

COUNTY OF KING & QUEEN,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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COUNTY OF KING & QUEEN, VIRGINIA

BOARD OF SUPERVISORS

J. Lawrence Simpkins, Chairperson

Sherrin C. Alsop, Vice Chairperson
James "Jim" Burns

R. F. Bailey, Jr.
Doris H. Morris

COUNTY SCHOOL BOARD

Celestine Gaines, Chairperson

Shannon L. Amos, Vice Chairperson
Howard Hill

Harwood Hall
Brenda Lee

SOCIAL SERVICES BOARD

Kelly Bailey, Chairperson

Bette J. Albert
Doris Morris

Angela Alley
Linda Robinson

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
Meredith Adkins
Kelly N. Lumpkin
Irene Longest
John R. Charboneau
Dr. Carol B. Carter
Betty Dougherty
Thomas J. Swartzwelder
Anne T. Kennedy
Thomas J. Swartzwelder

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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, 2020, 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.

Opinion

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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 82-83, and 84-101 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.

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 November 27, 2020, 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, Farmer, Cox Associates

Richmond, Virginia
November 27, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2020. 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 \$34,051,361 (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 \$1,032,779 (Exhibit 5) after making contributions totaling \$4,253,894 to the School Board.

< As of the close of the current fiscal year; the County's funds reported ending fund balances of \$27,572,410, an increase of \$1,032,779 in comparison with the prior year.

< At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,456,880, or 113% of total general fund expenditures and other uses.

< The combined long-term obligations increased \$93,962 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 \$34,051,361 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 29,397,330	\$ 27,582,444	\$ 119,628	\$ 175,263	\$ 29,516,958	\$ 27,757,707
Capital assets	6,686,685	6,777,393	326,198	318,283	7,012,883	7,095,676
Total assets	\$ 36,084,015	\$ 34,359,837	\$ 445,826	\$ 493,546	\$ 36,529,841	\$ 34,853,383
Deferred outflows of resources	\$ 493,218	\$ 230,835	\$ -	\$ -	\$ 493,218	\$ 230,835
Current liabilities	\$ 1,364,993	\$ 334,952	\$ -	\$ -	\$ 1,364,993	\$ 334,952
Long-term liabilities outstanding	1,413,474	1,319,512	-	-	1,413,474	1,319,512
Total liabilities	\$ 2,778,467	\$ 1,654,464	\$ -	\$ -	\$ 2,778,467	\$ 1,654,464
Deferred inflows of resources	\$ 193,231	\$ 274,247	\$ -	\$ -	\$ 193,231	\$ 274,247
Net position:						
Investment in capital assets	\$ 6,686,685	\$ 6,777,393	\$ 326,198	\$ 318,283	\$ 7,012,883	\$ 7,095,676
Restricted	188,550	224,623	-	-	188,550	224,623
Unrestricted	26,730,300	25,659,945	119,628	175,263	26,849,928	25,835,208
Total net position	\$ 33,605,535	\$ 32,661,961	\$ 445,826	\$ 493,546	\$ 34,051,361	\$ 33,155,507

Government-wide Financial Analysis (Continued)

The County's net position increased \$895,854 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,767,542	\$ 3,084,859	\$ 143,223	\$ 176,394	\$ 2,910,765	\$ 3,261,253
Operating grants and contributions	2,564,893	2,611,459	-	-	2,564,893	2,611,459
Capital grants and contributions	-	256,804	-	-	-	256,804
General revenues:						
General property taxes	7,525,429	7,433,096	-	-	7,525,429	7,433,096
Other local taxes	719,051	715,421	-	-	719,051	715,421
Grants and other contributions not restricted	1,119,293	1,036,085	-	-	1,119,293	1,036,085
Other general revenues	727,250	813,536	97	122	727,347	813,658
Total revenues	\$ 15,423,458	\$ 15,951,260	\$ 143,320	\$ 176,516	\$ 15,566,778	\$ 16,127,776
Expenses:						
General government						
administration	\$ 1,245,092	\$ 1,446,801	-	-	\$ 1,245,092	\$ 1,446,801
Judicial administration	660,957	629,357	-	-	660,957	629,357
Public safety	4,990,245	4,158,939	-	-	4,990,245	4,158,939
Public works	671,619	(1,351,672)	-	-	671,619	(1,351,672)
Health and welfare	1,732,518	1,699,109	-	-	1,732,518	1,699,109
Education	4,640,286	5,569,287	-	-	4,640,286	5,569,287
Parks, recreation, and cultural	171,742	185,149	-	-	171,742	185,149
Community development	367,425	325,637	-	-	367,425	325,637
Wireless service authority	-	-	191,040	180,188	191,040	180,188
Total expenses	\$ 14,479,884	\$ 12,662,607	\$ 191,040	\$ 180,188	\$ 14,670,924	\$ 12,842,795
Change in net position	\$ 943,574	\$ 3,288,653	\$ (47,720)	\$ (3,672)	\$ 895,854	\$ 3,284,981
Beginning of year	32,661,961	29,373,308	493,546	497,218	33,155,507	29,870,526
End of year	\$ 33,605,535	\$ 32,661,961	\$ 445,826	\$ 493,546	\$ 34,051,361	\$ 33,155,507

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 \$27,572,410, an increase of \$1,032,779 in comparison with the prior year. Approximately 56% 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 \$119,628. The total decrease in net position was \$47,720. 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 \$871,791. Expenditures and other uses were less than budgetary estimates by \$1,521,384, resulting in a positive variance of \$2,393,175.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2020 amounts to \$6,686,685 (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 2021 fiscal year.

The fiscal year 2021 general fund budget increased approximately 4.7%. All tax rates remained the same as in 2020.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and investments	\$ 28,379,784	\$ 108,103	\$ 28,487,887	\$ 892,583	\$ 239,453
Receivables (net of allowance for uncollectibles):					
Taxes receivable	550,351	-	550,351	-	-
Accounts receivable	80,275	11,525	91,800	15,416	-
Due from other governmental units	361,258	-	361,258	259,129	-
Prepaid items	25,662	-	25,662	-	1,728
Net pension asset	-	-	-	707,462	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	208,298	-	208,298	39,639	516,019
Buildings and improvements	2,871,115	-	2,871,115	5,537,386	15,949
Machinery and equipment	2,898,708	8,474	2,907,182	537,367	-
Infrastructure	658,544	278,084	936,628	-	-
Construction in progress	50,020	39,640	89,660	77,391	-
Total assets	\$ 36,084,015	\$ 445,826	\$ 36,529,841	\$ 8,066,373	\$ 773,149
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related items	\$ 62,570	\$ -	\$ 62,570	\$ 253,767	\$ -
Pension related items	430,648	-	430,648	1,570,526	-
Total deferred outflows of resources	\$ 493,218	\$ -	\$ 493,218	\$ 1,824,293	\$ -
LIABILITIES					
Accounts payable	\$ 388,299	\$ -	\$ 388,299	\$ 216,548	\$ -
Accrued liabilities	358,679	-	358,679	936,284	75,000
Accrued interest payable	-	-	-	13,370	-
Unearned revenue	618,015	-	618,015	-	-
Long-term liabilities:					
Due within one year	27,540	-	27,540	88,615	-
Due in more than one year	1,385,934	-	1,385,934	10,005,917	-
Total liabilities	\$ 2,778,467	\$ -	\$ 2,778,467	\$ 11,260,734	\$ 75,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 73,752	\$ -	\$ 73,752	\$ -	\$ -
OPEB related items	14,650	-	14,650	67,388	-
Pension related items	104,829	-	104,829	1,038,948	-
Total deferred inflows of resources	\$ 193,231	\$ -	\$ 193,231	\$ 1,106,336	\$ -
NET POSITION					
Net investment in capital assets	\$ 6,686,685	\$ 326,198	\$ 7,012,883	\$ 5,022,780	\$ 531,968
Restricted:					
Asset forfeiture	2,561	-	2,561	-	-
Court security	81,525	-	81,525	-	-
Various public safety programs	24,464	-	24,464	-	-
CDBG	80,000	-	80,000	-	-
Unrestricted (deficit)	26,730,300	119,628	26,849,928	(7,499,184)	166,181
Total net position	\$ 33,605,535	\$ 445,826	\$ 34,051,361	\$ (2,476,404)	\$ 698,149

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, 2020

<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	\$ 1,245,092	\$ -	\$ 204,287	-
Judicial administration	660,957	174,303	302,738	-
Public safety	4,990,245	258,956	606,399	-
Public works	671,619	-	-	-
Health and welfare	1,732,518	-	1,266,959	-
Education	4,640,286	-	100,032	-
Parks, recreation, and cultural	171,742	-	1,000	-
Community development	367,425	2,334,283	83,478	-
Total governmental activities	\$ 14,479,884	\$ 2,767,542	\$ 2,564,893	\$ -
Business-type activities:				
Wireless Service Authority	\$ 191,040	\$ 143,223	\$ -	\$ -
Total business-type activities	\$ 191,040	\$ 143,223	\$ -	\$ -
Total primary government	\$ 14,670,924	\$ 2,910,765	\$ 2,564,893	\$ -
COMPONENT UNITS:				
School Board	\$ 11,329,872	\$ 73,012	\$ 6,720,973	\$ -
Industrial Development Authority	97,532	29,534	75,000	-
Total component units	\$ 11,427,404	\$ 102,546	\$ 6,795,973	\$ -
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	
\$ (1,040,805)	\$ -	\$ (1,040,805)	\$ -	\$ -	
(183,916)	-	(183,916)	-	-	
(4,124,890)	-	(4,124,890)	-	-	
(671,619)	-	(671,619)	-	-	
(465,559)	-	(465,559)	-	-	
(4,540,254)	-	(4,540,254)	-	-	
(170,742)	-	(170,742)	-	-	
2,050,336	-	2,050,336	-	-	
<u>\$ (9,147,449)</u>	<u>\$ -</u>	<u>\$ (9,147,449)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (47,817)	\$ (47,817)	\$ -	\$ -	
\$ -	\$ (47,817)	\$ (47,817)	\$ -	\$ -	
<u>\$ (9,147,449)</u>	<u>\$ (47,817)</u>	<u>\$ (9,195,266)</u>	<u>\$ -</u>	<u>\$ -</u>	
			\$ (4,535,887)	\$ -	
			-	7,002	
			<u>\$ (4,535,887)</u>	<u>\$ 7,002</u>	
\$ 7,525,429	\$ -	\$ 7,525,429	\$ -	\$ -	
255,842	-	255,842	-	-	
179,360	-	179,360	-	-	
207,603	-	207,603	-	-	
76,246	-	76,246	-	-	
566,305	97	566,402	33	2,558	
160,945	-	160,945	50,096	-	
-	-	-	4,633,992	-	
1,119,293	-	1,119,293	-	-	
<u>\$ 10,091,023</u>	<u>\$ 97</u>	<u>\$ 10,091,120</u>	<u>\$ 4,684,121</u>	<u>\$ 2,558</u>	
\$ 943,574	\$ (47,720)	\$ 895,854	\$ 148,234	\$ 9,560	
32,661,961	493,546	33,155,507	(2,624,638)	688,589	
<u>\$ 33,605,535</u>	<u>\$ 445,826</u>	<u>\$ 34,051,361</u>	<u>\$ (2,476,404)</u>	<u>\$ 698,149</u>	

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FUND FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 24,455,753	\$ 844,750	\$ 3,079,281	\$ 28,379,784
Receivables (net of allowance for uncollectibles):				
Taxes receivable	550,351	-	-	550,351
Accounts receivable	80,275	-	-	80,275
Due from other funds	-	-	19,694	19,694
Due from other governmental units	286,797	-	74,461	361,258
Prepaid items	25,662	-	-	25,662
Total assets	<u>\$ 25,398,838</u>	<u>\$ 844,750</u>	<u>\$ 3,173,436</u>	<u>\$ 29,417,024</u>
LIABILITIES				
Accounts payable	\$ 234,199	\$ 55,315	\$ 98,785	\$ 388,299
Accrued liabilities	45,548	309,500	3,631	358,679
Due to other funds	19,694	-	-	19,694
Unearned revenue	618,015	-	-	618,015
Total liabilities	<u>\$ 917,456</u>	<u>\$ 364,815</u>	<u>\$ 102,416</u>	<u>\$ 1,384,687</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 459,927	\$ -	\$ -	\$ 459,927
Total deferred inflows of resources	<u>\$ 459,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,927</u>
FUND BALANCES				
Nonspendable	\$ 25,662	\$ -	\$ -	\$ 25,662
Restricted	80,000	-	108,550	188,550
Committed	6,046,175	479,935	2,962,470	9,488,580
Assigned	2,412,738	-	-	2,412,738
Unassigned	15,456,880	-	-	15,456,880
Total fund balances	<u>\$ 24,021,455</u>	<u>\$ 479,935</u>	<u>\$ 3,071,020</u>	<u>\$ 27,572,410</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,398,838</u>	<u>\$ 844,750</u>	<u>\$ 3,173,436</u>	<u>\$ 29,417,024</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 27,572,410
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 13,412,238	
Accumulated depreciation	<u>(6,725,553)</u>	6,686,685
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		386,175
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
OPEB related items	\$ 62,570	
Pension related items	<u>430,648</u>	493,218
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 pension liability	\$ (244,431)	
Net OPEB liabilities	(893,648)	
Compensated absences	<u>(275,395)</u>	(1,413,474)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB related items	\$ (14,650)	
Pension related items	<u>(104,829)</u>	(119,479)
Net Position of governmental activities		<u><u>\$ 33,605,535</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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 7,644,893	\$ -	\$ -	\$ 7,644,893
Other local taxes	719,051	-	-	719,051
Permits, privilege fees, and regulatory licenses	79,501	-	-	79,501
Fines and forfeitures	165,978	-	-	165,978
Revenue from the use of money and property	533,848	18,922	13,535	566,305
Charges for services	2,492,556	-	29,507	2,522,063
Miscellaneous	149,500	-	11,445	160,945
Recovered costs	15,049	-	-	15,049
Intergovernmental:				
Commonwealth	2,604,849	-	274,547	2,879,396
Federal	764,790	40,000	-	804,790
Total revenues	<u>\$ 15,170,015</u>	<u>\$ 58,922</u>	<u>\$ 329,034</u>	<u>\$ 15,557,971</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,442,733	\$ -	\$ -	\$ 1,442,733
Judicial administration	569,688	-	-	569,688
Public safety	4,084,725	-	55,348	4,140,073
Public works	666,629	-	4,938	671,567
Health and welfare	1,378,907	-	407,025	1,785,932
Education	4,260,188	-	-	4,260,188
Parks, recreation, and cultural	177,545	-	-	177,545
Community development	373,275	-	-	373,275
Nondepartmental	60,490	-	-	60,490
Capital projects	-	1,043,701	-	1,043,701
Total expenditures	<u>\$ 13,014,180</u>	<u>\$ 1,043,701</u>	<u>\$ 467,311</u>	<u>\$ 14,525,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,155,835</u>	<u>\$ (984,779)</u>	<u>\$ (138,277)</u>	<u>\$ 1,032,779</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,556	\$ 419,085	\$ 282,478	\$ 711,119
Transfers out	(701,563)	(9,556)	-	(711,119)
Total other financing sources (uses)	<u>\$ (692,007)</u>	<u>\$ 409,529</u>	<u>\$ 282,478</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,463,828	\$ (575,250)	\$ 144,201	\$ 1,032,779
Fund balances - beginning	22,557,627	1,055,185	2,926,819	26,539,631
Fund balances - ending	<u>\$ 24,021,455</u>	<u>\$ 479,935</u>	<u>\$ 3,071,020</u>	<u>\$ 27,572,410</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, 2020

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

Net change in fund balances - total governmental funds \$ 1,032,779

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

Capital asset additions	\$ 705,911	
Depreciation expense	<u>(720,858)</u>	(14,947)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (75,760)

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

Property taxes		(119,465)
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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:

Change in OBEB related items	\$ 219,361	
Change in Pension related items	(68,008)	
Decrease (increase) in compensated absences	<u>(30,386)</u>	120,967

Change in net position of governmental activities		<u>\$ 943,574</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, 2020

	Enterprise Fund
	Wireless Service Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 108,103
Accounts receivable	11,525
Total current assets	\$ 119,628
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 39,640
Machinery and equipment	120,107
Infrastructure	353,226
Accumulated depreciation	(186,775)
Total net capital assets	\$ 326,198
Total noncurrent assets	\$ 326,198
Total assets	\$ 445,826
NET POSITION	
Investment in capital assets	\$ 326,198
Unrestricted	119,628
Total net position	\$ 445,826

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, 2020

	Enterprise Fund <u>Wireless Service Authority</u>
OPERATING REVENUES	
Charges for services:	
Internet subscriber revenues	\$ 143,223
Total operating revenues	<u>\$ 143,223</u>
OPERATING EXPENSES	
Management services	\$ 95,000
Telecommunications	43,560
Other charges	35,395
Depreciation	17,085
Total operating expenses	<u>\$ 191,040</u>
Operating income (loss)	<u>\$ (47,817)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 97
Change in net position	<u>\$ (47,720)</u>
Total net position - beginning	493,546
Total net position - ending	<u><u>\$ 445,826</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, 2020

	Enterprise Fund
	Wireless Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 145,939
Payments to suppliers	(138,560)
Payments for operating activities	(35,395)
Net cash provided by (used for) operating activities	\$ (28,016)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (25,000)
Net cash provided by (used for) capital and related financing activities	\$ (25,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 97
Net cash provided by (used for) investing activities	\$ 97
Net increase (decrease) in cash and cash equivalents	\$ (52,919)
Cash and cash equivalents - beginning	161,022
Cash and cash equivalents - ending	\$ 108,103
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (47,817)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 17,085
(Increase) decrease in accounts receivable	2,716
Total adjustments	\$ 19,801
Net cash provided by (used for) operating activities	\$ (28,016)

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, 2020

	Agency <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 14,896
LIABILITIES	
Amounts held for social services clients	\$ 14,896
Total liabilities	<u>\$ 14,896</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, 2020

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, 2020.

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, 2020.

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, 2020. 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 when they have been earned and 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 principal and interest expenditures on general long-term debt 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 the special welfare fund.

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 cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government’s proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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 \$110,851 at June 30, 2020 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, 2020.

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. 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

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

L. 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.

M. 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.

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

N. Long-term Obligations

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

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

O. 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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, 2013.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

O. 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	\$ 25,662	\$ -	\$ -	\$ 25,662
Total Nonspendable Fund Balance	<u>\$ 25,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,662</u>
Restricted:				
Asset forfeiture	\$ -	\$ -	\$ 2,561	\$ 2,561
Court security	-	-	81,525	81,525
Electronic summons	-	-	19,926	19,926
Project lifesaver	-	-	1,630	1,630
Dare	-	-	300	300
Sheriff K-9 and auxiliary funds	-	-	2,608	2,608
CDBG	80,000	-	-	80,000
Total Restricted Fund Balance	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 108,550</u>	<u>\$ 188,550</u>
Committed:				
Capital projects - school	\$ 284,815	\$ 479,935	\$ -	\$ 764,750
Landfill contingency	53,588	-	2,962,470	3,016,058
Budgeted use of fund balance	860,257	-	-	860,257
EDA projects:				
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	250,000	-	-	250,000
Broadband	1,266,667	-	-	1,266,667
Rescue services	200,000	-	-	200,000
County capital projects	1,880,848	-	-	1,880,848
School construction projects	1,000,000	-	-	1,000,000
Total Committed Fund Balance	<u>\$ 6,046,175</u>	<u>\$ 479,935</u>	<u>\$ 2,962,470</u>	<u>\$ 9,488,580</u>
Assigned:				
Future expenditures	\$ 2,412,738	\$ -	\$ -	\$ 2,412,738
Total Assigned Fund Balance	<u>\$ 2,412,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,412,738</u>
Unassigned				
Total Fund Balances	<u>\$ 15,456,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,456,880</u>
	<u>\$ 24,021,455</u>	<u>\$ 479,935</u>	<u>\$ 3,071,020</u>	<u>\$ 27,572,410</u>

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of 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, 2020.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2020 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAAf/S1
Local Government Investment Pool	\$ 13,207,245	\$ -
Virginia Investment Pool	2,083,651	2,159,324
Total	<u>\$ 15,290,896</u>	<u>\$ 2,159,324</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 Type	Fair Value	Investment Maturities (in years)	
		Less Than 1 Year	1-5 Years
Local Government Investment Pool	\$ 13,207,245	\$ 13,207,245	-
Virginia Investment Pool	4,242,975	2,083,651	2,159,324
Total	\$ 17,450,220	\$ 15,290,896	\$ 2,159,324

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. 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). There are no redemption limitations or restrictions imposed on participants.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 4—Due to/from Other Governments:

At June 30, 2020, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ -	\$ 130,387
Welfare	25,819	-
Rolling stock tax	961	-
Communications tax	23,882	-
State Sales Tax	55,761	-
Constitutional officer reimbursements	77,181	-
Mobile home titling tax	8,810	-
Forestry payment	26,987	-
Wireless grant	3,596	-
School resource officer grant	17,961	-
Medicaid reimbursements	-	3,668
Children's Services Act	74,461	-
Federal Government:	-	-
School fund grants	-	125,074
Sheriff's DMV grant	2,520	-
Welfare	43,319	-
	<u>\$ 361,258</u>	<u>\$ 259,129</u>
Total due from other governments		

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 251,293	\$ 32,766	\$ 75,761	\$ 208,298
Construction in progress	-	108,202	58,182	50,020
Total capital assets not subject to depreciation	<u>\$ 251,293</u>	<u>\$ 140,968</u>	<u>\$ 133,943</u>	<u>\$ 258,318</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,520,447	\$ 326,581	\$ -	\$ 5,847,028
Machinery and equipment	6,245,752	296,544	35,870	6,506,426
Infrastructure	800,466	-	-	800,466
Total capital assets subject to depreciation	<u>\$ 12,566,665</u>	<u>\$ 623,125</u>	<u>\$ 35,870</u>	<u>\$ 13,153,920</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,836,247	\$ 139,666	\$ -	\$ 2,975,913
Machinery and equipment	3,111,806	531,782	35,870	3,607,718
Infrastructure	92,512	49,410	-	141,922
Total accumulated depreciation	<u>\$ 6,040,565</u>	<u>\$ 720,858</u>	<u>\$ 35,870</u>	<u>\$ 6,725,553</u>
Total capital assets subject to depreciation, net	<u>\$ 6,526,100</u>	<u>\$ (97,733)</u>	<u>\$ -</u>	<u>\$ 6,428,367</u>
Governmental activities capital assets, net	<u>\$ 6,777,393</u>	<u>\$ 43,235</u>	<u>\$ 133,943</u>	<u>\$ 6,686,685</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets: (Continued)

A summary of proprietary fund property, plant and equipment at June 30, 2020 follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ 14,640	\$ 25,000	\$ -	\$ 39,640
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	\$ 107,199	\$ 4,434	\$ -	\$ 111,633
Infrastructure	62,491	12,651	-	75,142
Total accumulated depreciation	\$ 169,690	\$ 17,085	\$ -	\$ 186,775
Total capital assets subject to depreciation, net	\$ 303,643	\$ (17,085)	\$ -	\$ 286,558
Business-type activities capital assets, net	\$ 318,283	\$ 7,915	\$ -	\$ 326,198

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 76,723
Judicial administration	107,208
Public safety	524,581
Public works	2,359
Health and welfare	9,890
Parks, recreation and cultural	97
Total Governmental activities	<u>\$ 720,858</u>
Business-type Activities	<u>\$ 17,085</u>
Component Unit School Board	<u>\$ 475,204</u>
Component Unit Industrial Development Authority	<u>\$ 3,988</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Construction in progress	1,441,955	137,937	1,502,501	77,391
Total capital assets not subject to depreciation	<u>\$ 1,481,594</u>	<u>\$ 137,937</u>	<u>\$ 1,502,501</u>	<u>\$ 117,030</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,451,749	\$ 1,502,501	\$ -	\$ 11,954,250
Machinery and equipment	2,192,347	262,761	157,780	2,297,328
Total capital assets subject to depreciation	<u>\$ 12,644,096</u>	<u>\$ 1,765,262</u>	<u>\$ 157,780</u>	<u>\$ 14,251,578</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,110,076	\$ 306,788	\$ -	\$ 6,416,864
Machinery and equipment	1,749,325	168,416	157,780	1,759,961
Total accumulated depreciation	<u>\$ 7,859,401</u>	<u>\$ 475,204</u>	<u>\$ 157,780</u>	<u>\$ 8,176,825</u>
Total capital assets subject to depreciation, net	<u>\$ 4,784,695</u>	<u>\$ 1,290,058</u>	<u>\$ -</u>	<u>\$ 6,074,753</u>
Component Unit School Board capital assets, net	<u><u>\$ 6,266,289</u></u>	<u><u>\$ 1,427,995</u></u>	<u><u>\$ 1,502,501</u></u>	<u><u>\$ 6,191,783</u></u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<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	\$ 19,935	\$ 3,988	\$ -	\$ 23,923
Total accumulated depreciation	\$ 19,935	\$ 3,988	\$ -	\$ 23,923
Total capital assets subject to depreciation, net	\$ 19,937	\$ (3,988)	\$ -	\$ 15,949
Component Unit Industrial Development Authority capital assets, net	<u>\$ 535,956</u>	<u>\$ (3,988)</u>	<u>\$ -</u>	<u>\$ 531,968</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 6—Interfund Transfers and Due To/From Other Funds:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 9,556	\$ 701,563
Capital projects fund	419,085	9,556
Special Revenue Fund	282,478	-
Total Primary Government	<u>\$ 711,119</u>	<u>\$ 711,119</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.

Amounts due to and due from other funds at year ended June 30, 2020, consisted of the following:

Fund	Due To	Due From
Primary Government:		
General Fund	\$ 19,464	\$ -
Special Revenue Fund - Children's Services Act	-	19,464
Total Primary Government	<u>\$ 19,464</u>	<u>\$ 19,464</u>

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 245,009	\$ 57,444	\$ 27,058	\$ 275,395	\$ 27,540
Net OPEB liabilities	1,074,503	149,209	330,064	893,648	-
Net pension liability	(146,901)	1,446,240	1,054,908	244,431	-
Total Governmental Activities Obligations	<u>\$ 1,172,611</u>	<u>\$ 1,652,893</u>	<u>\$ 1,412,030</u>	<u>\$ 1,413,474</u>	<u>\$ 27,540</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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)	\$ 893,648
Net pension liability (payable from the General Fund)	244,431
Compensated absences (payable from the General Fund)	<u>275,395</u>
Total Long-Term Obligations, Primary Government	<u>\$ 1,413,474</u>

Component Unit - School Board:

	<u>Balance July 1, 2019</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 105,092	\$ 20,740	\$ 10,509	\$ 115,323	\$ 11,532
Net pension liability	6,666,000	2,421,433	1,812,271	7,275,162	-
Capital lease	1,240,898	-	71,895	1,169,003	77,083
Net OPEB liabilities	<u>1,481,762</u>	<u>260,566</u>	<u>207,284</u>	<u>1,535,044</u>	<u>-</u>
Total Component Unit-School Board	<u>\$ 9,493,752</u>	<u>\$ 2,702,739</u>	<u>\$ 2,101,959</u>	<u>\$ 10,094,532</u>	<u>\$ 88,615</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board: (Continued)

Year Ending June 30	Governmental Activities Component Unit-School Board	
	Capital Lease	
	Principal	Interest
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>\$ 1,169,003</u>	<u>\$ 234,249</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 7—Long-Term Obligations: (Continued)

Long-Term Obligations:

	Total Amount
<i>Incurred by Component Unit-School Board:</i>	
Net OPEB liabilities (payable from the School Operating Fund)	\$ 1,535,044
\$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%.	1,169,003
Net pension liability (payable from the School Operating Fund)	7,275,162
Compensated absences (payable from the School Operating Fund)	115,323
Total Long-Term Obligations, Component Unit-School Board	<u>\$ 10,094,532</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, 2020 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, 2020

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 Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures \$	-	\$ 386,175
Prepaid property taxes due in December 2020 but paid in advance by taxpayers	<u>73,752</u>	<u>73,752</u>
	<u>\$ 73,752</u>	<u>\$ 459,927</u>

At June 30, 2020, unearned revenue totaled \$618,015, which consisted of \$65,047 of PPTRA reimbursements and \$552,968 of CARES Act funding.

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, 2020, 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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. 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 service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

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 service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- 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 service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. 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 service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% 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 1.70% 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 service credit 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 service credit 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, 2020

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, 2018 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	39	22
Inactive members:		
Vested inactive members	12	7
Non-vested inactive members	21	12
Inactive members active elsewhere in VRS	48	11
Total inactive members	81	30
Active members	56	33
Total covered employees	176	85

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, 2020 was 7.58% 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 \$212,990 and \$203,421 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 \$0 and 785 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) 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. The County’s and Component Unit Schools Board’s nonprofessional employees net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Mortality rates:

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.

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2019 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, 2018	\$ 10,660,795	\$ 10,807,696	\$ (146,901)
Changes for the year:			
Service cost	\$ 298,824	\$ -	\$ 298,824
Interest	728,937	-	728,937
Benefit changes	41,062	-	41,062
Difference between expected and actual experience	47,134	-	47,134
Assumption changes	322,733	-	322,733
Contributions - employer	-	203,333	(203,333)
Contributions - employee	-	133,413	(133,413)
Net investment income	-	718,162	(718,162)
Benefit payments, including refunds of employee contributions	(494,831)	(494,831)	-
Administrative expenses	-	(7,097)	7,097
Other changes	-	(453)	453
Net changes	\$ 943,859	\$ 552,527	\$ 391,332
Balances at June 30, 2019	\$ 11,604,654	\$ 11,360,223	\$ 244,431

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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, 2018	\$ 2,586,374	\$ 3,249,413	\$ (663,039)
Changes for the year:			
Service cost	\$ 63,043	\$ -	\$ 63,043
Interest	176,437	-	176,437
Difference between expected and actual experience	(106,932)	-	(106,932)
Assumption changes	67,995	-	67,995
Contributions - employer	-	2,317	(2,317)
Contributions - employee	-	31,071	(31,071)
Net investment income	-	213,884	(213,884)
Benefit payments, including refunds of employee contributions	(131,701)	(131,701)	-
Administrative expenses	-	(2,172)	2,172
Other changes	-	(134)	134
Net changes	<u>\$ 68,842</u>	<u>\$ 113,265</u>	<u>\$ (44,423)</u>
Balances at June 30, 2019	<u>\$ 2,655,216</u>	<u>\$ 3,362,678</u>	<u>\$ (707,462)</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's			
Net Pension Liability (Asset)	\$ 1,692,153	\$ 244,431	\$ (910,250)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ (404,108)	\$ (707,462)	\$ (951,926)

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

For the year ended June 30, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$280,910 and (\$12,345) respectively. At June 30, 2020, 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	\$ 27,737	\$ 8,723	\$ 25,002	\$ 64,666
Change in assumptions	189,921	-	41,120	-
Net difference between projected and actual earnings on pension plan investments	-	96,106	-	26,806
Employer contributions subsequent to the measurement date	212,990	-	-	-
Total	\$ 430,648	\$ 104,829	\$ 66,122	\$ 91,472

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 13—Pension Plans: (Continued)

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

\$212,990 and \$0 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, 2021. 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>
2021	\$ 142,093	\$ 11,053
2022	(33,502)	(37,605)
2023	(2,278)	(807)
2024	6,516	2,009
2025	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2020 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 \$726,655 and \$701,756 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the school division reported a liability of \$7,275,162 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division’s proportion was 0.05528% as compared to 0.05668% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$537,684. 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, 2020, 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	\$ -	\$ 465,860
Change in assumptions	720,412	-
Net difference between projected and actual earnings on pension plan investments	-	159,745
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,337	321,871
Employer contributions subsequent to the measurement date	<u>726,655</u>	<u>-</u>
Total	<u>\$ 1,504,404</u>	<u>\$ 947,476</u>

Note 13—Pension Plans: (Continued)

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

\$726,655 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, 2021. 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		
2021	\$	(152,393)
2022		(196,122)
2023		43,195
2024		92,144
2025		43,449

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
	<hr/>
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	36,522,769
Employer's Net Pension Liability (Asset)	<hr/> \$ 13,160,567 <hr/>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

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, 2020

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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 10,952,280	\$ 7,275,162	\$ 4,234,867

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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	\$ 430,648	\$ 104,829	\$ 244,431	\$ 280,910	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	66,122	91,472	(707,462)	(12,345)
School Board Professional	-	-	-	-	1,504,404	947,476	7,275,162	537,684
Totals	<u>\$ 430,648</u>	<u>\$ 104,829</u>	<u>\$ 244,431</u>	<u>\$ 280,910</u>	<u>\$ 1,570,526</u>	<u>\$ 1,038,948</u>	<u>\$ 6,567,700</u>	<u>\$ 525,339</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 14—Surety Bonds:

	<u>Amount</u>
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) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan 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 Plan 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 Plan. 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 Plan OPEB.

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. 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.

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

Benefit Amounts

The GLI Plan 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 plan 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan 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 Plan 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, 2020 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 Plan from the County were \$15,222 and \$14,414 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board professional group were \$25,119 and \$24,162 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the Group Life Insurance Plan from the Component Unit School Board nonprofessional group were \$3,586 and \$3,569 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the County reported a liability of \$230,096 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$385,662 and \$56,954, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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 Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

employers. At June 30, 2019, the County’s proportion was .01414% as compared to .01301% at June 30, 2018. At June 30, 2019, the Component Unit School Board professional and nonprofessional groups’ proportion was .02370% and .00350%, respectively as compared to .02430% and .00385% respectively at June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$8,713. For the year ended June 30, 2020, the Component Unit School Board professional group recognized GLI OPEB expense of \$8,775. For the year ended June 30, 2020, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$443. 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.

At June 30, 2020, 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
Differences between expected and actual experience	\$ 15,303	\$ 2,986	\$ 25,649	\$ 5,003	\$ 3,788	\$ 739
Net difference between projected and actual earnings on GLI OPEB plan investment	-	4,726	-	7,922	-	1,170
Change in assumptions	14,527	6,938	24,348	11,629	3,596	1,717
Changes in proportion	17,518	-	4,652	8,004	-	4,670
Employer contributions subsequent to the measurement date	15,222	-	25,119	-	3,586	-
Total	\$ 62,570	\$ 14,650	\$ 79,768	\$ 32,558	\$ 10,970	\$ 8,296

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

\$15,222, \$25,119, and \$3,586, 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, 2021. 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)
2021	\$ 4,210	\$ 1,228	\$ (672)
2022	4,210	1,228	(672)
2023	6,212	4,583	(176)
2024	8,039	6,905	276
2025	7,772	6,433	296
Thereafter	2,255	1,714	36

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Actuarial Assumptions (Continued)

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’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, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 15—Group Life Insurance (GLI) Plan (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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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, 2019, 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%

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Discount Rate (Continued)

of the actuarially determined contribution rate. From July 1, 2019 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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 302,282	\$ 230,096	\$ 171,555
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 506,654	\$ 385,662	\$ 287,542
Component School Board (nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 74,822	\$ 56,954	\$ 42,464

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan 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 Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan 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 Plan 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 Plan 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.

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, 2020 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

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

Contributions (Continued)

the VRS Teacher Employee Health Insurance Credit Program were \$57,966 and \$55,758 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$725,240 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division’s proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division’s proportion of the VRS Teacher Employee HIC Plan was .05540% as compared to .05671% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$58,342. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 46	\$ 4,109
Change in assumptions	16,880	5,039
Change in proportion	5,085	14,626
Employer contributions subsequent to the measurement date	<u>57,966</u>	<u>-</u>
Total	<u>\$ 79,977</u>	<u>\$ 23,774</u>

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

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

\$57,966 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, 2021. 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>	
2021	\$ (659)
2022	(659)
2023	(342)
2024	(448)
2025	(124)
Thereafter	469

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan 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, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
		<hr/>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee net HIC OPEB Liability (Asset)	\$	<hr/> <hr/> 1,309,098
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

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) Plan (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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are

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

Discount Rate (Continued)

funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 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.

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 Plan net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 811,667	\$ 725,240	\$ 651,821

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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

County and School Board: (Continued)

Plan Description (Continued)

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.

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 \$56.71 for Family Dental coverage per month and up to \$1,571.74 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, 2020 (measurement date for primary government) and at June 30, 2020 (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 retirees with coverage	-	5
Total	46	144

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

County and School Board: (Continued)

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, 2020 was \$0 and \$25,536.

Total OPEB Liability

The County's total OPEB liability was measured as of June 30, 2020 and the School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 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:

Actuarial Cost Method	Entry Age Normal
Salary Increase Rate	The salary increase rate was 3.00% per annum
Discount Rate	3.00% based on the 20-year tax exempt municipal bond yield
Healthcare Trend Rate	Year 1 health care trend rates as follows: Medical 4.90%, Pharmacy 5.90%, Dental 3.50% and Vision 3.00%.
Retirement Age	The average age of retirement is 62
Mortality Rate	The mortality rates for active and healthy retirees was calculated using the Pub-2010 Public Retirement Plans Mortality Tables with mortality improvement projected for 10 years.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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:

Actuarial Cost Method	Entry Age Normal
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	2.21% rate used to measure the plan's June 30, 2020 Total OPEB liability based on the Bond Buyers General Obligation 20-Bond Municipal Index.
Healthcare Trend Rate	8.70% to 4.00% over 55 years.

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.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
	<u> </u>	<u> </u>
Balances at June 30, 2019	\$ 876,503	\$ 333,762
Changes for the year:		
Service cost	37,083	23,027
Interest	28,047	12,045
Effect of economic/demographic gains and losses	(288,099)	-
Changes in assumptions	10,018	23,890
Benefit payments	-	(25,536)
Net changes	<u>\$ (212,951)</u>	<u>\$ 33,426</u>
Balances at June 30, 2020	<u>\$ 663,552</u>	<u>\$ 367,188</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 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 (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Primary Government:			
Total OPEB liability	\$ 751,156	\$ 663,552	\$ 582,372
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Component Unit School Board:			
Total OPEB liability	\$ 386,389	\$ 367,188	\$ 347,263

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	\$ 578,441	\$ 663,552	\$ 765,497

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 (Continued)

The healthcare trend rate baseline used in Year 1 was Medical at 4.90%, Pharmacy at 5.90%, Dental at 3.50% and Vision at 3.00%.

	Rates		
	1% Decrease Rate	Healthcare Cost Trend Current Rate	1% Increase Rate
Component Unit School Board:			
Total OPEB liability	\$ 322,512	\$ 367,188	\$ 420,081

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.

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

For the year ended June 30, 2020, the County and the School Board recognized OPEB expense in the amount of (\$212,951) and \$52,608. At June 30, 2020, 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.

	Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,706	\$ -
Changes in assumptions	47,346	2,760
Total	\$ 83,052	\$ 2,760

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 (Continued)

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>Component Unit School Board</u>
2021	\$ 17,536
2022	17,536
2023	17,536
2024	18,456
2025	9,228
Thereafter	-

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

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, 2020 was \$23,837.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

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 Plan (Note 15):								
County	\$ 62,570	\$ 14,650	\$ 230,096	\$ 8,713	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	10,970	8,296	56,954	443
School Board Professional	-	-	-	-	79,768	32,558	385,662	8,775
Teacher Health Insurance Credit Plan (Note 16)								
	-	-	-	-	79,977	23,774	725,240	58,342
County Stand-Alone Plan (Note 17)	-	-	663,552	(212,951)	-	-	-	-
School Stand-Alone Plan (Note 17)	-	-	-	-	83,052	2,760	367,188	52,608
Totals	\$ 62,570	\$ 14,650	\$ 893,648	\$ (204,238)	\$ 253,767	\$ 67,388	\$ 1,535,044	\$ 120,168

Note 20—Upcoming Pronouncements:

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, 2019.

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 June 15, 2021.

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, 2020.

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, 2019.

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, 2021.

Note 20—Upcoming Pronouncements: (Continued)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2020

Note 21—Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of King and Queen, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of King and Queen, Virginia, received the second round of CRF funds in the amount of \$612,904 on August 17, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

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REQUIRED SUPPLEMENTARY INFORMATION

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County of King and Queen, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	<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	\$ 7,127,024	\$ 7,127,024	\$ 7,644,893	\$ 517,869
Other local taxes	665,000	665,000	719,051	54,051
Permits, privilege fees, and regulatory licenses	54,970	54,970	79,501	24,531
Fines and forfeitures	169,200	169,200	165,978	(3,222)
Revenue from the use of money and property	452,890	452,890	533,848	80,958
Charges for services	2,115,800	2,115,800	2,492,556	376,756
Miscellaneous	70,000	70,000	149,500	79,500
Recovered costs	-	-	15,049	15,049
Intergovernmental:				
Commonwealth	2,132,890	2,219,337	2,604,849	385,512
Federal	1,301,105	1,424,003	764,790	(659,213)
Total revenues	<u>\$ 14,088,879</u>	<u>\$ 14,298,224</u>	<u>\$ 15,170,015</u>	<u>\$ 871,791</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,544,195	\$ 1,623,193	\$ 1,442,733	\$ 180,460
Judicial administration	575,144	622,963	569,688	53,275
Public safety	3,997,224	4,559,566	4,084,725	474,841
Public works	707,787	727,787	666,629	61,158
Health and welfare	1,925,085	1,925,085	1,378,907	546,178
Education	4,208,470	4,313,026	4,260,188	52,838
Parks, recreation, and cultural	181,264	181,264	177,545	3,719
Community development	408,283	345,331	373,275	(27,944)
Nondepartmental	587,964	271,842	60,490	211,352
Total expenditures	<u>\$ 14,135,416</u>	<u>\$ 14,570,057</u>	<u>\$ 13,014,180</u>	<u>\$ 1,555,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (46,537)</u>	<u>\$ (271,833)</u>	<u>\$ 2,155,835</u>	<u>\$ 2,427,668</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 9,556	\$ 9,556	\$ -
Transfers out	(495,149)	(667,070)	(701,563)	(34,493)
Total other financing sources (uses)	<u>\$ (495,149)</u>	<u>\$ (657,514)</u>	<u>\$ (692,007)</u>	<u>\$ (34,493)</u>
Net change in fund balances	\$ (541,686)	\$ (929,347)	\$ 1,463,828	\$ 2,393,175
Fund balances - beginning	541,686	929,347	22,557,627	21,628,280
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,021,455</u>	<u>\$ 24,021,455</u>

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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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 13,535	\$ 13,535
Charges for services	35,000	35,000	29,507	(5,493)
Miscellaneous	-	16,000	11,445	(4,555)
Intergovernmental:				
Commonwealth	521,229	521,229	274,547	(246,682)
Total revenues	<u>\$ 556,229</u>	<u>\$ 572,229</u>	<u>\$ 329,034</u>	<u>\$ (243,195)</u>
EXPENDITURES				
Current:				
Public safety	\$ 37,678	\$ 53,678	\$ 55,348	\$ (1,670)
Public works	150,000	150,000	4,938	145,062
Health and welfare	766,378	766,378	407,025	359,353
Total expenditures	<u>\$ 954,056</u>	<u>\$ 970,056</u>	<u>\$ 467,311</u>	<u>\$ 502,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (397,827)</u>	<u>\$ (397,827)</u>	<u>\$ (138,277)</u>	<u>\$ 259,550</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 395,149	\$ 395,149	\$ 282,478	\$ (112,671)
Total other financing sources (uses)	<u>\$ 395,149</u>	<u>\$ 395,149</u>	<u>\$ 282,478</u>	<u>\$ (112,671)</u>
Net change in fund balances	\$ (2,678)	\$ (2,678)	\$ 144,201	\$ 146,879
Fund balances - beginning	2,678	2,678	2,926,819	2,924,141
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,071,020</u>	<u>\$ 3,071,020</u>

County of King and Queen, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 298,824	\$ 266,695
Interest	728,937	700,407
Changes in benefit terms	41,062	-
Difference between expected and actual experience	47,134	(50,261)
Changes of assumptions	322,733	-
Benefit payments	(494,831)	(523,715)
Net change in total pension liability	\$ 943,859	\$ 393,126
Total pension liability - beginning	10,660,795	10,267,669
Total pension liability - ending (a)	\$ 11,604,654	\$ 10,660,795
Plan fiduciary net position		
Contributions - employer	\$ 203,333	\$ 183,197
Contributions - employee	133,413	121,698
Net investment income	718,162	755,530
Benefit payments	(494,831)	(523,715)
Administrator charges	(7,097)	(6,573)
Other	(453)	(671)
Net change in plan fiduciary net position	\$ 552,527	\$ 529,466
Plan fiduciary net position - beginning	10,807,696	10,278,230
Plan fiduciary net position - ending (b)	\$ 11,360,223	\$ 10,807,696
County's net pension liability (asset) - ending (a) - (b)	\$ 244,431	\$ (146,901)
Plan fiduciary net position as a percentage of the total pension liability	97.89%	101.38%
Covered payroll	\$ 2,767,873	\$ 2,469,470
County's net pension liability (asset) as a percentage of covered payroll	8.83%	-5.95%

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>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
\$	268,433	\$	272,024	\$	272,591	\$	273,272
	693,483		673,052		643,099		608,529
	-		-		-		-
	(297,323)		(179,149)		(50,915)		-
	(56,188)		-		-		-
	(495,260)		(452,877)		(420,871)		(355,006)
\$	<u>113,145</u>	\$	<u>313,050</u>	\$	<u>443,904</u>	\$	<u>526,795</u>
	10,154,524		9,841,474		9,397,570		8,870,775
\$	<u><u>10,267,669</u></u>	\$	<u><u>10,154,524</u></u>	\$	<u><u>9,841,474</u></u>	\$	<u><u>9,397,570</u></u>
\$	173,073	\$	219,632	\$	226,362	\$	277,164
	112,839		111,772		115,782		116,205
	1,131,245		160,893		410,701		1,226,442
	(495,260)		(452,877)		(420,871)		(355,006)
	(6,600)		(5,793)		(5,614)		(6,516)
	(1,004)		(68)		(87)		65
\$	<u>914,293</u>	\$	<u>33,559</u>	\$	<u>326,273</u>	\$	<u>1,258,354</u>
	9,363,937		9,330,378		9,004,105		7,745,751
\$	<u><u>10,278,230</u></u>	\$	<u><u>9,363,937</u></u>	\$	<u><u>9,330,378</u></u>	\$	<u><u>9,004,105</u></u>
\$	(10,561)	\$	790,587	\$	511,096	\$	393,465
	100.10%		92.21%		94.81%		95.81%
\$	2,335,442	\$	2,282,652	\$	2,331,298	\$	2,324,553
	-0.45%		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)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 63,043	\$ 65,157
Interest	176,437	159,345
Differences between expected and actual experience	(106,932)	153,214
Changes of assumptions	67,995	-
Benefit payments	(131,701)	(135,410)
Net change in total pension liability	\$ 68,842	\$ 242,306
Total pension liability - beginning	2,586,374	2,344,068
Total pension liability - ending (a)	\$ 2,655,216	\$ 2,586,374
Plan fiduciary net position		
Contributions - employer	\$ 2,317	\$ 635
Contributions - employee	31,071	32,862
Net investment income	213,884	229,153
Benefit payments	(131,701)	(135,410)
Administrator charges	(2,172)	(2,022)
Other	(134)	(202)
Net change in plan fiduciary net position	\$ 113,265	\$ 125,016
Plan fiduciary net position - beginning	3,249,413	3,124,397
Plan fiduciary net position - ending (b)	\$ 3,362,678	\$ 3,249,413
School Division's net pension liability (asset) - ending (a) - (b)	\$ (707,462)	\$ (663,039)
Plan fiduciary net position as a percentage of the total pension liability	126.64%	125.64%
Covered payroll	\$ 686,284	\$ 706,967
School Division's net pension liability (asset) as a percentage of covered payroll	-103.09%	-93.79%

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>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
\$	71,749	\$	67,233	\$	78,636	\$	83,825
	168,841		173,499		168,533		155,717
	(139,423)		(142,957)		(95,608)		-
	(57,474)		-		-		-
	<u>(223,268)</u>		<u>(105,376)</u>		<u>(55,859)</u>		<u>(57,070)</u>
\$	(179,575)	\$	(7,601)	\$	95,702	\$	182,472
	<u>2,523,643</u>		<u>2,531,244</u>		<u>2,435,542</u>		<u>2,253,070</u>
\$	<u><u>2,344,068</u></u>	\$	<u><u>2,523,643</u></u>	\$	<u><u>2,531,244</u></u>	\$	<u><u>2,435,542</u></u>
\$	726	\$	37,702	\$	38,613	\$	38,354
	32,518		33,316		34,218		36,252
	344,536		51,284		129,766		382,078
	(223,268)		(105,376)		(55,859)		(57,070)
	(2,114)		(1,828)		(1,734)		(2,021)
	<u>(305)</u>		<u>(22)</u>		<u>(25)</u>		<u>20</u>
\$	152,093	\$	15,076	\$	144,979	\$	397,613
	<u>2,972,304</u>		<u>2,957,228</u>		<u>2,812,249</u>		<u>2,414,636</u>
\$	<u><u>3,124,397</u></u>	\$	<u><u>2,972,304</u></u>	\$	<u><u>2,957,228</u></u>	\$	<u><u>2,812,249</u></u>
\$	(780,329)	\$	(448,661)	\$	(425,984)	\$	(376,707)
	133.29%		117.78%		116.83%		115.47%
\$	683,420	\$	685,441	\$	686,083	\$	732,850
	-114.18%		-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
 Pension Plans
 For the Years Ended June 30, 2014 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.05528%	0.05668%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,275,162	\$ 6,666,000
Employer's Covered Payroll	4,475,485	4,507,047
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	162.56%	147.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.05630%	0.05593%	0.05960%	0.06336%
\$	6,924,000	\$ 7,838,000	\$ 7,502,000	\$ 7,657,000
	4,449,529	4,543,421	4,400,310	4,613,774
	155.61%	172.51%	170.49%	165.96%
	72.92%	68.28%	70.68%	70.88%

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

For the Years Ended June 30, 2011 through June 30, 2020

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					
2020	\$ 212,990	\$ 212,990	\$ -	\$ 2,927,364	7.28%
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%
Component Unit School Board (nonprofessional)					
2020	\$ -	\$ -	\$ -	\$ 689,531	0.00%
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%
Component Unit School Board (professional)					
2020	\$ 726,655	\$ 726,655	\$ -	\$ 4,830,504	15.04%
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%

County of King and Queen, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional 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
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through 2019

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:					
2019	0.01414% \$	230,096 \$	2,771,993	8.30%	52.00%
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):					
2019	0.02370% \$	385,662 \$	4,646,533	8.30%	52.00%
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):					
2019	0.00350% \$	56,954 \$	686,284	8.30%	52.00%
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 (GLI) Plan
 For the Years Ended June 30, 2011 through June 30, 2020

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:					
2020	\$ 15,222	\$ 15,222	\$ -	2,927,364	0.52%
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%
Component Unit School Board (professional):					
2020	\$ 25,119	\$ 25,119	\$ -	4,830,504	0.52%
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%
Component Unit School Board (nonprofessional):					
2020	\$ 3,586	\$ 3,586	\$ -	689,531	0.52%
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%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Discount Rate	Decreased rate from 7.00% to 6.75%

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through 2019

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)
2019	0.05540% \$	725,240 \$	4,646,533	15.61%	8.97%
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) Plan
 For the Years Ended June 30, 2011 through June 30, 2020

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)
2020	\$ 57,966	\$ 57,966	\$ -	4,830,504	1.20%
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%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 For the Years Ended June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 37,083	\$ 18,536	\$ 18,536
Interest	28,047	24,466	24,063
Effect of economic/demographic gains and losses	(288,099)	162,690	-
Changes in assumptions	10,018	213,353	-
Net change in total OPEB liability	\$ (212,951)	\$ 419,045	\$ 42,599
Total OPEB liability - beginning	876,503	457,458	414,859
Total OPEB liability - ending	<u>\$ 663,552</u>	<u>\$ 876,503</u>	<u>\$ 457,458</u>
Covered payroll	\$ 2,927,364	\$ 2,767,873	\$ 2,469,470
County's total OPEB liability (asset) as a percentage of covered payroll	22.67%	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 Years Ended June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 23,027	\$ 18,707	\$ 17,244
Interest	12,045	11,424	8,592
Changes in assumptions	23,890	40,156	(5,520)
Effect of liability gains and losses	-	51,574	-
Benefit payments	(25,536)	(25,802)	(21,541)
Net change in total OPEB liability	\$ 33,426	\$ 96,059	\$ (1,225)
Total OPEB liability - beginning	333,762	237,703	238,928
Total OPEB liability - ending	<u>\$ 367,188</u>	<u>\$ 333,762</u>	<u>\$ 237,703</u>
Covered payroll	\$ 5,386,929	\$ 5,386,929	\$ 5,213,200
School Board's total OPEB liability (asset) as a percentage of covered payroll	6.82%	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, 2020

Valuation Date: 6/30/2019
 Measurement Date: 6/30/2020

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	3.00% based on the 20-year tax exempt municipal bond yield
Healthcare Trend Rate	Year 1 health care trend rates as follows: Medical 4.90%, Pharmacy 5.90%, Dental 3.50% and Vision 3.00%.
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 Pub-2010 Public Retirement Plans Mortality Tables with mortality improvement projected for 10 years.

Notes to Required Supplementary Information - Component Unit School Board OPEB
 For the Year Ended June 30, 2020

Valuation Date: 1/1/2019
 Measurement Date: 6/30/2020

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	2.21% rate used to measure the plan's June 30, 2020 Total OPEB liability based on the Bond Buyers General Obligation 20-Bond Municipal Index.
Inflation	2.50%
Healthcare Trend Rate	8.70% to 4.00% over 55 years.
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.
Mortality Rates	Not available

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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County of King and Queen, Virginia
 Capital Projects Fund - Major Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 18,922	\$ 18,922
Intergovernmental:				
Federal	299,350	339,350	40,000	(299,350)
Total revenues	\$ 299,350	\$ 339,350	\$ 58,922	\$ (280,428)
EXPENDITURES				
Capital projects	\$ 2,012,150	\$ 2,381,682	\$ 1,043,701	\$ 1,337,981
Total expenditures	\$ 2,012,150	\$ 2,381,682	\$ 1,043,701	\$ 1,337,981
Excess (deficiency) of revenues over (under) expenditures	\$ (1,712,800)	\$ (2,042,332)	\$ (984,779)	\$ 1,057,553
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 271,921	\$ 419,085	\$ 147,164
Transfers out	-	(9,556)	(9,556)	-
Total other financing sources (uses)	\$ 100,000	\$ 262,365	\$ 409,529	\$ 147,164
Net change in fund balances	\$ (1,612,800)	\$ (1,779,967)	\$ (575,250)	\$ 1,204,717
Fund balances - beginning	1,612,800	1,779,967	1,055,185	(724,782)
Fund balances - ending	\$ -	\$ -	\$ 479,935	\$ 479,935

County of King and Queen, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2020

	<u>Agency Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 14,896
Total assets	<u>\$ 14,896</u>
LIABILITIES	
Amounts held for social services clients	\$ 14,896
Total liabilities	<u>\$ 14,896</u>

County of King and Queen, Virginia
 Statement of Changes in Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2020

	<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	\$ 5,252	\$ 20,732	\$ 11,088	\$ 14,896
	<u>5,252</u>	<u>20,732</u>	<u>11,088</u>	<u>14,896</u>
Liabilities:				
Amounts held for social services clients	\$ 5,252	\$ 20,732	\$ 11,088	\$ 14,896
	<u>5,252</u>	<u>20,732</u>	<u>11,088</u>	<u>14,896</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of King and Queen, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2020

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 878,612	\$ 13,971	\$ 892,583
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	15,416	15,416
Due from other governmental units	246,635	12,494	259,129
Total assets	<u>\$ 1,125,247</u>	<u>\$ 41,881</u>	<u>\$ 1,167,128</u>
LIABILITIES			
Accounts payable	\$ 214,827	\$ 1,721	\$ 216,548
Accrued liabilities	910,420	25,864	936,284
Total liabilities	<u>\$ 1,125,247</u>	<u>\$ 27,585</u>	<u>\$ 1,152,832</u>
FUND BALANCES			
Restricted	\$ -	\$ 14,296	\$ 14,296
Total fund balances	<u>\$ -</u>	<u>\$ 14,296</u>	<u>\$ 14,296</u>
Total liabilities and fund balances	<u>\$ 1,125,247</u>	<u>\$ 41,881</u>	<u>\$ 1,167,128</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 14,296
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,191,783
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Net pension asset			707,462
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.			
Pension related items		\$ 1,570,526	
OPEB related items		<u>253,767</u>	1,824,293
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		\$ (115,323)	
Net pension liability		(7,275,162)	
Capital lease		(1,169,003)	
Accrued interest payable		(13,370)	
Net OPEB liabilities		<u>(1,535,044)</u>	(10,107,902)
Deferred inflows of resources are not due and payable in the current period and therefore, are not reported in the funds.			
Pension related items		\$ (1,038,948)	
OPEB related items		<u>(67,388)</u>	(1,106,336)
Net position of governmental activities			<u>\$ (2,476,404)</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, 2020

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ -	\$ 33	\$ 33
Charges for services	-	73,012	73,012
Miscellaneous	50,096	-	50,096
Intergovernmental:			
Local government	4,253,894	-	4,253,894
Commonwealth	5,886,501	3,144	5,889,645
Federal	617,858	213,470	831,328
Total revenues	<u>\$ 10,808,349</u>	<u>\$ 289,659</u>	<u>\$ 11,098,008</u>
EXPENDITURES			
Current:			
Education	\$ 10,693,607	\$ 336,963	\$ 11,030,570
Debt service:			
Principal retirement	71,895	-	71,895
Interest and other fiscal charges	37,847	-	37,847
Total expenditures	<u>\$ 10,803,349</u>	<u>\$ 336,963</u>	<u>\$ 11,140,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,000</u>	<u>\$ (47,304)</u>	<u>\$ (42,304)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 5,000	\$ 5,000
Transfers out	(5,000)	-	(5,000)
Total other financing sources (uses)	<u>\$ (5,000)</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (42,304)	\$ (42,304)
Fund balances - beginning	-	56,600	56,600
Fund balances - ending	<u>\$ -</u>	<u>\$ 14,296</u>	<u>\$ 14,296</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 \$ (42,304)

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

Capital outlays	\$ 400,698	
Depreciation expense	<u>(475,204)</u>	(74,506)

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	\$ (10,231)	
Change in pension related items	209,887	
(Increase) decrease in capital lease	71,895	
Change in OPEB related items	(7,330)	
Decrease (increase) in accrued interest payable	823	265,044

Change in net position of governmental activities		<u>\$ 148,234</u>
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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, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 74,000	\$ 50,959	\$ 50,096	\$ (863)
Intergovernmental:				
Local government	4,202,176	4,306,732	4,253,894	(52,838)
Commonwealth	5,871,136	5,884,511	5,886,501	1,990
Federal	612,932	609,424	617,858	8,434
Total revenues	<u>\$ 10,760,244</u>	<u>\$ 10,851,626</u>	<u>\$ 10,808,349</u>	<u>\$ (43,277)</u>
EXPENDITURES				
Current:				
Education	\$ 10,650,501	\$ 10,741,883	\$ 10,693,607	\$ 48,276
Debt service:				
Principal retirement	109,743	109,743	71,895	37,848
Interest and other fiscal charges	-	-	37,847	(37,847)
Total expenditures	<u>\$ 10,760,244</u>	<u>\$ 10,851,626</u>	<u>\$ 10,803,349</u>	<u>\$ 48,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (5,000)	\$ (5,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ (5,000)</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, 2020

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 33	\$ 33
Charges for services	85,000	85,000	73,012	(11,988)
Intergovernmental:				
Commonwealth	3,133	3,133	3,144	11
Federal	271,230	271,230	213,470	(57,760)
Total revenues	<u>\$ 359,363</u>	<u>\$ 359,363</u>	<u>\$ 289,659</u>	<u>\$ (69,704)</u>
EXPENDITURES				
Current:				
Education	\$ 359,363	\$ 359,363	\$ 336,963	\$ 22,400
Total expenditures	<u>\$ 359,363</u>	<u>\$ 359,363</u>	<u>\$ 336,963</u>	<u>\$ 22,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,304)</u>	<u>\$ (47,304)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 5,000	\$ 5,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net change in fund balances	\$ -	\$ -	\$ (42,304)	\$ (42,304)
Fund balances - beginning	-	-	56,600	56,600
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,296</u>	<u>\$ 14,296</u>

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of King and Queen, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2020

ASSETS

Current assets:

Cash	\$ 85,841
Investments	153,612
Prepaid expenses	1,728
Total current assets	<u>\$ 241,181</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land and land improvements	\$ 516,019
Buildings and improvements	15,949
Total net capital assets	<u>\$ 531,968</u>
Total noncurrent assets	<u>\$ 531,968</u>
Total assets	<u>\$ 773,149</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	\$ 531,968
Unrestricted	166,181
Total net position	<u>\$ 698,149</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, 2020

OPERATING REVENUES

Charges for services:

Rent	\$	29,534
Grant		75,000
Total operating revenues	\$	<u>104,534</u>

OPERATING EXPENSES

Rent	\$	15,236
Website development		1,488
Insurance		1,728
Other charges		92
Grant expenses		75,000
Depreciation		3,988
Total operating expenses	\$	<u>97,532</u>
Operating income (loss)	\$	<u>7,002</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	2,558
Total nonoperating revenues (expenses)	\$	<u>2,558</u>
Change in net position	\$	<u>9,560</u>

Total net position - beginning		688,589
Total net position - ending	\$	<u><u>698,149</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 29,534
Payments to suppliers	(95,272)
Other receipts	75,000
Net cash provided by (used for) operating activities	<u>\$ 9,262</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (2,503)
Interest income	2,558
Net cash provided by (used for) investing activities	<u>\$ 55</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,317
Cash and cash equivalents - beginning	76,524
Cash and cash equivalents - ending	<u>\$ 85,841</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 7,002</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 3,988
(Increase) decrease in prepaid expenses	(1,728)
Total adjustments	<u>\$ 2,260</u>
Net cash provided by (used for) operating activities	<u>\$ 9,262</u>

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SUPPORTING SCHEDULES

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County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<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	\$ 4,586,530	\$ 4,586,530	\$ 4,861,951	\$ 275,421
Real and personal public service corporation taxes	177,760	177,760	170,455	(7,305)
Personal property taxes	1,924,705	1,924,705	2,005,787	81,082
Mobile home taxes	25,452	25,452	24,586	(866)
Machinery and tools taxes	281,604	281,604	283,626	2,022
Merchant's capital taxes	45,973	45,973	43,807	(2,166)
Unclaimed tax sale funds	-	-	92,028	92,028
Penalties	50,000	50,000	112,763	62,763
Interest	35,000	35,000	49,890	14,890
Total general property taxes	<u>\$ 7,127,024</u>	<u>\$ 7,127,024</u>	<u>\$ 7,644,893</u>	<u>\$ 517,869</u>
Other local taxes:				
Local sales and use taxes	\$ 205,000	\$ 205,000	\$ 255,842	\$ 50,842
Consumers' utility taxes	185,000	185,000	179,360	(5,640)
Business license taxes	25,000	25,000	27,228	2,228
Motor vehicle licenses	195,000	195,000	207,603	12,603
Bank stock taxes	5,000	5,000	(2,995)	(7,995)
Taxes on recordation and wills	50,000	50,000	52,013	2,013
Total other local taxes	<u>\$ 665,000</u>	<u>\$ 665,000</u>	<u>\$ 719,051</u>	<u>\$ 54,051</u>
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 4,701	\$ 201
Land use application fees	5,000	5,000	9,112	4,112
Transfer fees	320	320	325	5
Permits and other licenses	45,150	45,150	65,363	20,213
Total permits, privilege fees, and regulatory licenses	<u>\$ 54,970</u>	<u>\$ 54,970</u>	<u>\$ 79,501</u>	<u>\$ 24,531</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 169,200	\$ 169,200	\$ 165,978	\$ (3,222)
Revenue from use of money and property:				
Revenue from use of money	\$ 397,000	\$ 397,000	\$ 453,429	\$ 56,429
Revenue from use of property	55,890	55,890	80,419	24,529
Total revenue from use of money and property	<u>\$ 452,890</u>	<u>\$ 452,890</u>	<u>\$ 533,848</u>	<u>\$ 80,958</u>
Charges for services:				
Sheriff's fees	\$ 1,000	\$ 1,000	\$ 435	\$ (565)
Court costs	5,000	5,000	1,469	(3,531)
Courthouse maintenance fees	5,000	5,000	5,748	748
Charges for Commonwealth's Attorney	1,000	1,000	1,108	108
Charges for EMS support	80,000	80,000	125,563	45,563
Landfill host fees	2,023,000	2,023,000	2,334,283	311,283
Blood test	-	-	15	15
Public safety radio	-	-	22,830	22,830
Charges for correction and detention	800	800	1,105	305
Total charges for services	<u>\$ 2,115,800</u>	<u>\$ 2,115,800</u>	<u>\$ 2,492,556</u>	<u>\$ 376,756</u>

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<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	\$ 70,000	\$ 70,000	\$ 149,500	\$ 79,500
Recovered costs:				
Health department	\$ -	\$ -	\$ 3,952	\$ 3,952
Drug enforcement restitution	-	-	3,291	3,291
Sherriff deputy	-	-	5,206	5,206
Circuit court	-	-	2,600	2,600
Total recovered costs	\$ -	\$ -	\$ 15,049	\$ 15,049
Total revenue from local sources	\$ 10,654,884	\$ 10,654,884	\$ 11,800,376	\$ 1,145,492
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 12,000	\$ 12,000	\$ 28,908	\$ 16,908
Communications tax	160,000	160,000	145,556	(14,444)
Rolling stock tax	-	-	961	961
ATV and moped sales tax	-	-	365	365
Spay and neuter programs	-	-	51	51
Additional tax on deeds	10,000	10,000	14,521	4,521
State recordation tax	14,847	14,847	9,799	(5,048)
Personal property tax relief funds	840,000	840,000	853,135	13,135
Total noncategorical aid	\$ 1,036,847	\$ 1,036,847	\$ 1,053,296	\$ 16,449
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 151,788	\$ 151,788	\$ 145,818	\$ (5,970)
Sheriff	490,949	490,949	490,682	(267)
Commissioner of revenue	73,472	73,472	73,441	(31)
Treasurer	72,615	72,615	74,007	1,392
Registrar/electoral board	32,000	33,677	43,807	10,130
Clerk of the Circuit Court	145,219	145,219	156,920	11,701
Total shared expenses	\$ 966,043	\$ 967,720	\$ 984,675	\$ 16,955
Other categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 321,000	\$ 321,000
Emergency services grant	7,500	7,500	-	(7,500)
E-911 wireless grant	40,000	40,000	42,762	2,762
Arts grant	1,000	1,000	1,000	-
Litter control	500	500	1,770	1,270
Forest reserve funds	50,000	50,000	26,987	(23,013)

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

Schedule 1
 Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ 23,000	\$ 23,000	\$ 25,295	\$ 2,295
Records reformatting grant	-	-	13,032	13,032
Four for Life funds	8,000	8,000	-	(8,000)
School resource officer grant	-	84,770	58,032	(26,738)
Virginia education grant	-	-	2,000	2,000
Governor opportunity fund	-	-	75,000	75,000
Total other categorical aid	<u>\$ 130,000</u>	<u>\$ 214,770</u>	<u>\$ 566,878</u>	<u>\$ 352,108</u>
Total categorical aid	<u>\$ 1,096,043</u>	<u>\$ 1,182,490</u>	<u>\$ 1,551,553</u>	<u>\$ 369,063</u>
Total revenue from the Commonwealth	<u>\$ 2,132,890</u>	<u>\$ 2,219,337</u>	<u>\$ 2,604,849</u>	<u>\$ 385,512</u>
Revenue from the federal government:				
Noncategorical aid:				
COVID-19 CARES	\$ -	\$ 94,618	\$ 65,997	\$ (28,621)
Categorical aid:				
Public assistance and welfare administration	\$ 1,282,605	\$ 1,282,605	\$ 671,412	\$ (611,193)
Transportation safety	18,500	46,780	20,673	(26,107)
Emergency management planning grant	-	-	6,708	6,708
Total categorical aid	<u>\$ 1,301,105</u>	<u>\$ 1,329,385</u>	<u>\$ 698,793</u>	<u>\$ (630,592)</u>
Total revenue from the federal government	<u>\$ 1,301,105</u>	<u>\$ 1,424,003</u>	<u>\$ 764,790</u>	<u>\$ (659,213)</u>
Total General Fund	<u>\$ 14,088,879</u>	<u>\$ 14,298,224</u>	<u>\$ 15,170,015</u>	<u>\$ 871,791</u>
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 13,535	\$ 13,535
Charges for services:				
Court security fees	\$ 35,000	\$ 35,000	\$ 29,507	\$ (5,493)
Miscellaneous:				
Miscellaneous	\$ -	\$ 16,000	\$ 11,445	\$ (4,555)
Total revenue from local sources	<u>\$ 35,000</u>	<u>\$ 51,000</u>	<u>\$ 54,487</u>	<u>\$ 3,487</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's Services Act	\$ 521,229	\$ 521,229	\$ 274,547	\$ (246,682)
Total revenue from the Commonwealth	<u>\$ 521,229</u>	<u>\$ 521,229</u>	<u>\$ 274,547</u>	<u>\$ (246,682)</u>
Total Special Revenue Fund	<u>\$ 556,229</u>	<u>\$ 572,229</u>	<u>\$ 329,034</u>	<u>\$ (243,195)</u>

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 18,922	\$ 18,922
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,922</u>	<u>\$ 18,922</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Telework grant	\$ 299,350	\$ 299,350	\$ -	\$ (299,350)
School bus grant	-	40,000	40,000	-
Total categorical aid	<u>\$ 299,350</u>	<u>\$ 339,350</u>	<u>\$ 40,000</u>	<u>\$ (299,350)</u>
Total revenue from the federal government	<u>\$ 299,350</u>	<u>\$ 339,350</u>	<u>\$ 40,000</u>	<u>\$ (299,350)</u>
Total Capital Projects Fund	<u><u>\$ 299,350</u></u>	<u><u>\$ 339,350</u></u>	<u><u>\$ 58,922</u></u>	<u><u>\$ (280,428)</u></u>
Total Primary Government	<u><u>\$ 14,944,458</u></u>	<u><u>\$ 15,209,803</u></u>	<u><u>\$ 15,557,971</u></u>	<u><u>\$ 348,168</u></u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 74,000	\$ 50,959	\$ 50,096	\$ (863)
Total revenue from local sources	<u>\$ 74,000</u>	<u>\$ 50,959</u>	<u>\$ 50,096</u>	<u>\$ (863)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of King and Queen	<u>\$ 4,202,176</u>	<u>\$ 4,306,732</u>	<u>\$ 4,253,894</u>	<u>\$ (52,838)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,040,151	\$ 1,062,470	\$ 1,062,470	\$ -
Basic school aid	2,496,468	2,472,488	2,472,488	-
Remedial summer education	6,212	2,588	2,588	-
ISAEP (GED program)	-	8,387	8,387	-
Special education regional payments	-	52,847	52,847	-
At risk payments	102,936	102,521	102,521	-
At risk four-year olds	49,795	55,795	55,795	-
Early reading intervention	14,168	26,311	26,311	-
ESL	6,925	6,636	6,925	289
Gifted and talented	22,437	22,462	22,462	-
Lottery	168,421	171,274	171,274	-
Homebound	1,778	3,763	3,763	-
Career and technical education	2,425	4,469	4,469	-
SOL Algebra readiness	8,155	6,192	6,192	-
Mentor teacher program	1,857	421	421	-
Remedial education	94,424	94,526	94,526	-

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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>
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	\$ 1,835	\$ 4,099	\$ 4,099	\$ -
School fringes	551,120	549,840	549,840	-
Primary class size reduction	142,203	149,722	149,722	-
Special education	632,454	633,134	633,134	-
Enrollment loss	-	289	-	(289)
Industry certification cost	-	321	321	-
Project graduation	3,488	3,488	3,488	-
Technology initiative	128,000	24,527	24,527	-
Textbook payment	47,067	47,118	47,118	-
School security grant	-	38,223	38,223	-
Medicaid	72,000	79,692	81,682	1,990
Compensation supplement	182,860	166,850	166,850	-
Vocational education	93,957	94,058	94,058	-
Total categorical aid	<u>\$ 5,871,136</u>	<u>\$ 5,884,511</u>	<u>\$ 5,886,501</u>	<u>\$ 1,990</u>
Total revenue from the Commonwealth	<u>\$ 5,871,136</u>	<u>\$ 5,884,511</u>	<u>\$ 5,886,501</u>	<u>\$ 1,990</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 202,245	\$ 225,705	\$ 233,978	\$ 8,273
Vocational education	17,069	17,421	17,421	-
21st century learning center	-	1,932	-	(1,932)
Title IV - Part A	14,293	3,342	3,342	-
Title VIB	235,419	220,596	220,596	-
Preschool grant	17,166	19,073	19,073	-
Title II - Part A	32,005	23,242	23,403	161
Title III	2,203	401	401	-
Gear up	38,171	41,833	43,765	1,932
JROTC grant	54,361	55,879	55,879	-
Total categorical aid	<u>\$ 612,932</u>	<u>\$ 609,424</u>	<u>\$ 617,858</u>	<u>\$ 8,434</u>
Total revenue from the federal government	<u>\$ 612,932</u>	<u>\$ 609,424</u>	<u>\$ 617,858</u>	<u>\$ 8,434</u>
Total School Operating Fund	<u>\$ 10,760,244</u>	<u>\$ 10,851,626</u>	<u>\$ 10,808,349</u>	<u>\$ (43,277)</u>

County of King and Queen, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

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>
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	\$ -	\$ -	\$ 33	\$ 33
Charges for services:				
Cafeteria sales	\$ 85,000	\$ 85,000	\$ 73,012	\$ (11,988)
Total revenue from local sources	\$ 85,000	\$ 85,000	\$ 73,045	\$ (11,955)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 3,133	\$ 3,133	\$ 3,144	\$ 11
Total revenue from the Commonwealth	\$ 3,133	\$ 3,133	\$ 3,144	\$ 11
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 265,230	\$ 265,230	\$ 173,145	\$ (92,085)
Summer food program	6,000	6,000	26,756	20,756
Commodities	-	-	13,569	13,569
Total categorical aid	\$ 271,230	\$ 271,230	\$ 213,470	\$ (57,760)
Total revenue from the federal government	\$ 271,230	\$ 271,230	\$ 213,470	\$ (57,760)
Total School Cafeteria Fund	\$ 359,363	\$ 359,363	\$ 289,659	\$ (69,704)
Total Discretely Presented Component Unit - School Board	\$ 11,119,607	\$ 11,210,989	\$ 11,098,008	\$ (112,981)

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<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	\$ 87,768	\$ 90,459	\$ 69,913	\$ 20,546
General and financial administration:				
County administrator	\$ 245,641	\$ 248,301	\$ 200,010	\$ 48,291
County attorney	123,740	156,216	150,047	6,169
Commissioner of revenue	220,751	220,751	216,311	4,440
Finance	76,702	114,518	94,250	20,268
Treasurer	253,334	253,334	243,542	9,792
Management information systems	116,039	116,039	94,977	21,062
Other general and financial administration	262,500	262,500	240,569	21,931
Total general and financial administration	<u>\$ 1,298,707</u>	<u>\$ 1,371,659</u>	<u>\$ 1,239,706</u>	<u>\$ 131,953</u>
Board of elections:				
Electoral board and officials	\$ 43,450	\$ 43,591	\$ 40,848	\$ 2,743
Registrar	114,270	117,484	92,266	25,218
Total board of elections	<u>\$ 157,720</u>	<u>\$ 161,075</u>	<u>\$ 133,114</u>	<u>\$ 27,961</u>
Total general government administration	<u>\$ 1,544,195</u>	<u>\$ 1,623,193</u>	<u>\$ 1,442,733</u>	<u>\$ 180,460</u>
Judicial administration:				
Courts:				
Circuit court	\$ 2,220	\$ 2,220	\$ 1,855	\$ 365
General district court	9,570	9,570	7,543	2,027
Special Magistrates	500	500	-	500
Juvenile and domestic relations court	3,193	3,193	1,587	1,606
Ninth District Court services unit	90,959	90,959	56,212	34,747
Victim witness assistance	4,256	4,256	-	4,256
Clerk of the circuit court	268,089	268,089	264,837	3,252
Total courts	<u>\$ 378,787</u>	<u>\$ 378,787</u>	<u>\$ 332,034</u>	<u>\$ 46,753</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 196,357	\$ 244,176	\$ 237,654	\$ 6,522
Total judicial administration	<u>\$ 575,144</u>	<u>\$ 622,963</u>	<u>\$ 569,688</u>	<u>\$ 53,275</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,570,524	\$ 1,738,804	\$ 1,525,477	\$ 213,327
E-911	142,978	142,978	68,680	74,298
Total law enforcement and traffic control	<u>\$ 1,713,502</u>	<u>\$ 1,881,782</u>	<u>\$ 1,594,157</u>	<u>\$ 287,625</u>
Fire and rescue services:				
Fire department	\$ 111,000	\$ 111,000	\$ 94,037	\$ 16,963
Ambulance and rescue services	52,200	52,200	45,852	6,348
Rescue services	777,241	1,007,241	944,036	63,205
Radio communications	387,896	387,896	324,045	63,851
Emergency medical services	902	902	902	-
Forestry services	11,101	11,101	11,101	-
Total fire and rescue services	<u>\$ 1,340,340</u>	<u>\$ 1,570,340</u>	<u>\$ 1,419,973</u>	<u>\$ 150,367</u>

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<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	\$ 14,175	\$ 14,175	\$ 14,175	\$ -
Payments to Regional Jail	600,000	764,062	764,062	-
Total correction and detention	<u>\$ 614,175</u>	<u>\$ 778,237</u>	<u>\$ 778,237</u>	<u>\$ -</u>
Inspections:				
Building	\$ 105,600	\$ 105,600	\$ 92,089	\$ 13,511
Other protection:				
Animal control and shelter	\$ 165,225	\$ 165,225	\$ 156,203	\$ 9,022
Emergency services	58,182	58,182	43,986	14,196
Medical examiner	200	200	80	120
Total other protection	<u>\$ 223,607</u>	<u>\$ 223,607</u>	<u>\$ 200,269</u>	<u>\$ 23,338</u>
Total public safety	<u>\$ 3,997,224</u>	<u>\$ 4,559,566</u>	<u>\$ 4,084,725</u>	<u>\$ 474,841</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 424,110	\$ 424,110	\$ 385,362	\$ 38,748
Maintenance of general buildings and grounds:				
General properties	\$ 283,677	\$ 303,677	\$ 281,267	\$ 22,410
Total public works	<u>\$ 707,787</u>	<u>\$ 727,787</u>	<u>\$ 666,629</u>	<u>\$ 61,158</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 61,605	\$ 61,605	\$ 61,605	\$ -
Mental health and mental retardation:				
Community services board	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,778,705	\$ 1,778,705	\$ 1,193,423	\$ 585,282
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Tax relief for the elderly	-	-	42,104	(42,104)
Bay Aging	32,115	32,115	32,115	-
Contributions	12,712	12,712	9,712	3,000
Total welfare	<u>\$ 1,833,480</u>	<u>\$ 1,833,480</u>	<u>\$ 1,287,302</u>	<u>\$ 546,178</u>
Total health and welfare	<u>\$ 1,925,085</u>	<u>\$ 1,925,085</u>	<u>\$ 1,378,907</u>	<u>\$ 546,178</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 6,294	\$ 6,294	\$ 6,294	\$ -
Contribution to County School Board	4,202,176	4,306,732	4,253,894	52,838
Total education	<u>\$ 4,208,470</u>	<u>\$ 4,313,026</u>	<u>\$ 4,260,188</u>	<u>\$ 52,838</u>

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<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	\$ 3,840	\$ 3,840	\$ 3,712	\$ 128
Library:				
Contribution to County library	\$ 177,424	\$ 177,424	\$ 173,833	\$ 3,591
Total parks, recreation, and cultural	\$ 181,264	\$ 181,264	\$ 177,545	\$ 3,719
Community development:				
Planning and community development:				
Planning and zoning	\$ 244,005	\$ 183,724	\$ 174,277	\$ 9,447
Wetlands board	3,138	3,138	1,256	1,882
Board of zoning appeals	4,038	4,038	-	4,038
Industrial Development Authority	2,707	2,707	75,777	(73,070)
Airport authority	65,000	65,000	73,359	(8,359)
Economic development	31,963	29,292	10,945	18,347
Planning commission	12,730	12,730	9,677	3,053
Total planning and community development	\$ 363,581	\$ 300,629	\$ 345,291	\$ (44,662)
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	500	-	500
Total environmental management	\$ 10,174	\$ 10,174	\$ 9,674	\$ 500
Cooperative extension program:				
Extension office	\$ 34,528	\$ 34,528	\$ 18,310	\$ 16,218
Total community development	\$ 408,283	\$ 345,331	\$ 373,275	\$ (27,944)
Nondepartmental:				
Contingencies	\$ 587,964	\$ 271,842	\$ 60,490	\$ 211,352
Total General Fund	\$ 14,135,416	\$ 14,570,057	\$ 13,014,180	\$ 1,555,877
Special Revenue Fund:				
Public Safety:				
Other protection:				
Court security	\$ 37,678	\$ 37,678	\$ 51,861	\$ (14,183)
Forfeited assets	-	-	792	(792)
E summons	-	16,000	1,305	14,695
Project lifesaver	-	-	997	(997)
K-9 unit	-	-	393	(393)
Total public safety	\$ 37,678	\$ 53,678	\$ 55,348	\$ (1,670)

County of King and Queen, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

<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	\$ 150,000	\$ 150,000	\$ 4,938	\$ 145,062
Total public works	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 4,938</u>	<u>\$ 145,062</u>
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 766,378	\$ 766,378	\$ 407,025	\$ 359,353
Total Health and Welfare	<u>\$ 766,378</u>	<u>\$ 766,378</u>	<u>\$ 407,025</u>	<u>\$ 359,353</u>
Total Special Revenue Fund	<u><u>\$ 954,056</u></u>	<u><u>\$ 970,056</u></u>	<u><u>\$ 467,311</u></u>	<u><u>\$ 502,745</u></u>
Capital Projects Fund:				
Capital projects:				
General government	\$ 1,912,150	\$ 1,932,337	\$ 663,603	\$ 1,268,734
School capital projects	100,000	449,345	380,098	69,247
Total Capital Projects Fund	<u>\$ 2,012,150</u>	<u>\$ 2,381,682</u>	<u>\$ 1,043,701</u>	<u>\$ 1,337,981</u>
Total Primary Government	<u><u>\$ 17,101,622</u></u>	<u><u>\$ 17,921,795</u></u>	<u><u>\$ 14,525,192</u></u>	<u><u>\$ 3,396,603</u></u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs	\$ 8,052,870	\$ 8,020,534	\$ 7,937,554	\$ 82,980
Administration, health and attendance	731,762	877,524	907,416	(29,892)
Pupil transportation	1,007,484	920,884	890,460	30,424
Operation and maintenance of school plant	858,385	922,941	958,177	(35,236)
Total education	<u>\$ 10,650,501</u>	<u>\$ 10,741,883</u>	<u>\$ 10,693,607</u>	<u>\$ 48,276</u>
Debt service:				
Principal retirement	\$ 109,743	\$ 109,743	\$ 71,895	\$ 37,848
Interest and other fiscal charges	-	-	37,847	(37,847)
Total debt service	<u>\$ 109,743</u>	<u>\$ 109,743</u>	<u>\$ 109,742</u>	<u>\$ 1</u>
Total School Operating Fund	<u><u>\$ 10,760,244</u></u>	<u><u>\$ 10,851,626</u></u>	<u><u>\$ 10,803,349</u></u>	<u><u>\$ 48,277</u></u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 359,363	\$ 359,363	\$ 336,963	\$ 22,400
Total School Cafeteria Fund	<u>\$ 359,363</u>	<u>\$ 359,363</u>	<u>\$ 336,963</u>	<u>\$ 22,400</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 11,119,607</u></u>	<u><u>\$ 11,210,989</u></u>	<u><u>\$ 11,140,312</u></u>	<u><u>\$ 70,677</u></u>

STATISTICAL INFORMATION

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
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
2020	1,245,092	660,957	4,990,245	671,619	1,732,518	4,640,286

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Service Authority	Total
\$	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
	171,742	367,425	-	191,040	14,670,924

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
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
2020	2,910,765	2,564,893	-	7,525,429	719,051

Table 2

Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 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
566,402	160,945	1,119,293	15,566,778

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)
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
2020	1,442,733	569,688	4,140,073	671,567	1,785,932	11,036,864

(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
\$	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
	177,545	373,275	60,490	109,742	20,367,909

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
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
2020	7,644,893	719,051	79,501	165,978	547,416	2,595,075

(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
\$ 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
211,041	15,049	10,365,159	22,343,163

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
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%
2020	8,174,315	7,790,709	95.31%	282,183	8,072,892	98.76%	364,399	4.46%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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
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
2020	900,896,646	85,893,437	26,550,338	6,804,866	32,026,052	1,052,171,339

(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
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
2020	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
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
2020	6,945	1,052,171,339	-	-	N/A	N/A

(1) Weldon Cooper Center for Public Service 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.

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COMPLIANCE

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

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, 2020, 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 November 27, 2020.

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) as a basis for designing 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 financial statements. 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
November 27, 2020



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, 2020. 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, 2020.

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
November 27, 2020

County of King and Queen, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

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:			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950118/0950119	\$ 6,079
Temporary Assistance for Needy Families	93.558	0400119/0400120	91,796
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500120	170
Low-Income Home Energy Assistance	93.568	0600419/0600420	18,606
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760119/0760120	17,474
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118/0900119	201
Foster Care - Title IV-E	93.658	1100119/1100120	64,134
Adoption Assistance	93.659	1120119/1120120	67,511
Social Services Block Grant	93.667	1000119/1000120	68,037
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150118/9150119	880
Children's Health Insurance Program	93.767	0540119/0540120	2,581
Medical Assistance Program (Medicaid Cluster)	93.778	1200119/1200120	168,403
COVID-19 - Provider Relief Fund	93.498	Not available	6,062
Total Department of Health and Human Services			<u>\$ 511,934</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Pass-Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	Not available	\$ 13,569
Department of Education:			
National School Lunch Program	10.555	17901-40623	107,907
COVID-19 - National School Lunch Program	10.555	17901-40623	10,748
Total CFDA 10.555			<u>\$ 132,224</u>
Department of Agriculture:			
COVID-19 - Summer Food Service Program for Children	10.559		26,756
Department of Education:			
School Breakfast Program	10.553	17901-40591	49,540
COVID-19 School Breakfast Program	10.553	17901-40591	4,950
Total CFDA 10.553			<u>\$ 54,490</u>
Total Child Nutrition Cluster			<u>\$ 213,470</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010119/0010120/ 0040119/0050120	\$ 165,540
Total Department of Agriculture			<u>\$ 379,010</u>

County of King and Queen, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

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 (Highway Safety Cluster)	20.600	6050700-53454	<u>\$ 20,673</u>
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 55,879</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	7750100-62744	<u>\$ 6,708</u>
Department of the Treasury:			
Pass Through Payments:			
Department of Accounts:			
COVID-19 - Coronavirus Relief Funds (CRF)	21.019	10110-728021	<u>\$ 59,936</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	\$ 43,765
Virginia Tech, University Controller:			
English Language Acquisition State Grants	84.365	17901-60512	401
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	233,978
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	220,596
Special Education - Preschool Grants	84.173	17901-62521	19,073
Total Special Education Cluster			<u>\$ 239,669</u>
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	17,421
Supporting Effective Instruction State Grants	84.367	17901-61480	21,241
Student Support and Academic Enrichment Program	84.424	Not available	<u>5,503</u>
Total Department of Education			<u>\$ 561,978</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,596,118</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, 2020

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, 2020. 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	\$ 764,790
Capital Projects Fund	40,000
Total primary government	<u>\$ 804,790</u>

Component Unit School Board:

School Operating Fund	\$ 617,858
School Cafeteria Fund	213,470
Total Component Unit School Board	<u>\$ 831,328</u>

Less: Environmental Protection Agency Clean School Bus Rebate	<u>\$ (40,000)</u>
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Total federal expenditures per basic financial statements	<u>\$ 1,596,118</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,596,118</u></u>
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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
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

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:

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