiduciary net position	\$ 529,466	\$ 914,293
Plan fiduciary net position - beginning	10,278,230	9,363,937
Plan fiduciary net position - ending (b)	\$ 10,807,696	\$ 10,278,230
County's net pension liability (asset) - ending (a) - (b)	\$ (146,901)	\$ (10,561)
Plan fiduciary net position as a percentage of the total pension liability	101.38%	100.10%
Covered payroll	\$ 2,469,470	\$ 2,335,442
County's net pension liability (asset) as a percentage of covered payroll	-5.95%	-0.45%

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

Exhibit 13

	<u>2016</u>		<u>2015</u>		<u>2014</u>
\$	272,024	\$	272,591	\$	273,272
	673,052		643,099		608,529
	(179,149)		(50,915)		-
	-		-		-
	<u>(452,877)</u>		<u>(420,871)</u>		<u>(355,006)</u>
\$	313,050	\$	443,904	\$	526,795
	9,841,474		9,397,570		8,870,775
\$	<u><u>10,154,524</u></u>	\$	<u><u>9,841,474</u></u>	\$	<u><u>9,397,570</u></u>
\$	219,632	\$	226,362	\$	277,164
	111,772		115,782		116,205
	160,893		410,701		1,226,442
	<u>(452,877)</u>		<u>(420,871)</u>		<u>(355,006)</u>
	(5,793)		(5,614)		(6,516)
	<u>(68)</u>		<u>(87)</u>		<u>65</u>
\$	33,559	\$	326,273	\$	1,258,354
	9,330,378		9,004,105		7,745,751
\$	<u><u>9,363,937</u></u>	\$	<u><u>9,330,378</u></u>	\$	<u><u>9,004,105</u></u>
\$	790,587	\$	511,096	\$	393,465
	92.21%		94.81%		95.81%
\$	2,282,652	\$	2,331,298	\$	2,324,553
	34.63%		21.92%		16.93%

County of King and Queen, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 65,157	\$ 71,749
Interest	159,345	168,841
Differences between expected and actual experience	153,214	(139,423)
Changes in assumptions	-	(57,474)
Benefit payments, including refunds of employee contributions	(135,410)	(223,268)
Net change in total pension liability	\$ 242,306	\$ (179,575)
Total pension liability - beginning	2,344,068	2,523,643
Total pension liability - ending (a)	<u>\$ 2,586,374</u>	<u>\$ 2,344,068</u>
Plan fiduciary net position		
Contributions - employer	\$ 635	\$ 726
Contributions - employee	32,862	32,518
Net investment income	229,153	344,536
Benefit payments, including refunds of employee contributions	(135,410)	(223,268)
Administrative expense	(2,022)	(2,114)
Other	(202)	(305)
Net change in plan fiduciary net position	\$ 125,016	\$ 152,093
Plan fiduciary net position - beginning	3,124,397	2,972,304
Plan fiduciary net position - ending (b)	<u>\$ 3,249,413</u>	<u>\$ 3,124,397</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (663,039)	\$ (780,329)
Plan fiduciary net position as a percentage of the total pension liability	125.64%	133.29%
Covered payroll	\$ 706,967	\$ 683,420
School Division's net pension liability (asset) as a percentage of covered payroll	-93.79%	-114.18%

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

Exhibit 14

	<u>2016</u>		<u>2015</u>		<u>2014</u>
\$	67,233	\$	78,636	\$	83,825
	173,499		168,533		155,717
	(142,957)		(95,608)		-
	-		-		-
	<u>(105,376)</u>		<u>(55,859)</u>		<u>(57,070)</u>
\$	(7,601)	\$	95,702	\$	182,472
	2,531,244		2,435,542		2,253,070
\$	<u><u>2,523,643</u></u>	\$	<u><u>2,531,244</u></u>	\$	<u><u>2,435,542</u></u>
\$	37,702	\$	38,613	\$	38,354
	33,316		34,218		36,252
	51,284		129,766		382,078
	(105,376)		(55,859)		(57,070)
	(1,828)		(1,734)		(2,021)
	(22)		(25)		20
\$	<u>15,076</u>	\$	<u>144,979</u>	\$	<u>397,613</u>
	2,957,228		2,812,249		2,414,636
\$	<u><u>2,972,304</u></u>	\$	<u><u>2,957,228</u></u>	\$	<u><u>2,812,249</u></u>
\$	(448,661)	\$	(425,984)	\$	(376,707)
	117.78%		116.83%		115.47%
\$	685,441	\$	686,083	\$	732,850
	-65.46%		-62.09%		-51.40%

County of King and Queen, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Years Ended June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.05668%	0.05630%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,666,000	\$ 6,924,000
Employer's Covered Payroll	4,507,047	4,449,529
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	147.90%	155.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%

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

Exhibit 15

	<u>2016</u>		<u>2015</u>		<u>2014</u>
	0.05593%		0.05960%		0.06336%
\$	7,838,000	\$	7,502,000	\$	7,657,000
	4,543,421		4,400,310		4,613,774
	172.51%		170.49%		165.96%
	68.28%		70.68%		70.88%

County of King and Queen, Virginia
Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 203,421	\$ 203,421	\$ -	2,767,873	7.35%
2018	183,049	183,049	-	2,469,470	7.41%
2017	178,428	178,428	-	2,335,442	7.64%
2016	219,632	219,632	-	2,282,652	9.62%
2015	227,068	227,068	-	2,331,298	9.74%
2014	275,696	275,696	-	2,324,583	11.86%
2013	275,443	275,443	-	2,322,458	11.86%
2012	198,307	198,307	-	2,228,174	8.90%
2011	206,196	206,196	-	2,316,807	8.90%
2010	206,884	206,884	-	2,442,547	8.47%
Component Unit School Board (nonprofessional)					
2019	\$ 785	\$ 785	\$ -	686,284	0.11%
2018	(1,642)	(1,642)	-	706,967	-0.23%
2017	957	957	-	683,420	0.14%
2016	37,702	37,702	-	685,441	5.50%
2015	38,695	38,695	-	686,083	5.64%
2014	55,330	38,768	16,562	732,850	5.29%
2013	55,135	38,631	16,504	730,262	5.29%
2012	37,477	37,477	-	712,487	5.26%
2011	37,596	37,596	-	714,745	5.26%
2010	59,492	59,492	-	883,981	6.73%
Component Unit School Board (professional)					
2019	\$ 701,756	\$ 701,756	\$ -	4,475,485	15.68%
2018	735,550	735,550	-	4,507,047	16.32%
2017	652,301	652,301	-	4,449,529	14.66%
2016	638,805	638,805	-	4,543,421	14.06%
2015	638,045	638,045	-	4,400,310	14.50%
2014	537,966	537,966	-	4,613,774	11.66%
2013	543,843	543,843	-	4,664,177	11.66%
2012	284,876	284,876	-	4,500,411	6.33%
2011	180,463	180,463	-	4,591,934	3.93%
2010	314,729	314,729	-	3,572,406	8.81%

County of King and Queen, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2018	0.01301% \$	198,000 \$	2,473,042 \$	8.01%	51.22%
2017	0.01274%	192,000	2,349,450	8.17%	48.86%
Component Unit School Board (professional):					
2018	0.02430% \$	369,000 \$	4,620,280 \$	7.99%	51.22%
2017	0.02417%	364,000	4,457,709	8.17%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00385% \$	59,000 \$	731,402 \$	8.07%	51.22%
2017	0.00372%	56,000	685,313	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2019	\$ 14,414	\$ 14,414	\$ -	2,771,993	0.52%
2018	12,860	12,860	-	2,473,042	0.52%
2017	12,217	12,217	-	2,349,450	0.52%
2016	10,818	10,818	-	2,253,828	0.48%
2015	10,866	10,866	-	2,263,650	0.48%
2014	10,833	10,833	-	2,256,935	0.48%
2013	10,823	10,823	-	2,254,810	0.48%
2012	6,060	6,060	-	2,164,355	0.28%
2011	6,308	6,308	-	2,252,988	0.28%
2010	4,838	4,838	-	2,378,728	0.20%
Component Unit School Board (professional):					
2019	\$ 24,162	\$ 24,162	\$ -	4,646,533	0.52%
2018	24,025	24,025	-	4,620,280	0.52%
2017	23,180	23,180	-	4,457,709	0.52%
2016	20,469	20,469	-	4,264,474	0.48%
2015	21,269	21,269	-	4,431,041	0.48%
2014	22,242	22,242	-	4,633,732	0.48%
2013	22,688	22,688	-	4,726,659	0.48%
2012	12,655	12,655	-	4,519,737	0.28%
2011	12,915	12,915	-	4,612,502	0.28%
2010	9,645	9,645	-	5,042,841	0.19%
Component Unit School Board (nonprofessional):					
2019	\$ 3,569	\$ 3,569	\$ -	686,284	0.52%
2018	3,803	3,803	-	731,402	0.52%
2017	3,564	3,564	-	685,313	0.52%
2016	3,296	3,296	-	686,708	0.48%
2015	3,293	3,293	-	686,083	0.48%
2014	3,518	3,518	-	732,850	0.48%
2013	3,505	3,505	-	730,262	0.48%
2012	1,995	1,995	-	712,487	0.28%
2011	2,009	2,009	-	717,322	0.28%
2010	1,743	1,743	-	883,981	0.20%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.05671% \$	720,000 \$	4,586,510	15.70%	8.08%
2017	0.05618%	713,000	4,434,033	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 55,758	\$ 55,758	\$ -	4,646,533	1.20%
2018	56,414	56,414	-	4,586,510	1.23%
2017	49,218	49,218	-	4,434,033	1.11%
2016	45,203	45,203	-	4,264,474	1.06%
2015	46,969	46,969	-	4,431,041	1.06%
2014	51,434	51,434	-	4,633,732	1.11%
2013	51,772	51,772	-	4,664,173	1.11%
2012	27,003	27,003	-	4,500,418	0.60%
2011	27,553	27,553	-	4,592,210	0.60%
2010	37,153	37,153	-	5,042,841	1.04%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Primary Government

For the Year Ended June 30, 2018 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 18,536	\$ 18,536
Interest	24,466	24,063
Effect of economic/demographic gains and losses	162,690	-
Changes in assumptions	213,353	-
Differences between expected and actual experience	-	-
Benefit payments	-	-
Net change in total OPEB liability	\$ 419,045	\$ 42,599
Total OPEB liability - beginning	<u>457,458</u>	<u>414,859</u>
Total OPEB liability - ending	<u>\$ 876,503</u>	<u>\$ 457,458</u>
Covered payroll	\$ 2,767,873	\$ 2,469,470
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	31.67%	18.52%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Year Ended June 30, 2018 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 18,707	\$ 17,244
Interest	11,424	8,592
Changes in assumptions	40,156	(5,520)
Effect of liability gains and losses	51,574	-
Benefit payments	(25,802)	(21,541)
Net change in total OPEB liability	\$ 96,059	\$ (1,225)
Total OPEB liability - beginning	<u>237,703</u>	<u>238,928</u>
Total OPEB liability - ending	<u>\$ 333,762</u>	<u>\$ 237,703</u>
Covered payroll	\$ 5,386,929	\$ 5,213,200
School Board's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	6.20%	4.56%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - County OPEB
 For the Year Ended June 30, 2019

Valuation Date: 6/30/2019
 Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.070% based on the 20-year tax exempt municipal bond yield
Inflation	N/A
Healthcare Trend Rate	Year 1 health care trend rates as follows: Medical 4.600%, Pharmacy 7.600%, Dental 3.500% and Vision 3.000%.
Salary Increase Rates	The salary increase rate was 3.00% per annum
Retirement Age	The average age of retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

Notes to Required Supplementary Information - Component Unit School Board OPEB
 For the Year Ended June 30, 2019

Valuation Date: 1/1/2019
 Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Discount Rate	3.50% rate used to measure the plan's June 30, 2019 Total OPEB liability similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2019.
Inflation	2.50%
Healthcare Trend Rate	5.70% for fiscal year end 2019, decreasing over time based on the Getzen Trend Model, Milliman's <i>Health Cost Guidelines</i> and actuarial judgement.
Salary Increase Rates	The salary increase rate was 5.35% per annum for Service Years 1 and 2 and declining thereafter to 3.50% for 20 or more years of service.
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for pre-retirement was calculated using the RP-2014 Employee Mortality Tables projected to 2020 using Scale BB with Males setback 1 year and Females set back 1 year. The mortality rates for post-retirement was calculated using the RP-2014 Employee Mortality Tables to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020 with Males set forward 1 year and Females setback 1 year.

County of King and Queen, Virginia
 Capital Projects Fund - Major Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 20,762	\$ 20,762
Total revenues	\$ -	\$ -	\$ 20,762	\$ 20,762
EXPENDITURES				
Capital projects	\$ 100,000	\$ 1,721,518	\$ 1,397,847	\$ 323,671
Total expenditures	\$ 100,000	\$ 1,721,518	\$ 1,397,847	\$ 323,671
Excess (deficiency) of revenues over (under) expenditures	\$ (100,000)	\$ (1,721,518)	\$ (1,377,085)	\$ 344,433
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 1,721,518	\$ 1,753,903	\$ 32,385
Transfers out	-	-	(34,951)	(34,951)
Total other financing sources (uses)	\$ 100,000	\$ 1,721,518	\$ 1,718,952	\$ (2,566)
Net change in fund balances	\$ -	\$ -	\$ 341,867	\$ 341,867
Fund balances - beginning	-	-	713,318	713,318
Fund balances - ending	\$ -	\$ -	\$ 1,055,185	\$ 1,055,185

County of King and Queen, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2019

	<u>Agency Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 5,252
Total assets	<u>\$ 5,252</u>
LIABILITIES	
Amounts held for social services clients	\$ 5,252
Total liabilities	<u>\$ 5,252</u>

County of King and Queen, Virginia
 Statement of Changes in Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 3,454	\$ 2,387	\$ 589	\$ 5,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for social services clients	\$ 3,454	\$ 2,387	\$ 589	\$ 5,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

County of King and Queen, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 741,338	\$ 80,700	\$ 822,038
Receivables (net of allowance for uncollectibles):			
Accounts receivable	23,318	-	23,318
Due from other governmental units	279,620	-	279,620
Prepaid items	74,148	-	74,148
Total assets	<u>\$ 1,118,424</u>	<u>\$ 80,700</u>	<u>\$ 1,199,124</u>
LIABILITIES			
Accounts payable	\$ 221,235	\$ 284	\$ 221,519
Accrued liabilities	897,189	23,816	921,005
Total liabilities	<u>\$ 1,118,424</u>	<u>\$ 24,100</u>	<u>\$ 1,142,524</u>
FUND BALANCES			
Nonspendable	\$ 74,148	\$ -	\$ 74,148
Restricted	-	56,600	56,600
Unassigned	(74,148)	-	(74,148)
Total fund balances	<u>\$ -</u>	<u>\$ 56,600</u>	<u>\$ 56,600</u>
Total liabilities and fund balances	<u>\$ 1,118,424</u>	<u>\$ 80,700</u>	<u>\$ 1,199,124</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 56,600
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,266,289
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Net pension asset			663,039
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.			
Pension related items		\$ 947,649	
OPEB related items		<u>194,107</u>	1,141,756
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (105,092)	
Net pension liability		(6,666,000)	
Capital lease		(1,240,898)	
Accrued interest payable		(14,193)	
Net OPEB liabilities		<u>(1,481,762)</u>	(9,507,945)
Deferred inflows of resources are not due and payable in the current period and therefore, are not reported in the funds.			
Pension related items		\$ (1,190,697)	
OPEB related items		<u>(53,680)</u>	(1,244,377)
Net position of governmental activities			<u>\$ (2,624,638)</u>

County of King and Queen, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 24	\$ 24
Charges for services	-	86,970	86,970
Miscellaneous	97,657	-	97,657
Intergovernmental:			
Local government	4,215,206	-	4,215,206
Commonwealth	5,652,585	3,687	5,656,272
Federal	732,364	259,889	992,253
Total revenues	<u>\$ 10,697,812</u>	<u>\$ 350,570</u>	<u>\$ 11,048,382</u>
EXPENDITURES			
Current:			
Education	\$ 10,571,539	\$ 378,282	\$ 10,949,821
Debt service:			
Principal retirement	66,945	-	66,945
Interest and other fiscal charges	39,889	-	39,889
Total expenditures	<u>\$ 10,678,373</u>	<u>\$ 378,282</u>	<u>\$ 11,056,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,439</u>	<u>\$ (27,712)</u>	<u>\$ (8,273)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 19,439	\$ 19,439
Transfers out	(19,439)	-	(19,439)
Total other financing sources (uses)	<u>\$ (19,439)</u>	<u>\$ 19,439</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (8,273)	\$ (8,273)
Fund balances - beginning	-	64,873	64,873
Fund balances - ending	<u>\$ -</u>	<u>\$ 56,600</u>	<u>\$ 56,600</u>

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

Net change in fund balances - total governmental funds - per above \$ (8,273)

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

Capital outlays	\$ 1,425,002	
Depreciation expense	<u>(370,158)</u>	1,054,844

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 compensated absences	\$ 12,135	
Pension expense	635,938	
(Increase) decrease in capital lease	66,945	
OPEB expense	(2,274)	
Decrease (increase) in accrued interest payable	<u>765</u>	713,509

Change in net position of governmental activities \$ 1,760,080

County of King and Queen, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 67,300	\$ 97,657	\$ 97,657	\$ -
Intergovernmental:				
Local government	4,202,176	4,237,127	4,215,206	(21,921)
Commonwealth	5,587,673	5,652,579	5,652,585	6
Federal	747,756	732,590	732,364	(226)
Total revenues	<u>\$ 10,604,905</u>	<u>\$ 10,719,953</u>	<u>\$ 10,697,812</u>	<u>\$ (22,141)</u>
EXPENDITURES				
Current:				
Education	\$ 10,478,631	\$ 10,593,679	\$ 10,571,539	\$ 22,140
Debt service:				
Principal retirement	66,945	66,945	66,945	-
Interest and other fiscal charges	39,890	39,890	39,889	1
Total expenditures	<u>\$ 10,585,466</u>	<u>\$ 10,700,514</u>	<u>\$ 10,678,373</u>	<u>\$ 22,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,439</u>	<u>\$ 19,439</u>	<u>\$ 19,439</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (19,439)	\$ (19,439)	\$ (19,439)	\$ -
Total other financing sources (uses)	<u>\$ (19,439)</u>	<u>\$ (19,439)</u>	<u>\$ (19,439)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of King and Queen, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 24	\$ 24
Charges for services	87,150	87,150	86,970	(180)
Intergovernmental:				
Commonwealth	3,133	3,133	3,687	554
Federal	295,995	295,995	259,889	(36,106)
Total revenues	<u>\$ 386,278</u>	<u>\$ 386,278</u>	<u>\$ 350,570</u>	<u>\$ (35,708)</u>
EXPENDITURES				
Current:				
Education	\$ 405,717	\$ 405,717	\$ 378,282	\$ 27,435
Total expenditures	<u>\$ 405,717</u>	<u>\$ 405,717</u>	<u>\$ 378,282</u>	<u>\$ 27,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (19,439)</u>	<u>\$ (19,439)</u>	<u>\$ (27,712)</u>	<u>\$ (8,273)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 19,439	\$ 19,439	\$ 19,439	\$ -
Total other financing sources (uses)	<u>\$ 19,439</u>	<u>\$ 19,439</u>	<u>\$ 19,439</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (8,273)	\$ (8,273)
Fund balances - beginning	-	-	64,873	64,873
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,600</u>	<u>\$ 56,600</u>

County of King and Queen, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2019

ASSETS

Current assets:

Cash	\$ 76,524
Investments	151,109
Total current assets	<u>\$ 227,633</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land and land improvements	\$ 516,019
Buildings and improvements	19,937
Total net capital assets	<u>\$ 535,956</u>
Total noncurrent assets	<u>\$ 535,956</u>
Total assets	<u>\$ 763,589</u>

LIABILITIES

Current liabilities:

Accrued liabilities	\$ 75,000
Total current liabilities	<u>\$ 75,000</u>
Total liabilities	<u>\$ 75,000</u>

NET POSITION

Investment in capital assets	\$ 535,956
Unrestricted	152,633
Total net position	<u>\$ 688,589</u>

County of King and Queen, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2019

OPERATING REVENUES

Charges for services:

Rent		\$		28,980
Total operating revenues		\$		<u>28,980</u>

OPERATING EXPENSES

Rent		\$		12,436
Website development				1,488
Insurance				1,588
Other charges				92
Depreciation				<u>3,987</u>
Total operating expenses		\$		<u>19,591</u>
Operating income (loss)		\$		<u>9,389</u>

NONOPERATING REVENUES (EXPENSES)

Interest income		\$		<u>1,162</u>
Total nonoperating revenues (expenses)		\$		<u>1,162</u>
Change in net position		\$		10,551

Total net position - beginning				<u>678,038</u>
Total net position - ending		\$		<u><u>688,589</u></u>

County of King and Queen, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 28,980
Payments to suppliers	(15,604)
Other receipts	75,000
Net cash provided by (used for) operating activities	<u>\$ 88,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (150,000)
Interest income	53
Net cash provided by (used for) investing activities	<u>\$ (149,947)</u>
Net increase (decrease) in cash and cash equivalents	\$ (61,571)
Cash and cash equivalents - beginning	138,095
Cash and cash equivalents - ending	<u>\$ 76,524</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 9,389</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 3,987
Increase (decrease) in accrued liabilities	75,000
Total adjustments	<u>\$ 78,987</u>
Net cash provided by (used for) operating activities	<u>\$ 88,376</u>

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,534,354	\$ 4,534,354	\$ 4,676,348	\$ 141,994
Real and personal public service corporation taxes	167,072	167,072	177,760	10,688
Personal property taxes	1,938,016	1,938,016	1,911,651	(26,365)
Mobile home taxes	25,906	25,906	23,609	(2,297)
Machinery and tools taxes	281,825	281,825	277,687	(4,138)
Merchant's capital taxes	50,140	50,140	45,344	(4,796)
Unclaimed tax sale funds		-	197,398	197,398
Penalties	50,000	50,000	87,106	37,106
Interest	35,000	35,000	49,088	14,088
Total general property taxes	<u>\$ 7,082,313</u>	<u>\$ 7,082,313</u>	<u>\$ 7,445,991</u>	<u>\$ 363,678</u>
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 227,848	\$ 52,848
Consumers' utility taxes	175,000	175,000	185,773	10,773
Business license taxes	20,000	20,000	33,936	13,936
Motor vehicle licenses	186,000	186,000	217,106	31,106
Bank stock taxes	5,000	5,000	8,644	3,644
Taxes on recordation and wills	50,000	50,000	42,114	(7,886)
Total other local taxes	<u>\$ 611,000</u>	<u>\$ 611,000</u>	<u>\$ 715,421</u>	<u>\$ 104,421</u>
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 5,878	\$ 1,378
Land use application fees	5,000	5,000	44,680	39,680
Transfer fees	320	320	344	24
Permits and other licenses	38,100	38,100	61,655	23,555
Total permits, privilege fees, and regulatory licenses	<u>\$ 47,920</u>	<u>\$ 47,920</u>	<u>\$ 112,557</u>	<u>\$ 64,637</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 153,800	\$ 153,800	\$ 232,417	\$ 78,617
Revenue from use of money and property:				
Revenue from use of money	\$ 402,000	\$ 402,000	\$ 564,702	\$ 162,702
Revenue from use of property	54,030	54,030	51,733	(2,297)
Total revenue from use of money and property	<u>\$ 456,030</u>	<u>\$ 456,030</u>	<u>\$ 616,435</u>	<u>\$ 160,405</u>
Charges for services:				
Sheriff's fees	\$ 1,000	\$ 1,000	\$ 474	\$ (526)
Court costs	5,000	5,000	2,824	(2,176)
Courthouse maintenance fees	5,000	5,000	8,224	3,224
Charges for Commonwealth's Attorney	850	850	2,826	1,976
Charges for EMS support	35,000	35,000	119,912	84,912
Landfill host fees	2,023,000	2,023,000	2,561,335	538,335
BFI host/tonnage fees	100,000	100,000	-	(100,000)
Charges for correction and detention	800	800	1,562	762
Total charges for services	<u>\$ 2,170,650</u>	<u>\$ 2,170,650</u>	<u>\$ 2,697,157</u>	<u>\$ 526,507</u>

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 55,000	\$ 55,000	\$ 144,076	\$ 89,076
Recovered costs:				
Health department	\$ -	\$ -	\$ 8,364	\$ 8,364
Drug enforcement restitution	-	-	6,580	6,580
Sherriff deputy	-	-	6,449	6,449
Circuit court	-	-	3,336	3,336
School resource officer	11,500	11,500	-	(11,500)
Total recovered costs	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 24,729</u>	<u>\$ 13,229</u>
Total revenue from local sources	<u>\$ 10,588,213</u>	<u>\$ 10,588,213</u>	<u>\$ 11,988,783</u>	<u>\$ 1,400,570</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 10,000	\$ 10,000	\$ 20,332	\$ 10,332
Communications tax	160,000	160,000	148,952	(11,048)
Rolling stock tax	-	-	1,718	1,718
ATV and moped sales tax	-	-	118	118
Auto rental tax	-	-	43	43
Spay and neuter programs	-	-	11	11
Additional tax on deeds	10,000	10,000	12,736	2,736
State recordation tax	-	-	14,100	14,100
Personal property tax relief funds	800,000	800,000	838,075	38,075
Total noncategorical aid	<u>\$ 980,000</u>	<u>\$ 980,000</u>	<u>\$ 1,036,085</u>	<u>\$ 56,085</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 142,143	\$ 142,143	\$ 147,998	\$ 5,855
Sheriff	451,334	451,334	476,953	25,619
Commissioner of revenue	68,060	68,060	71,093	3,033
Treasurer	67,514	67,514	71,605	4,091
Registrar/electoral board	30,000	30,000	35,755	5,755
Clerk of the Circuit Court	144,851	144,851	154,873	10,022
Total shared expenses	<u>\$ 903,902</u>	<u>\$ 903,902</u>	<u>\$ 958,277</u>	<u>\$ 54,375</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 238,433	\$ 238,433	\$ 325,667	\$ 87,234
Emergency services grant	7,500	37,494	-	(37,494)
E-911 wireless grant	40,000	40,000	40,844	844
Arts grant	1,000	1,000	1,000	-
Litter control	500	6,207	6,207	-
Forest reserve funds	-	-	18,820	18,820
Animal friendly plates	-	-	15	15

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ -	\$ -	\$ 24,039	\$ 24,039
Drainage and parking grant	100,000	100,000	-	(100,000)
Records reformatting grant	-	-	10,849	10,849
Four for Life funds	-	-	16,404	16,404
VITA PSAP equipment grant	-	-	150,671	150,671
School resource officer grant	-	-	47,085	47,085
VA RSAF rescue squad assistance grant	-	-	162,235	162,235
Total other categorical aid	<u>\$ 387,433</u>	<u>\$ 423,134</u>	<u>\$ 803,836</u>	<u>\$ 380,702</u>
Total categorical aid	<u>\$ 1,291,335</u>	<u>\$ 1,327,036</u>	<u>\$ 1,762,113</u>	<u>\$ 435,077</u>
Total revenue from the Commonwealth	<u>\$ 2,271,335</u>	<u>\$ 2,307,036</u>	<u>\$ 2,798,198</u>	<u>\$ 491,162</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 953,730	\$ 953,730	\$ 671,556	\$ (282,174)
Transportation safety	-	-	21,319	21,319
Bulletproof vest grant	-	-	390	390
Sheriff's JAG grant	-	72,658	-	(72,658)
VDOT Telework center grant	299,350	299,350	-	(299,350)
NFWF drainage project grant	-	-	106,133	106,133
Emergency management planning grant	-	-	7,190	7,190
Total categorical aid	<u>\$ 1,253,080</u>	<u>\$ 1,325,738</u>	<u>\$ 806,588</u>	<u>\$ (519,150)</u>
Total revenue from the federal government	<u>\$ 1,253,080</u>	<u>\$ 1,325,738</u>	<u>\$ 806,588</u>	<u>\$ (519,150)</u>
Total General Fund	<u>\$ 14,112,628</u>	<u>\$ 14,220,987</u>	<u>\$ 15,593,569</u>	<u>\$ 1,372,582</u>
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 4,000	\$ 19,168	\$ 15,168
Charges for services:				
Court security fees	\$ 25,000	\$ 25,000	\$ 42,728	\$ 17,728
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 13,095	\$ 13,095
Total revenue from local sources	<u>\$ 25,000</u>	<u>\$ 29,000</u>	<u>\$ 74,991</u>	<u>\$ 45,991</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 521,229	\$ 521,229	\$ 299,562	\$ (221,667)
Total revenue from the Commonwealth	<u>\$ 521,229</u>	<u>\$ 521,229</u>	<u>\$ 299,562</u>	<u>\$ (221,667)</u>
Total Special Revenue Fund	<u>\$ 546,229</u>	<u>\$ 550,229</u>	<u>\$ 374,553</u>	<u>\$ (175,676)</u>

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 20,762	\$ 20,762
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,762</u>	<u>\$ 20,762</u>
 Total Capital Projects Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 20,762</u>	 <u>\$ 20,762</u>
 Total Primary Government	 <u>\$ 14,658,857</u>	 <u>\$ 14,771,216</u>	 <u>\$ 15,988,884</u>	 <u>\$ 1,217,668</u>
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 67,300	\$ 97,657	\$ 97,657	\$ -
 Total revenue from local sources	 <u>\$ 67,300</u>	 <u>\$ 97,657</u>	 <u>\$ 97,657</u>	 <u>\$ -</u>
 Intergovernmental:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 4,202,176	\$ 4,237,127	\$ 4,215,206	\$ (21,921)
 Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,008,007	\$ 1,018,066	\$ 1,018,066	\$ -
Basic school aid	2,502,270	2,436,992	2,436,992	-
Remedial summer education	16,774	6,212	6,212	-
ISAEP (GED program)	-	8,355	8,355	-
Special education regional payments	-	16,955	16,955	-
At risk payments	84,448	91,642	91,642	-
At risk four-year olds	48,213	55,795	55,795	-
Early reading intervention	26,311	14,168	14,168	-
ESL	8,962	6,925	6,925	-
Gifted and talented	22,055	21,626	21,626	-
Lottery	126,533	167,555	167,555	-
Homebound	3,890	1,768	1,768	-
Career and technical education	4,500	4,489	4,489	-
SOL Algebra readiness	8,155	8,155	8,155	-
Mentor teacher program	1,034	1,857	1,857	-
Remedial education	94,322	92,485	92,485	-

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:(Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Special education - foster children	\$ 1,649	\$ -	\$ -	\$ -
School fringes	548,568	537,887	537,887	-
Primary class size reduction	133,188	144,036	144,036	-
Special education	633,974	621,630	621,630	-
Enrollment loss	-	75,000	75,000	-
Industry certification cost	250	194	194	-
Project graduation	3,467	3,467	3,467	-
Technology initiative	128,000	61,389	61,389	-
Textbook payment	47,250	46,324	46,330	6
School security grant	-	42,425	42,425	-
Medicaid	42,000	75,157	75,157	-
Vocational education	93,853	92,025	92,025	-
Total categorical aid	<u>\$ 5,587,673</u>	<u>\$ 5,652,579</u>	<u>\$ 5,652,585</u>	<u>\$ 6</u>
Total revenue from the Commonwealth	<u>\$ 5,587,673</u>	<u>\$ 5,652,579</u>	<u>\$ 5,652,585</u>	<u>\$ 6</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 234,154	\$ 197,509	\$ 197,509	\$ -
Vocational education	16,421	20,344	20,344	-
21st century learning center	-	846	846	-
Title IV - Part A	10,000	18,406	18,180	(226)
Title VIB	298,115	295,278	295,278	-
Preschool grant	19,423	16,212	16,212	-
Title II - Part A	66,177	78,947	78,947	-
Title III	1,798	4,603	4,603	-
Gear up	48,973	45,825	45,825	-
JROTC grant	52,695	54,620	54,620	-
Other federal aid	-	-	-	-
Total categorical aid	<u>\$ 747,756</u>	<u>\$ 732,590</u>	<u>\$ 732,364</u>	<u>\$ (226)</u>
Total revenue from the federal government	<u>\$ 747,756</u>	<u>\$ 732,590</u>	<u>\$ 732,364</u>	<u>\$ (226)</u>
Total School Operating Fund	<u>\$ 10,604,905</u>	<u>\$ 10,719,953</u>	<u>\$ 10,697,812</u>	<u>\$ (22,141)</u>

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 24	\$ 24
Charges for services:				
Cafeteria sales	\$ 87,150	\$ 87,150	\$ 86,970	\$ (180)
Total revenue from local sources	<u>\$ 87,150</u>	<u>\$ 87,150</u>	<u>\$ 86,994</u>	<u>\$ (156)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 3,133	\$ 3,133	\$ 3,687	\$ 554
Total revenue from the Commonwealth	<u>\$ 3,133</u>	<u>\$ 3,133</u>	<u>\$ 3,687</u>	<u>\$ 554</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 260,925	\$ 260,925	\$ 240,519	\$ (20,406)
Summer food program	5,070	5,070	-	(5,070)
Commodities	30,000	30,000	19,370	(10,630)
Total categorical aid	<u>\$ 295,995</u>	<u>\$ 295,995</u>	<u>\$ 259,889</u>	<u>\$ (36,106)</u>
Total revenue from the federal government	<u>\$ 295,995</u>	<u>\$ 295,995</u>	<u>\$ 259,889</u>	<u>\$ (36,106)</u>
Total School Cafeteria Fund	<u>\$ 386,278</u>	<u>\$ 386,278</u>	<u>\$ 350,570</u>	<u>\$ (35,708)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,991,183</u>	<u>\$ 11,106,231</u>	<u>\$ 11,048,382</u>	<u>\$ (57,849)</u>

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 96,301	\$ 96,301	\$ 65,415	\$ 30,886
General and financial administration:				
County administrator	\$ 238,838	\$ 238,838	\$ 207,429	\$ 31,409
County attorney	121,460	121,460	116,326	5,134
Commissioner of revenue	209,001	209,001	200,007	8,994
Finance	73,125	73,125	72,533	592
Treasurer	242,298	242,298	231,928	10,370
Management information systems	102,292	102,292	82,972	19,320
Other general and financial administration	215,800	250,300	240,268	10,032
Total general and financial administration	<u>\$ 1,202,814</u>	<u>\$ 1,237,314</u>	<u>\$ 1,151,463</u>	<u>\$ 85,851</u>
Board of elections:				
Electoral board and officials	\$ 40,147	\$ 41,424	\$ 24,534	\$ 16,890
Registrar	111,981	120,704	95,047	25,657
Total board of elections	<u>\$ 152,128</u>	<u>\$ 162,128</u>	<u>\$ 119,581</u>	<u>\$ 42,547</u>
Total general government administration	<u>\$ 1,451,243</u>	<u>\$ 1,495,743</u>	<u>\$ 1,336,459</u>	<u>\$ 159,284</u>
Judicial administration:				
Courts:				
Circuit court	\$ 1,970	\$ 1,970	\$ 1,565	\$ 405
General district court	12,590	12,590	7,854	4,736
Special Magistrates	500	500	-	500
Juvenile and domestic relations court	7,721	7,721	2,391	5,330
Ninth District Court services unit	100,959	100,959	43,806	57,153
Victim witness assistance	3,503	3,503	3,505	(2)
Clerk of the circuit court	262,784	262,784	260,794	1,990
Total courts	<u>\$ 390,027</u>	<u>\$ 390,027</u>	<u>\$ 319,915</u>	<u>\$ 70,112</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 223,026	\$ 223,026	\$ 221,887	\$ 1,139
Total judicial administration	<u>\$ 613,053</u>	<u>\$ 613,053</u>	<u>\$ 541,802</u>	<u>\$ 71,251</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,512,354	\$ 1,596,201	\$ 1,523,613	\$ 72,588
E-911	122,468	124,332	244,229	(119,897)
Total law enforcement and traffic control	<u>\$ 1,634,822</u>	<u>\$ 1,720,533</u>	<u>\$ 1,767,842</u>	<u>\$ (47,309)</u>
Fire and rescue services:				
Fire department	\$ 88,000	\$ 88,000	\$ 113,134	\$ (25,134)
Ambulance and rescue services	44,300	44,300	49,500	(5,200)
Rescue services	495,096	671,883	630,397	41,486
Radio communications	382,696	382,696	284,058	98,638
Emergency medical services	935	935	930	5
Forestry services	11,667	11,667	11,101	566
Total fire and rescue services	<u>\$ 1,022,694</u>	<u>\$ 1,199,481</u>	<u>\$ 1,089,120</u>	<u>\$ 110,361</u>

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Probation and pretrial services	\$ 4,200	\$ 4,200	\$ 7,500	\$ (3,300)
Payments to Regional Jail	425,000	593,228	596,295	(3,067)
Total correction and detention	<u>\$ 429,200</u>	<u>\$ 597,428</u>	<u>\$ 603,795</u>	<u>\$ (6,367)</u>
Inspections:				
Building	\$ 101,841	\$ 101,841	\$ 89,742	\$ 12,099
Other protection:				
Animal control and shelter	\$ 157,567	\$ 157,567	\$ 144,051	\$ 13,516
Emergency services	50,682	58,182	59,099	(917)
Medical examiner	200	200	100	100
Total other protection	<u>\$ 208,449</u>	<u>\$ 215,949</u>	<u>\$ 203,250</u>	<u>\$ 12,699</u>
Total public safety	<u>\$ 3,397,006</u>	<u>\$ 3,835,232</u>	<u>\$ 3,753,749</u>	<u>\$ 81,483</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 444,274	\$ 444,274	\$ 404,822	\$ 39,452
Maintenance of general buildings and grounds:				
General properties	\$ 249,483	\$ 249,483	\$ 223,380	\$ 26,103
Total public works	<u>\$ 693,757</u>	<u>\$ 693,757</u>	<u>\$ 628,202</u>	<u>\$ 65,555</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 61,605	\$ 61,605	\$ 61,605	\$ -
Mental health and mental retardation:				
Community services board	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,597,184	\$ 1,597,184	\$ 1,161,431	\$ 435,753
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Bay Aging	30,798	30,798	30,798	-
Contributions	14,712	14,712	14,712	-
Total welfare	<u>\$ 1,652,642</u>	<u>\$ 1,652,642</u>	<u>\$ 1,216,889</u>	<u>\$ 435,753</u>
Total health and welfare	<u>\$ 1,742,247</u>	<u>\$ 1,742,247</u>	<u>\$ 1,306,494</u>	<u>\$ 435,753</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 6,171	\$ 6,171	\$ 6,171	\$ -
Contribution to County School Board	4,202,176	4,237,127	4,215,206	21,921
Total education	<u>\$ 4,208,347</u>	<u>\$ 4,243,298</u>	<u>\$ 4,221,377</u>	<u>\$ 21,921</u>

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Mattaponi pier	\$ 3,600	\$ 3,600	\$ 4,213	\$ (613)
Library:				
Contribution to County library	\$ 170,349	\$ 170,349	\$ 180,936	\$ (10,587)
Total parks, recreation, and cultural	\$ 173,949	\$ 173,949	\$ 185,149	\$ (11,200)
Community development:				
Planning and community development:				
Planning and zoning	\$ 228,597	\$ 228,597	\$ 223,869	\$ 4,728
Wetlands board	3,138	3,138	1,168	1,970
Board of zoning appeals	4,038	4,038	200	3,838
Industrial Development Authority	3,492	3,492	1,209	2,283
Airport authority	65,000	65,000	55,189	9,811
Economic development	31,963	31,963	11,180	20,783
Planning commission	12,730	12,730	6,055	6,675
Total planning and community development	\$ 348,958	\$ 348,958	\$ 298,870	\$ 50,088
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	6,207	90	6,117
Total environmental management	\$ 10,174	\$ 15,881	\$ 9,764	\$ 6,117
Cooperative extension program:				
Extension office	\$ 34,001	\$ 34,001	\$ 14,645	\$ 19,356
Total community development	\$ 393,133	\$ 398,840	\$ 323,279	\$ 75,561
Nondepartmental:				
Contingencies	\$ 347,598	\$ 197,598	\$ 47,937	\$ 149,661
Capital projects:				
Capital projects	\$ 1,559,350	\$ 1,579,350	\$ 640,799	\$ 938,551
Total capital projects	\$ 1,559,350	\$ 1,579,350	\$ 640,799	\$ 938,551
Total General Fund	\$ 14,579,683	\$ 14,973,067	\$ 12,985,247	\$ 1,987,820
Special Revenue Fund:				
Public Safety:				
Other protection:				
Court security	\$ 37,678	\$ 37,678	\$ 34,473	3,205
Forfeited assets	-	4,000	3,025	975
K-9 unit	-	-	1,814	(1,814)
Total public safety	\$ 37,678	\$ 41,678	\$ 39,312	\$ 2,366

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
Landfill contingency	\$ 100,000	\$ 100,000	\$ 5,061	\$ 94,939
Total public works	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 5,061</u>	<u>\$ 94,939</u>
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 766,378	\$ 766,378	\$ 445,024	\$ 321,354
Total Health and Welfare	<u>\$ 766,378</u>	<u>\$ 766,378</u>	<u>\$ 445,024</u>	<u>\$ 321,354</u>
Total Special Revenue Fund	<u><u>\$ 904,056</u></u>	<u><u>\$ 908,056</u></u>	<u><u>\$ 489,397</u></u>	<u><u>\$ 418,659</u></u>
Capital Projects Fund:				
Capital projects:				
General government	\$ -	\$ 21,420	\$ 49,937	\$ (28,517)
School capital projects	100,000	1,700,098	1,347,910	352,188
Total Capital Projects Fund	<u>\$ 100,000</u>	<u>\$ 1,721,518</u>	<u>\$ 1,397,847</u>	<u>\$ 323,671</u>
Total Primary Government	<u><u>\$ 15,583,739</u></u>	<u><u>\$ 17,602,641</u></u>	<u><u>\$ 14,872,491</u></u>	<u><u>\$ 2,730,150</u></u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs	\$ 7,720,721	\$ 7,779,418	\$ 7,734,854	\$ 44,564
Administration, health and attendance	776,652	762,552	761,121	1,431
Pupil transportation	1,006,941	986,941	970,800	16,141
Operation and maintenance of school plant	974,317	1,064,768	1,104,764	(39,996)
Total education	<u>\$ 10,478,631</u>	<u>\$ 10,593,679</u>	<u>\$ 10,571,539</u>	<u>\$ 22,140</u>
Debt service:				
Principal retirement	\$ 66,945	\$ 66,945	\$ 66,945	\$ -
Interest and other fiscal charges	39,890	39,890	39,889	1
Total debt service	<u>\$ 106,835</u>	<u>\$ 106,835</u>	<u>\$ 106,834</u>	<u>\$ 1</u>
Total School Operating Fund	<u><u>\$ 10,585,466</u></u>	<u><u>\$ 10,700,514</u></u>	<u><u>\$ 10,678,373</u></u>	<u><u>\$ 22,141</u></u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 405,717	\$ 405,717	\$ 378,282	\$ 27,435
Total School Cafeteria Fund	<u>\$ 405,717</u>	<u>\$ 405,717</u>	<u>\$ 378,282</u>	<u>\$ 27,435</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 10,991,183</u></u>	<u><u>\$ 11,106,231</u></u>	<u><u>\$ 11,056,655</u></u>	<u><u>\$ 49,576</u></u>

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education
2010	\$ 1,174,459	\$ 610,178	\$ 2,399,846	\$ 681,508	\$ 1,909,365	\$ 4,122,668
2011	1,267,906	591,782	1,979,131	606,615	1,789,941	4,117,502
2012	1,226,149	613,685	2,751,138	554,107	2,078,523	4,156,243
2013	1,203,043	616,327	2,919,101	626,842	1,935,820	4,439,670
2014	1,290,245	629,013	2,842,676	642,818	1,593,694	4,655,236
2015	1,221,463	624,839	2,701,437	567,403	1,872,983	3,710,080
2016	1,246,630	612,550	2,986,517	629,972	1,851,649	3,920,447
2017	1,425,004	649,427	2,959,753	595,720	1,545,003	3,923,334
2018	1,282,392	607,044	3,822,281	664,226	1,518,721	4,557,794
2019	1,446,801	629,357	4,158,939	(1,351,672)	1,699,109	5,569,287

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Service Authority	Total
\$	207,000	\$ 571,849	\$ 171,635	\$ -	\$ 11,848,508
	171,151	332,854	137,552	-	10,994,434
	248,605	485,371	106,139	-	12,219,960
	181,060	537,440	80,972	94,618	12,634,893
	182,296	298,958	57,134	256,794	12,448,864
	165,790	744,192	14,080	213,425	11,835,692
	318,082	316,566	23,472	191,944	12,097,829
	166,173	321,750	-	194,391	11,780,555
	180,484	417,948	-	194,760	13,245,650
	185,149	325,637	-	180,188	12,842,795

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes
2010	\$ 3,809,129	\$ 2,321,552	\$ 122,783	\$ 5,488,787	\$ 639,854
2011	3,360,983	2,265,979	147,075	5,578,955	594,612
2012	3,216,698	2,539,732	-	5,671,926	620,996
2013	2,896,267	2,719,685	-	6,376,738	656,466
2014	2,475,864	2,466,019	14,700	6,532,057	655,146
2015	1,496,483	2,622,086	-	6,792,526	645,179
2016	1,847,583	2,551,365	107,362	6,870,777	555,889
2017	2,614,006	2,379,986	-	7,092,765	626,359
2018	3,243,054	2,428,003	378,263	7,088,719	681,774
2019	3,261,253	2,611,459	256,804	7,433,096	715,421

Table 2

Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 80,345	\$ 128,569	\$ 1,078,190	\$ 13,669,209
160,529	119,343	1,045,800	13,273,276
71,039	121,403	1,049,684	13,291,478
77,878	125,138	1,038,100	13,890,272
98,527	128,806	907,582	13,278,701
112,107	146,769	945,964	12,761,114
149,616	134,151	1,000,757	13,217,500
364,614	184,024	1,061,913	14,323,667
407,903	112,484	1,285,109	15,625,309
656,487	157,171	1,036,085	16,127,776

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)
2010	\$ 1,171,879	\$ 513,882	\$ 2,028,430	\$ 715,845	\$ 1,932,790	\$ 10,274,097
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194
2013	1,167,386	503,509	2,758,906	602,076	1,923,722	11,681,192
2014	1,224,648	510,798	2,644,137	659,260	1,590,812	10,556,133
2015	1,194,338	516,483	2,342,193	651,611	1,891,822	9,732,140
2016	1,263,888	517,169	2,646,102	627,584	1,878,226	9,915,432
2017	1,244,354	587,171	2,707,378	594,972	1,555,901	10,183,846
2018	1,253,741	505,564	3,765,212	671,105	1,544,331	10,623,525
2019	1,336,459	541,802	3,793,061	633,263	1,751,518	10,955,992

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

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

(3) Excludes Capital Projects expenditures.

Table 3

	Parks, Recreation, and Cultural	Community Development	Non- departmental	Debt Service	Total
\$	198,307	\$ 554,621	\$ -	\$ 696,343	\$ 18,086,194
	178,911	327,900	3,700	670,734	17,856,995
	248,605	475,388	7,495	646,481	19,272,401
	181,060	770,018	28,373	531,778	20,148,020
	182,296	296,148	17,133	499,048	18,180,413
	165,790	751,644	18,393	901,381	18,165,795
	318,082	319,760	30,166	-	17,516,409
	166,173	322,366	31,401	101,270	17,494,832
	175,984	326,122	42,030	103,853	19,011,467
	185,149	323,279	47,937	106,834	19,675,294

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2010	\$ 5,678,269	\$ 639,854	\$ 78,962	\$ 147,261	\$ 78,477	\$ 3,721,618
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700
2013	6,320,017	656,466	67,785	128,578	76,630	2,685,995
2014	6,560,390	655,146	75,948	137,889	97,590	2,274,719
2015	6,839,256	645,179	32,467	174,516	111,066	1,238,497
2016	6,738,931	555,889	46,465	115,251	146,225	1,584,546
2017	7,039,695	626,359	75,492	126,345	226,906	2,311,083
2018	7,100,602	681,774	40,256	129,866	407,823	2,969,694
2019	7,445,991	715,421	112,557	232,417	635,627	2,826,855

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

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

Table 4

Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$ 329,555	\$ 85,994	\$ 9,683,574	\$ 20,443,564
331,891	76,398	9,663,040	19,949,796
121,403	25,839	10,658,460	20,260,755
114,768	11,082	11,081,156	21,142,477
241,343	27,162	9,411,401	19,481,588
195,198	25,871	9,592,652	18,854,702
282,055	14,684	9,567,814	19,051,860
301,999	17,520	9,767,231	20,492,630
234,999	14,412	10,509,123	22,088,549
254,828	24,729	10,552,873	22,801,298

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2010	\$ 6,268,554	\$ 6,123,219	97.68%	\$ 234,679	\$ 6,357,898	101.43%	\$ 301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	318,242	5.00%
2013	7,154,945	6,928,385	96.83%	152,813	7,081,198	98.97%	337,926	4.72%
2014	7,346,800	7,142,854	97.22%	162,645	7,305,499	99.44%	344,648	4.69%
2015	7,462,951	7,261,520	97.30%	196,812	7,458,332	99.94%	339,885	4.55%
2016	7,538,777	7,248,757	96.15%	182,224	7,430,981	98.57%	483,608	6.41%
2017	7,773,000	7,489,813	96.36%	274,044	7,763,857	99.88%	520,914	6.70%
2018	7,940,634	7,673,480	96.64%	265,213	7,938,693	99.98%	510,367	6.43%
2019	7,998,056	7,735,983	96.72%	214,491	7,950,474	99.41%	471,468	5.89%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2) Real Estate	Total
2010	\$ 784,602,233	\$ 66,823,674	\$ 15,441,892	\$ 4,179,900	\$ 18,311,989	\$ 889,359,688
2011	781,893,148	69,095,920	16,141,065	3,656,050	18,456,483	889,242,666
2012	789,498,710	68,688,278	16,700,580	4,580,483	22,917,533	902,385,584
2013	838,291,612	73,948,213	16,121,740	4,729,556	27,120,435	960,211,556
2014	838,941,658	74,051,309	18,834,615	4,367,467	26,982,342	963,177,391
2015	845,030,681	70,865,142	21,508,080	5,224,061	25,554,964	968,182,928
2016	844,188,081	77,906,672	22,452,515	5,497,176	26,983,745	977,028,189
2017	849,148,802	80,425,745	23,003,172	8,166,404	29,634,827	990,378,950
2018	892,880,323	81,506,537	25,620,340	7,713,894	31,363,930	1,039,085,024
2019	890,594,464	81,522,847	25,600,250	7,072,758	33,414,919	1,038,205,238

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

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

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2010	\$ 0.48	\$ 3.94	\$ 0.65	\$ 1.10
2011	0.48	3.94	0.65	1.10
2012	0.48	3.94	0.65	1.10
2013	0.52	3.94	0.65	1.10
2014	0.54	3.94	0.65	1.10
2015	0.54	3.94	0.65	1.10
2016	0.54	3.94	0.65	1.10
2017	0.55	3.94	0.65	1.10
2018	0.53	3.94	0.65	1.10
2019	0.53	3.94	0.65	1.10

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010	6,945	\$ 889,359,688	\$ 1,214,975	\$ 1,214,975	0.14%	\$ 175
2011	6,945	889,242,666	855,823	855,823	0.10%	123
2012	6,945	902,385,584	499,362	499,362	0.06%	72
2013	6,945	960,211,556	240,000	240,000	0.02%	35
2014	6,945	963,177,391	-	-	N/A	N/A
2015	6,945	968,182,928	-	-	N/A	N/A
2016	6,945	977,028,189	-	-	N/A	N/A
2017	6,945	990,378,950	-	-	N/A	N/A
2018	6,945	1,039,085,024	-	-	N/A	N/A
2019	6,945	1,038,205,238	-	-	N/A	N/A

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

(2) From Table 6.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated October 11, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farner, Cox Associates

Richmond, Virginia
October 11, 2019



Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 11, 2019

County of King and Queen, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 12,479
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400116/0400117	96,824
Refugee and Entrant Assistance - Replacement Designee Programs	93.566	0500116/500117	56
Low-Income Home Energy Assistance	93.568	0600416/00600417	16,044
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760116/0760117	18,043
Adoption and Legal Guardianship Incentive Payments	93.603	76500-469003	1,402
Stephanie Tubbs Jones Child Welfare Services Program	93.645	09000116	111
Foster Care - Title IV-E	93.658	1100116/1100117	81,080
Adoption Assistance	93.659	1120116/1120117	63,456
Social Services Block Grant	93.667	1000116/1000117	65,368
Chafee Foster Care Independence Program	93.674	9150116/9150117	793
Children's Health Insurance Program	93.767	0540116/0540117	3,327
Medical Assistance Program (Medicaid Cluster)	93.778	1200116/1200117	<u>164,570</u>
Total Department of Health and Human Services			<u>\$ 523,553</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Pass-Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	Not available	\$ 18,696
Department of Education:			
National School Lunch Program	10.555	17901-40623	<u>164,930</u>
	Total CFDA 10.555		<u>\$ 183,626</u>
Department of Agriculture:			
Food Distribution	10.559	Not available	674
Department of Education:			
School Breakfast Program	10.553	17901-40591	<u>75,589</u>
Total Child Nutrition Cluster			<u>\$ 259,889</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010116/0010117	<u>148,003</u>
Total Department of Agriculture			<u>\$ 407,892</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Grant	16.607	N/A	<u>\$ 390</u>

County of King and Queen, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Highway Safety Cluster:			
Pass-Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-53000	\$ 10,831
National Priority Safety Program	20.616	60507-53000	10,488
Total Highway Safety Cluster			<u>\$ 21,319</u>
Total Department of Transportation			<u>\$ 21,319</u>
Environmental Protection Agency:			
National Fish and Wildlife Foundation:			
Direct payments:			
Chesapeake Bay Program	66.466	N/A	<u>\$ 106,133</u>
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 54,620</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	7750100-62744	<u>\$ 7,190</u>
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not available	\$ 45,825
Virginia Tech, University Controller:			
English Language Acquisition State Grants	84.365	17901-60512	4,603
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	197,509
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	295,278
Special Education - Preschool Grants	84.173	17901-62521	16,212
Total Special Education Cluster			<u>\$ 311,490</u>
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	20,344
Twenty-First Century Community Learning Centers	84.287	17901-60565	846
Supporting Effective Instruction State Grants	84.367	17901-61480	78,947
Student Support and Academic Enrichment Program	84.424	Not available	<u>18,180</u>
Total Department of Education			<u>\$ 677,744</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,798,841</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of King and Queen, Virginia

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 806,588
Total primary government	<u>\$ 806,588</u>

Component Unit School Board:

School Operating Fund	\$ 732,364
School Cafeteria Fund	259,889
Total Component Unit School Board	<u>\$ 992,253</u>

Total federal expenditures per basic financial statements \$ 1,798,841

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 1,798,841

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of King & Queen, Virginia
 Summary Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unmodified*
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes _____ no
 Significant deficiency(ies) identified? _____ yes _____ none reported
 Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes _____ no
 Significant deficiency(ies) identified? _____ yes _____ none reported

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

Any findings disclosed that are required to be
 in accordance with 2 CFR section 200.516(a)? _____ yes _____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A
 and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.