



# **County of King George, Virginia**

## **Comprehensive Annual Financial Report**



**Year Ended June 30, 2015**



# **COUNTY OF KING GEORGE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2015**

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**PREPARED BY:**

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Robyn Shugart, Director of Finance



# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report Year Ended June 30, 2015

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**CEDELL BROOKS, JR.**  
Shiloh Election District

**JOSEPH W. GRZEIKA**  
James Madison Election District

**JAMES B. HOWARD**  
James Monroe Election District

**RUBY A. BRABO**  
Dahlgren Election District

**DALE W. SISSON, JR.**  
At-Large Election District



**COUNTY ADMINISTRATOR**  
**A. TRAVIS QUESENBERRY, P.E.**  
10459 Courthouse Drive, Suite 200  
King George, VA 24485  
Telephone: (540)775-9181  
FAX: (540)775-5248  
Website: [www.king-george.va.us](http://www.king-george.va.us)

December 15, 2015

**To the Honorable Members of the Board of Supervisors  
To the Citizens of King George County  
County of King George, Virginia**

We are pleased to present the Comprehensive Annual Financial Report of the County of King George, Virginia, (the "County"), for the fiscal year ended June 30, 2015 in compliance with Section 15.2-2511 of the Code of Virginia (1950) as amended. This report was prepared by the County's Department of Finance; therefore, responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with the County. This report is designed to fairly present the financial position and results of operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure necessary to enable the reader to gain a reasonable understanding of the County's financial affairs.

Robinson, Farmer, Cox Associates, LLP, a firm of licensed certified accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2015, were free of material misstatement. See official Independent Auditors' Report under the financial section of this report and the compliance section.

**PROFILE OF KING GEORGE COUNTY**

King George County, named for King George I of England, was formed in 1720 from Richmond County. It is located in the coastal plains of Virginia, 20 miles east of Fredericksburg and 50 miles northeast of Richmond, VA. The County encompasses a land area of approximately 183 square miles.

King George County government is organized under the Board of Supervisors/County Administrator form of government, which sets overall policies for the administration of the County. They consist of five (5) members representing four (4) Election Districts and one (1) at-large district in the County. The Chairman of the Board is elected by the Board of Supervisors and serves a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the Chief Administrative Officer for the County. The County Administrator serves at the pleasure of the Board of Supervisors, implements the policies established by the Board of Supervisors, and manages the day-to-day affairs of the County. See Organizational Chart.

Funds required to support all services provided by King George County are reflected in this report.

## **THE REPORTING ENTITY AND ITS SERVICES**

King George County and King George Schools operate under consolidated accounting functions which are overseen by the Director of Finance to include: payroll, procurement, budgeting and accounts payable.

The County of King George report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing the services normally provided by a local government. The County provides a full range of services to its residents. These include general administration, judicial administration, public safety, public works, health and welfare, parks and recreation, education, community development, and economic development.

For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as part of the primary government. Therefore, the King George County Service Authority is presented as a blended component unit. It is identified in these statements as Business Type Activities. The King George County Wireless Authority is also presented as a blended component unit.

The School Board is a discretely presented component unit and reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose five (5) member board is elected and is fiscally dependent on the local government. The School Board appoints a superintendent to administer its policies.

**Accounting System:** Adequacy of internal accounting controls has been considered in developing and maintaining the County’s overall accounting and financial systems. The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Auditors also review the County’s internal controls over financial reporting during the course of the annual audit; however, they do not express an opinion on effectiveness. We are committed to actively pursue implementation of all recommended policy and procedural changes which are deemed to be practical and cost effective.

The County operates a fully automated accounting and financial management information system (Bright). This system is utilized by both County and School Board financial staff.

**Budgetary Controls:** In addition to the internal accounting controls noted above, the County also maintains budgetary controls. The annual budget serves as the foundation for the County’s financial planning and control. Budgetary control is maintained primarily at the fund level and the department level. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of all funds are included in the annual appropriated budget.

## **THE REPORTING ENTITY AND ITS SERVICES (CONTINUED)**

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2015 has been completed. The auditors' report on the internal control structure and compliance with laws and regulations, are contained in this report.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

### **LOCAL ECONOMY**

King George County has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. NSF Dahlgren, a military installation, is the major economic driver and provides employment for 5,000 civilian and military personnel, and an additional 4,000 contract employees. NSF Dahlgren infuses over 1 billion dollars into the regional economy annually. During the latest BRAC (Base Realignment Committee) recommendation, the NSF Dahlgren had a net gain of ten (10%) percent in personnel. NSF Dahlgren is home to the Aegis Ballistic Missile Defense, Naval Surface Warfare Center Dahlgren Division, Center for Surface Combat Systems, Aegis Training and Readiness Center, Joint Warfare Analysis Center, and 20<sup>th</sup> Space Control Squadron-Detachment One. NSF Dahlgren has been instrumental in attracting a variety of high technology software engineering firms to the County. In addition to NSF Dahlgren, other industries and institutions include: light manufacturing, high technology, computer programming, retail, food service, education, and government. Agriculture also remains important in the County's economy. King George County is currently seeing a significant amount of retail growth near Dahlgren as well. As of June 30<sup>th</sup>, 2015 King George County had an estimated population of 25,371, an increase of 7.6% since 2010.

### **LONG TERM FINANCIAL PLANNING**

The County prepares a five-year Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities, including schools. In addition, a 10-year forecast model is updated annually and used as a tool to estimate potential future financial needs and conditions. This includes both the General Fund and the Capital Fund.

Long-term financing options utilized are long term lease revenue bonds, general obligation bond and state literary loans. The County also sets aside a portion of landfill revenues to cash fund smaller projects in the capital budget while also building on the general fund for future emergency needs. The County has also revised the General Fund balance policy to have an unassigned fund balance reserve amount no less than 15% of the total operating budget.

### **MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE**

**King George Landfill Expansion:** In July 2014 the King George County Board of Supervisors approved an amendment to the Landfill Agreement allowing Waste Management to apply for a vertical expansion of the landfill through the Virginia Department of Environmental Quality. If approved, the County would receive three million dollars over six years as well as a one dollar per ton increase in the Host Fee commencing when disposal operations start in the expansion area. In addition, the County's share of gross landfill gas revenue will increase from ten percent to fifteen percent once disposal commences in the expansion area.

**Potomac Elementary School Renovation Project:** The \$5 million dollar renovation of the Potomac Elementary School was completed during fiscal year 2015. This project includes new heating, cooling, ventilation, telephone, intercom, painting, electrical and plumbing improvements, and lighting.

**Shiloh Park:** Phase 1 of this project, at a cost of approximately \$1.3 was completed in fiscal year 2015. The work includes construction of multi-purpose fields, playground, walking trail, site improvements, and parking is substantially complete. This renovated park site was previously the location of the County landfill.

**Industrial Park:** The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Courthouse which is served by water, sewer and rail. Current initiatives are in place to recruit businesses to boost the economy in King George. The Economic Development Director's primary focus is on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently four businesses are located in the Industrial Park.

There are currently thirteen additional lots (either privately owned or owned by the EDA) totaling approximately 100 acres available for development in the industrial park. Economic development staff continues to market these sites to prospects and during 2015 provided information to over 20 potential prospects and site consultants, all looking at potentially expanding or relocating to the Mid-Atlantic area.

**Natural Gas Main and Fiber Optic Line Extension:** The Board of Supervisors approved the initial engineering phase of extending gas main to the Industrial Park in fiscal year 2012. Once completed, this line will be a 6.5 mile steel pipe that will bring natural gas directly to the King George Industrial Park. We have made significant progress with Columbia gas this year and construction of the Spotsylvania Loop which will connect the gas line running to the industrial park has commenced recently and will take approximately 18 months to complete. This is an important project as it is much needed for our existing businesses as well as attracting new businesses to the industrial park.

**The University of Mary Washington-Dahlgren Campus-Center for Education and Research:** This facility opened in January 2012 and works in conjunction with engineering schools in Virginia including: Old Dominion University, Virginia Polytechnical Institute, Virginia Commonwealth University, University of Virginia and George Mason University. This facility consists of a two-story 40,000 sq. ft. building located on 27 acres that includes 21 classrooms with seating for 12 to 40 or more, a research and computer lab, group study rooms, a 3,200 square foot multi-purpose room with a catering kitchen, and seating for more than 300. State of the art instructional technology and wireless access are available throughout the building and the building was designed to meet or exceed LEED Silver Certification requirements. The building provides a technology-rich venue for graduate-level science, technology, engineering and mathematics programs to serve the needs of the military and the region's many defense-related contractors. The UMW-Dahlgren Campus has also played an expanded role in economic development over the last year in providing a forum for Quarterly Economic Development Meetings which are helping to educate the citizens, and small businesses alike on the resources available to them at the County and State levels. This year alone the Small Business Development Center at UMW has worked with over 20 start-up and existing businesses to help them launch and expand in King George County.

**King George Gateway:** Retail Development Services, LLC, the developer of the King George Gateway Shopping Center, has completed leasing all available square footage in Phase 1 of a four-phase development. All but one tenant is open and all tenants are showing very strong sales numbers. Retail Development Services has finalized leases for Phase II which consists of approximately 72,000 square feet of retail space and 6 new retailers including: Peebles, Petco, Rappahannock Goodwill Industries, Hibbett Sports, Dollar tree, and Famous Footwear.

**Other Retail:** This year King George has added over 95,000 square feet of new retail space to the County.

## **OTHER INFORMATION**

**Management's Discussion and Analysis:** Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of King George's MD&A can be found immediately following the report of the independent auditors.

**Independent Audit:** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

**Acknowledgments:** The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance, Department of Economic Development, Treasurer's Office and the office of the Commissioner of the Revenue. We would like to express our appreciation to all the members of the staff who assisted and contributed to its preparation. We would also like to thank the Board of Supervisors for their continued interest and support in planning and conducting the financial operation of the County in a responsible, timely and progressive manner.

Respectfully submitted,



A. Travis Quesenberry, PE  
County Administrator



Robyn E Shugart  
Finance Director

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Government Finance Officers Association

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

Presented to

**King George County  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**



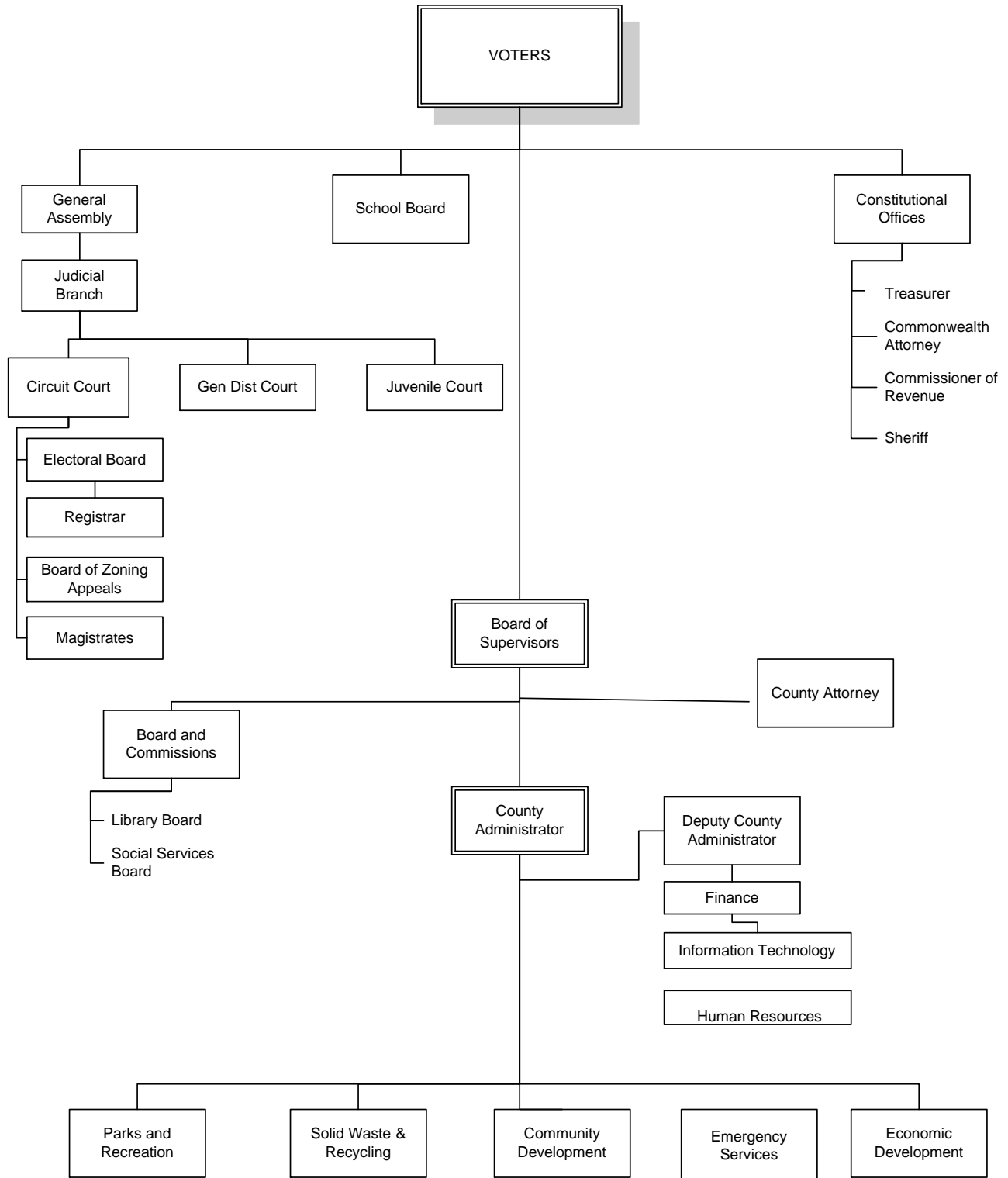
Executive Director/CEO

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## KING GEORGE COUNTY ORGANIZATIONAL CHART



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## COUNTY OF KING GEORGE, VIRGINIA

June 30, 2015

### Board of Supervisors

James B. Howard, Chairman  
Dale W. Sisson, Jr., Vice Chairman  
Ruby A. Brabo  
Cedell Brooks, Jr.  
Joseph W. Grzeika

### County School Board

John Davis, Chairman  
T. C. Collins, Vice-Chairman  
Michael Rose  
Kenneth Novell  
Kristin Tolliver

### Board of Social Services

Marva Smith, Chairman  
Judy Crabtree, Vice-Chairman  
Cedell Brooks, Jr.,  
Arlene Jacovelli  
Renee Jenkins  
Jane Marvin

### Smoot Memorial Library Board of Trustees

Joseph McGettigan, Chairperson  
Linda Kramer, Vice-Chairperson

Stephen Eckel  
Neil Richard  
Tina Sisson  
Christine Steppe

Kris Parker  
David Simms  
Carol Sparbel  
Tracy Travers

### Other Officials

County Attorney .....	Eric Gregory
Judge of the Circuit Court .....	Herbert M. Hewitt
Clerk of the Circuit Court .....	Charles V. Mason
Commonwealth Attorney .....	Keri Gusmann
Commissioner of the Revenue .....	JoAnn Ando
Treasurer .....	Alice L. Moore
Judge of the General District Court .....	Robert E. Reibach
Judge of the Juvenile & Domestic Relations Courts .....	Joseph A. Vance and John Franklin
Clerk of the General and Juvenile & Domestic Relations Courts .....	Nancy L. Tierney
Sheriff .....	Steve Dempsey
Superintendent of Schools .....	Robert Benson
Director of Social Services .....	David Coman
County Administrator .....	A. Travis Quesenberry

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors  
County of King George, 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 the County of King George, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 5-14, and 93-103 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King George, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the County of King George, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of King George, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
December 7, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **To the Honorable Members of the Board of Supervisors To the Citizens of King George County**

As management of the County of King George, Virginia (the County) 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, financial statements and accompanying notes.

### **Financial Highlights**

- The assets and deferred outflows of resources of the governmental activities of the County exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$54.7 million (net position). This represents a decrease of \$1,232,958 compared to the prior fiscal year.
- Of the total net position \$1.99 million is restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$40.2 million, a slight increase over the previous fiscal year.
- Approximately forty-five percent (45%) of this total amount or \$18.0 million is General Fund unassigned fund balance and available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County.
- The County's net long-term obligations of governmental activities decreased by \$2.8 million during the current fiscal year in comparison to the prior fiscal year's restated balances (due to implementation of GASB 68).

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The 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 other supplementary information in addition to the basic financial statements themselves.

- A. 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.
1. Statement of Net Position - Presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources 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. Refer to Exhibit 1 for Statement of Net Position.
  2. 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 that causes 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). Refer to Exhibit 2 for Statement of Activities.

## **Overview of the Financial Statements: (Continued)**

### **A. Government-wide financial statements: (Continued)**

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, sheriff, volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County encompass water and sewer operations.

The government-wide financial statements include not only the County government (known as the primary government), but also a legally separate School Board for which the County is financially accountable. The Economic Development Authority is also presented as a component unit. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **B. 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 George, 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.

#### **1. Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's ability to satisfy near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Wireless Authority Fund and the Permanent Fund.

The County adopts an annual appropriated budget for the General Fund and Capital Projects Fund, both of which are considered to be major funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with budgetary controls.

#### **2. Proprietary funds** - The County maintains one enterprise fund. Enterprise funds are used to account for the delivery of goods and services to the general public. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

The King George Service Authority is a component unit of the County of King George. The Authority provides water and sewer services to County residents.

#### **3. Fiduciary funds** - Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individuals. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

## **Overview of the Financial Statements: (Continued)**

- C. 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.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54.7 million at the close of fiscal year 2015.

The County's net investment in capital assets such as land, buildings and equipment totals \$16.8 million at June 30, 2015, a decrease of \$2.9 million over the prior year. The County uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Refer to table below.

**County of King George, Virginia  
Schedule of Net Position  
Governmental and Business-Type Activities  
For the Years Ended June 30, 2015 and 2014**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 53,577,966	\$ 54,251,495	\$ 5,177,316	\$ 5,765,973	\$ 58,755,282	\$ 60,017,468
Capital assets	<u>80,349,673</u>	<u>82,384,313</u>	<u>44,789,110</u>	<u>42,333,492</u>	<u>125,138,783</u>	<u>124,717,805</u>
Total assets	\$ 133,927,639	\$ 136,635,808	\$ 49,966,426	\$ 48,099,465	\$ 183,894,065	\$ 184,735,273
Deferred outflows of resources	<u>\$ 5,976,802</u>	<u>\$ 3,187,436</u>	<u>\$ 2,333,550</u>	<u>\$ 1,381,609</u>	<u>\$ 8,310,352</u>	<u>\$ 4,569,045</u>
Long-term liabilities outstanding	\$ 67,187,030	\$ 67,081,175	\$ 29,367,717	\$ 27,444,783	\$ 96,554,747	\$ 94,525,958
Current liabilities	<u>8,542,316</u>	<u>9,329,823</u>	<u>1,677,684</u>	<u>2,486,754</u>	<u>10,220,000</u>	<u>11,816,577</u>
Total liabilities	\$ 75,729,346	\$ 76,410,998	\$ 31,045,401	\$ 29,931,537	\$ 106,774,747	\$ 106,342,535
Deferred inflows of resources	<u>\$ 9,427,390</u>	<u>\$ 7,547,061</u>	<u>\$ 152,597</u>	<u>\$ -</u>	<u>\$ 9,579,987</u>	<u>\$ 7,547,061</u>
Net position:						
Net investment in capital assets	\$ 16,829,223	\$ 19,719,528	\$ 16,923,176	\$ 17,323,889	\$ 33,752,399	\$ 37,043,417
Restricted	1,985,237	2,030,662	-	-	1,985,237	2,030,662
Unrestricted	<u>35,933,245</u>	<u>34,114,995</u>	<u>4,178,802</u>	<u>2,225,648</u>	<u>40,112,047</u>	<u>36,340,643</u>
Total net position	<u>\$ 54,747,705</u>	<u>\$ 55,865,185</u>	<u>\$ 21,101,978</u>	<u>\$ 19,549,537</u>	<u>\$ 75,849,683</u>	<u>\$ 75,414,722</u>

Note: In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the information in the table has not been restated to reflect the requirements of GASB 68.

Restricted net position represents resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service, Smoot library endowment, and for a natatorium donation. The County's restricted net position amounts to \$1.99 million or four percent (4%) of total net position.

**Government-wide Financial Analysis: (Continued)**

Governmental and business-type activities reflect changes in net position of a decrease of \$1,232,958 and an increase of \$1,791,732 respectively.

Key elements of the changes in net position are seen in the table below:

**County of King George, Virginia**  
**Changes in Net Position**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2015 and 2014**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues:						
Program revenues:						
Charges for services	\$ 7,806,977	\$ 7,831,454	\$ 4,700,489	\$ 4,400,068	\$ 12,507,466	\$ 12,231,522
Operating grants and contributions	4,174,602	4,856,761	-	98,729	4,174,602	4,955,490
Capital grants and contributions	287,303	670,318	2,262,172	459,243	2,549,475	1,129,561
General revenues:						
General property taxes	21,606,424	20,597,122	-	-	21,606,424	20,597,122
Other local taxes	6,476,494	6,402,851	-	-	6,476,494	6,402,851
Use of money and property	279,479	312,891	323	776	279,802	313,667
C/VA non-categorical aid	2,669,229	2,670,462	-	-	2,669,229	2,670,462
Other general revenues	691,546	418,029	289,397	285,189	980,943	703,218
Total revenues	<u>\$ 43,992,054</u>	<u>\$ 43,759,888</u>	<u>\$ 7,252,381</u>	<u>\$ 5,244,005</u>	<u>\$ 51,244,435</u>	<u>\$ 49,003,893</u>
Expenses:						
General government administration	\$ 3,122,953	\$ 2,989,454	\$ -	\$ -	\$ 3,122,953	\$ 2,989,454
Judicial administration	1,092,049	1,037,120	-	-	1,092,049	1,037,120
Public safety	10,277,269	10,880,109	-	-	10,277,269	10,880,109
Public works	1,594,488	1,619,383	-	-	1,594,488	1,619,383
Health and welfare	3,931,369	4,384,274	-	-	3,931,369	4,384,274
Education	16,958,203	16,931,948	-	-	16,958,203	16,931,948
Parks, recreation, and cultural	1,420,822	1,438,503	-	-	1,420,822	1,438,503
Community development	1,199,221	1,144,712	-	-	1,199,221	1,144,712
Interest and other fiscal charges	3,077,684	3,043,578	-	-	3,077,684	3,043,578
Water and sewer	-	-	5,545,687	5,541,049	5,545,687	5,541,049
Total expenses	<u>\$ 42,674,058</u>	<u>\$ 43,469,081</u>	<u>\$ 5,545,687</u>	<u>\$ 5,541,049</u>	<u>\$ 48,219,745</u>	<u>\$ 49,010,130</u>
Increase (decrease) in net position before transfers	\$ 1,317,996	\$ 290,807	\$ 1,706,694	\$ (297,044)	\$ 3,024,690	\$ (6,237)
Transfers	(85,038)	54,284	85,038	(54,284)	-	-
Change in net position	\$ 1,232,958	\$ 345,091	\$ 1,791,732	\$ (351,328)	\$ 3,024,690	\$ (6,237)
Net position, July 1, as restated	<u>53,514,747</u>	<u>55,520,094</u>	<u>19,310,246</u>	<u>19,900,865</u>	<u>72,824,993</u>	<u>75,420,959</u>
Net position, June 30	<u>\$ 54,747,705</u>	<u>\$ 55,865,185</u>	<u>\$ 21,101,978</u>	<u>\$ 19,549,537</u>	<u>\$ 75,849,683</u>	<u>\$ 75,414,722</u>

Note: In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the information in the table has not been restated to reflect the requirements of GASB 68.

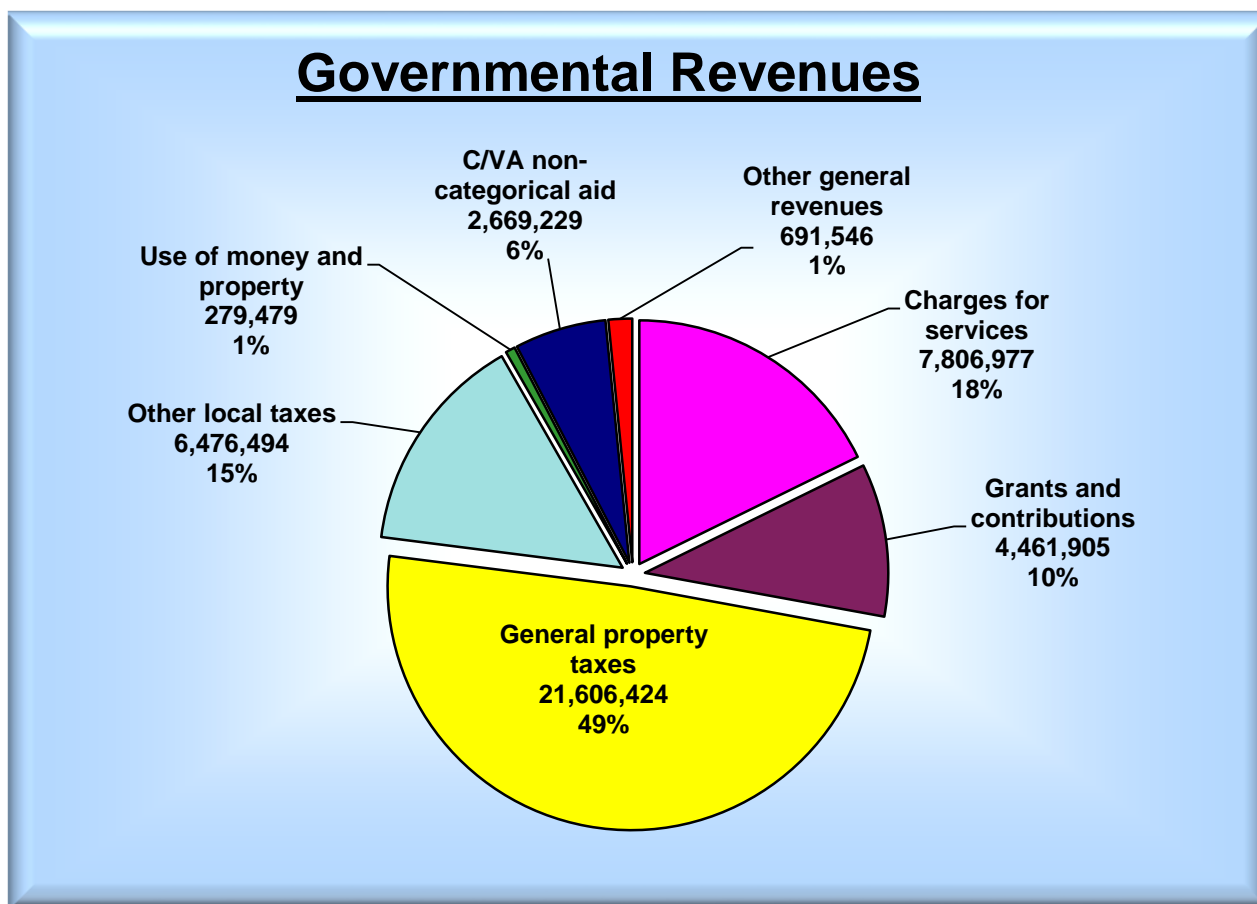
## **Government-wide Financial Analysis: (Continued)**

Governmental Activities – Program and general revenues for governmental activities totaled \$44 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$21.6 million
- Charges for services totaled \$7.8 million (This includes \$6.6 million of landfill revenues)
- Other local taxes totaled \$6.5 million.
- Operating grants and contributions totaled \$4.2 million

The pie chart below provides an overview of revenues by program source.

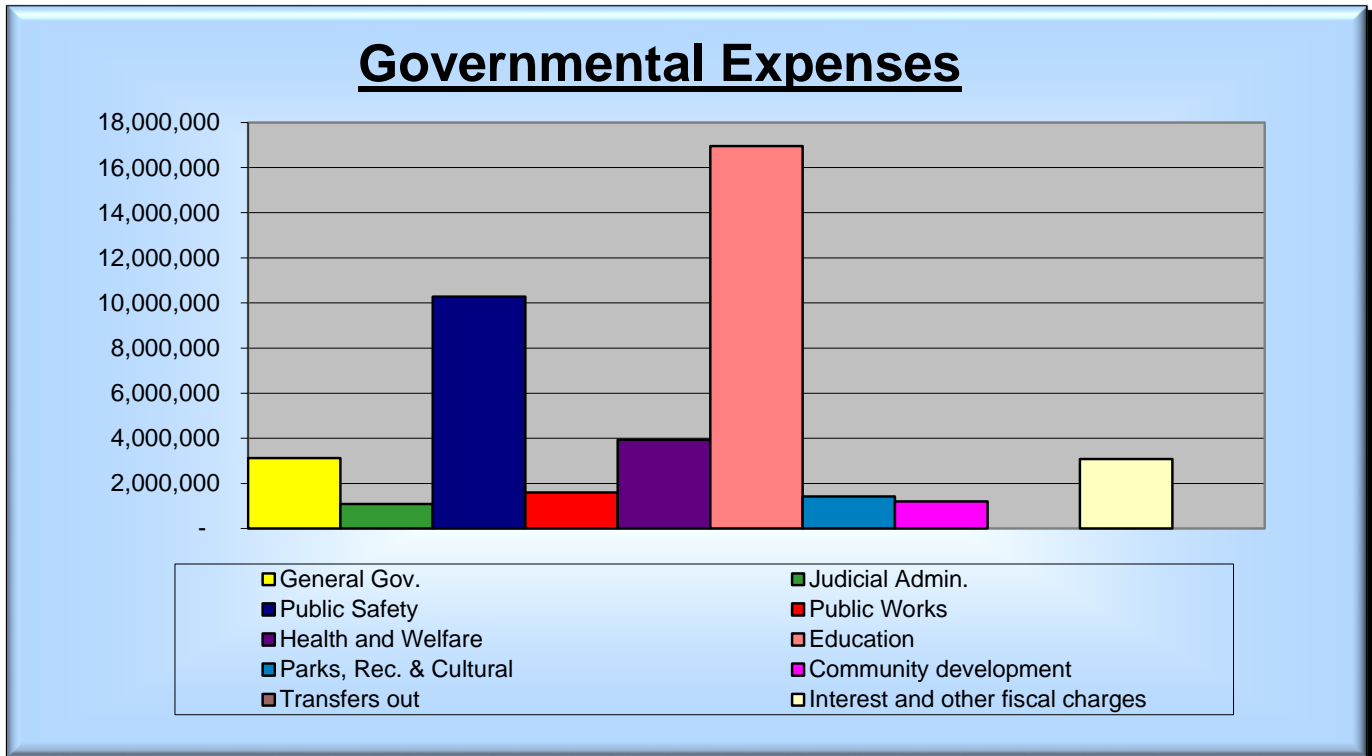


### **Government-wide Financial Analysis: (Continued)**

Expenses for governmental activities totaled \$42.7 million for the fiscal year. Major categories were as follows:

- Education totaled \$17.0 million
- Public Safety totaled \$10.3 million
- Health and Welfare totaled \$4.0 million
- Interest/Other Charges totaled \$3.1 million

The graph below denotes expenses by major categories.



#### ***Significant changes noted in revenues and expenses were:***

- General property taxes increased \$1,009,302 compared to prior year; this increase is due to additional revenue received from a second half increase along with additional assessments in the County.
- Educational expenses had a slight increase of \$26,255 in comparison to the prior fiscal year.
- Public Safety expenses decreased by \$602,840 mainly due unspent grant funds, those funds will be re-appropriated into FY2016 for expenditure.
- Health and Welfare expenses decreased by \$452,905 due to lower costs for the Children's Services Act program in comparison to the prior fiscal year.

## **Government-wide Financial Analysis: (Continued)**

Business-type activities - Business-type activities net position increased by \$1,791,732 in the current year.

Major reasons are as follows:

- Operating revenues increased by \$304,629 during the year. This is due to an increase in usage fee revenue along with connection and availability fee revenue.
- Operating expenses decreased during the year by \$152,136. This is mainly due to expenses associated with contractual services and personnel costs.
- Net non-operating revenues (expenses) increased by \$102,943 due to receipt of state and federal grant revenues.
- Operating income in FY15 was positive, along with an increase in total net position. This increase is a favorable pattern for the Authority.

## **Financial Analysis of the County's Funds**

As noted earlier, the County uses 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 financial 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 combined ending fund balances of \$40.2 million, an increase of \$13,889 in comparison with the prior year. Approximately forty-five percent (45%) of this amount \$18 million constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County. In accordance with GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$702,000), restricted by an outside sources (\$1.6 million), committed (\$11.4 million) and not available for spending and assigned (\$8.5 million) for specific projects. See Note 1 – U for details.

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$18 million, while the total fund balance was \$22.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents forty-four (44%) of total general fund expenditures, while total general fund balance represents fifty-five percent (55%) of that same amount.

## **Financial Analysis of the County's Funds: (Continued)**

**General Fund:** The fund balance of the County's general fund increased by \$1.9 million during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$1.2 million, and those funds were not needed during the fiscal year. Some factors which are significant contributors to a lesser amount needed are as follows:

- General property taxes were in excess of budget by \$670,853.
- The total General Fund expenditures were under budget by \$2.7 million dollars.
- Discretionary spending freeze was implemented by the County Administrator across the board.

**Capital Projects Fund:** At the end of the current fiscal year the fund balance for the County's capital projects fund was \$16.4 million of which \$2,000 is nonspendable, \$135,357 is restricted, \$7.8 million is committed and \$8.5 million is assigned. See Note 1-U for details. The fund balance of the County's capital projects fund decreased by \$2.0 million during the current fiscal year. Some major factors are as follows:

- Bond proceeds continue to be spent on renovations to the elementary school, the amount spent during the fiscal year total \$1.4 million.
- Funds spent of public safety vehicles and equipment totaled \$647,622 and also \$312,000 was spent on school buses for King George County Schools.
- Landfill fees collected in fiscal year 2015 totaling \$6.6 million were used to fund debt service.

**Permanent Fund:** At the end of the current fiscal year the fund balance for the County's permanent fund was \$834,481 of which \$700,000 is non-spendable and \$134,481 is committed for library operations. The fund balance of the County's permanent fund increased by \$9,963.

**Wireless Authority Fund:** The Wireless Authority project fund balance was \$243,359 at the end of the current fiscal year. This is an increase of \$16,783 due to transfers into the fund.

**Proprietary funds:** The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the King George County Service Authority finances have already been addressed in the discussion of the County's business type activities. Refer to Exhibits 6 – 8.



## **General Fund Budgetary Highlights**

Differences between the original expenditures budget and the final amended budget were \$877,860 or a three percent (2%) increase in appropriations. Significant budget variances are summarized as follows:

- County's contribution to the School Board increased by \$401,543 based on prior year encumbrances carried over.
- A large portion of the budget amendments came from grants from Federal and State government that were carried over from prior year's projects.

Actual revenues were more than the amended budget by \$402,583, reference Exhibit 10.

Actual expenditures were \$2.7 million less than the amended budget. Major contributors were as follows:

- One factor in reduction in spending is because of the economic challenges that were ahead, the County Administrator maintains a spending freeze with special consideration on discretionary spending for the entire year.
- Health and welfare had remaining budgeted funds totaling \$734,290 mainly due to lower costs for the Children's Services Act program.
- Education expenditures were less than the amended budget by \$888,076 due to School Board expenditures being kept under budget.
- Public safety also had a favorable expenditure variance of \$684,735 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.

## **Capital Asset and Debt Administration**

**Capital assets** - The County's investment in capital assets for its governmental activities as of June 30, 2015 totaled \$80.3 million (net of accumulated depreciation). Major highlights of governmental capital assets include:

During Fiscal Year 2015, the County worked on projects that include: renovating an elementary school, making parks and recreation related park improvements, and various school and emergency service related equipment purchases.

**Business Type Capital Assets** - The Authority's investment in capital assets as of June 30, 2015 totaled \$44.8 million (net of accumulated depreciation). Investment in capital assets increased \$2.5 million. This is due to the projects in progress and the completion of projects.

Details supporting changes in capital asset activity including construction in progress can be found in Note 6 of the financial statements.

**Long-term obligations** - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$70.8 million and the King George Service Authority has outstanding obligations of \$30.3 million.

### **Capital Asset and Debt Administration: (Continued)**

Of the County's debt, \$13 million comprises debt backed by the full faith and credit of the County and \$47.3 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations decreased during the current fiscal year by a net of \$2.8 million. The County issued refunding bonds in fiscal year 2015 which refunded various obligations of the County and King George County Service Authority, see Note 22 for details.

The King George Service Authority increased its long-term obligations by \$1.8 million during the year. This was due to proceeds that include the Fairview Beach Water Tank and the structure of the refunding that will result in an overall savings in interest for the Authority.

The County maintains to AA+ credit rating from Standard and Poor's, an AA from Fitch as well as Aa2 from Moody's during fiscal year 2015.

More detailed information of the County's long-term obligations can be found in Note 9 of these financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 5.3% at June 30, 2015. The local unemployment rate compares favorably to the June 30, 2015 national rate of 5.5%. The County's favorable employment conditions are supported by the continued growth of jobs over the last nine years. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenues for the fiscal year ending June 30, 2015 totaled \$36.6, million which is a \$700,000 increase over the prior year. There was growth in both property taxes and other local taxes for FY2015. The increase in revenue for property taxes was mainly due to the increase in the real estate rate.

### **Requests for Information**

This financial report is designed to provide a general overview of the County of King George, 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 Finance Director, 10459 Courthouse Drive, Suite 201, King George, Virginia 22485.

## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Position  
At June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 37,044,383	\$ 4,251,241	\$ 41,295,624	\$ 1,074	\$ 82,563
Receivables (net of allowance for uncollectibles):					
Property taxes	9,074,579	-	9,074,579	-	-
Accounts receivable	2,166,752	754,590	2,921,342	-	-
Notes receivable	349,997	-	349,997	-	-
Due from other governments	2,955,018	171,485	3,126,503	1,401,634	-
Inventory	-	-	-	-	3,526,702
Prepaid items	2,000	-	2,000	-	-
Restricted cash	1,985,237	-	1,985,237	-	-
Due from primary government	-	-	-	3,206,424	-
Total Current Assets	\$ 53,577,966	\$ 5,177,316	\$ 58,755,282	\$ 4,609,132	\$ 3,609,265
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134	\$ -
Infrastructure	-	37,450,553	37,450,553	-	-
Buildings and improvements	30,383,462	-	30,383,462	12,688,073	-
Equipment	3,283,321	163,781	3,447,102	2,429,610	-
Jointly owned assets	38,649,518	-	38,649,518	15,042,190	-
Construction in progress	1,982,566	4,912,422	6,894,988	148,589	-
Total capital assets	\$ 80,349,673	\$ 44,789,110	\$ 125,138,783	\$ 30,481,596	\$ -
Total Assets	\$ 133,927,639	\$ 49,966,426	\$ 183,894,065	\$ 35,090,728	\$ 3,609,265
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to the measurement date	\$ 759,675	\$ 94,769	\$ 854,444	\$ 3,023,700	\$ -
Items related to the measurement of the net pension liability	-	-	-	92,000	-
Deferred charge on refunding	5,217,127	2,238,781	7,455,908	-	-
Total deferred outflows of resources	\$ 5,976,802	\$ 2,333,550	\$ 8,310,352	\$ 3,115,700	\$ -
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 899,809	\$ 118,561	\$ 1,018,370	\$ 672,356	\$ 931
Retainage payable	68,328	99,000	167,328	-	-
Customer deposits	-	146,363	146,363	-	-
Accrued liabilities	-	-	-	3,898,941	-
Due to component unit - School Board	3,206,424	-	3,206,424	-	-
Unearned revenue	-	122,642	122,642	-	-
Accrued interest payable	807,669	253,412	1,061,081	-	-
Long-term obligations - current portion	3,560,086	937,706	4,497,792	41,864	1,000,000
Total Current Liabilities	\$ 8,542,316	\$ 1,677,684	\$ 10,220,000	\$ 4,613,161	\$ 1,000,931
Noncurrent Liabilities					
Long-term obligations - noncurrent portion	67,187,030	29,367,717	96,554,747	32,263,687	-
Total Liabilities	\$ 75,729,346	\$ 31,045,401	\$ 106,774,747	\$ 36,876,848	\$ 1,000,931
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Items related to the measurement of the net pension liability	\$ 1,498,887	\$ 152,597	\$ 1,651,484	\$ 4,990,181	\$ -
Deferred revenue - property taxes	7,928,503	-	7,928,503	-	-
Total deferred inflows of resources	\$ 9,427,390	\$ 152,597	\$ 9,579,987	\$ 4,990,181	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 16,829,223	\$ 16,923,176	\$ 33,752,399	\$ 30,481,596	\$ -
Restricted:					
Debt service	1,149,880	-	1,149,880	-	-
Smoot library:					
Nonexpendable	700,000	-	700,000	-	-
Natatorium	135,357	-	135,357	-	-
Unrestricted assets	35,933,245	4,178,802	40,112,047	(34,142,197)	2,608,334
Total Net Position	\$ 54,747,705	\$ 21,101,978	\$ 75,849,683	\$ (3,660,601)	\$ 2,608,334

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

**COUNTY OF KING GEORGE, VIRGINIA**

Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,122,953	\$ -	\$ 233,364	\$ 164,502
Judicial administration	1,092,049	222,789	472,578	-
Public safety	10,277,269	69,040	1,190,873	122,801
Public works	1,594,488	7,000,139	-	-
Health and welfare	3,931,369	-	1,983,478	-
Education	16,958,203	-	196,988	-
Parks, recreation, and cultural	1,420,822	396,245	97,321	-
Community development	1,199,221	118,764	-	-
Interest on long-term debt	3,077,684	-	-	-
Total governmental activities	\$ 42,674,058	\$ 7,806,977	\$ 4,174,602	\$ 287,303
Business-type activities:				
Water and sewer	\$ 5,545,687	\$ 4,700,489	\$ -	\$ 2,262,172
	\$ 48,219,745	\$ 12,507,466	\$ 4,174,602	\$ 2,549,475
COMPONENT UNITS:				
School Board	\$ 38,961,167	\$ 612,077	\$ 23,486,923	\$ -
Economic Development Authority	16,456	24,863	-	-
Total component units	\$ 38,977,623	\$ 636,940	\$ 23,486,923	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle licenses				
Recordation taxes				
Meals tax				
Ambulance fees				
Other local taxes				
Grants and contributions not restricted to specific programs				
Unrestricted revenues from use of money and property				
County contribution to School Board				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

The accompanying notes to 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	Economic Development Authority
\$ (2,725,087)	\$ -	\$ (2,725,087)	\$ -	\$ -
(396,682)	-	(396,682)	-	-
(8,894,555)	-	(8,894,555)	-	-
5,405,651	-	5,405,651	-	-
(1,947,891)	-	(1,947,891)	-	-
(16,761,215)	-	(16,761,215)	-	-
(927,256)	-	(927,256)	-	-
(1,080,457)	-	(1,080,457)	-	-
(3,077,684)	-	(3,077,684)	-	-
\$ (30,405,176)	\$ -	\$ (30,405,176)	\$ -	\$ -
\$ -	\$ 1,416,974	\$ 1,416,974	\$ -	\$ -
\$ -	\$ 1,416,974	\$ (28,988,202)	\$ -	\$ -
			\$ (14,862,167)	\$ -
			-	8,407
			\$ (14,862,167)	\$ 8,407
\$ 21,606,424	\$ -	\$ 21,606,424	\$ -	\$ -
2,231,237	-	2,231,237	-	-
253,970	-	253,970	-	-
1,175,774	-	1,175,774	-	-
524,061	-	524,061	-	-
262,143	-	262,143	-	-
999,806	-	999,806	-	-
567,335	-	567,335	-	-
462,168	-	462,168	-	-
2,669,229	-	2,669,229	-	-
279,479	323	279,802	14,766	2
-	-	-	15,830,420	-
691,546	289,397	980,943	127,918	3,994
(85,038)	85,038	-	-	-
\$ 31,638,134	\$ 374,758	\$ 32,012,892	\$ 15,973,104	\$ 3,996
\$ 1,232,958	\$ 1,791,732	\$ 3,024,690	\$ 1,110,937	\$ 12,403
53,514,747	19,310,246	72,824,993	(4,771,538)	2,595,931
\$ 54,747,705	\$ 21,101,978	\$ 75,849,683	\$ (3,660,601)	\$ 2,608,334

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2015

	Governmental Funds				
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 23,189,482	\$ 13,477,061	\$ 134,481	\$ 243,359	\$ 37,044,383
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	9,074,579	-	-	-	9,074,579
Accounts	199,962	1,966,790	-	-	2,166,752
Note receivable	349,997	-	-	-	349,997
Restricted cash	1,149,880	135,357	700,000	-	1,985,237
Due from other governmental units	1,955,018	1,000,000	-	-	2,955,018
Prepaid items	-	2,000	-	-	2,000
Total assets	<u>\$ 35,918,918</u>	<u>\$ 16,581,208</u>	<u>\$ 834,481</u>	<u>\$ 243,359</u>	<u>\$ 53,577,966</u>
LIABILITIES					
Accounts payable	\$ 824,730	\$ 75,079	\$ -	\$ -	\$ 899,809
Retainage payable	-	68,328	-	-	68,328
Due to component unit - School Board	3,206,424	-	-	-	3,206,424
Total liabilities	<u>\$ 4,031,154</u>	<u>\$ 143,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,174,561</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>\$ 9,181,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,181,323</u>
FUND BALANCES					
Nonspendable	\$ -	\$ 2,000	\$ 700,000	\$ -	\$ 702,000
Restricted	1,428,993	135,357	-	-	1,564,350
Committed	3,253,861	7,805,930	134,481	243,359	11,437,631
Assigned	-	8,494,514	-	-	8,494,514
Unassigned	18,023,587	-	-	-	18,023,587
Total fund balances	<u>\$ 22,706,441</u>	<u>\$ 16,437,801</u>	<u>\$ 834,481</u>	<u>\$ 243,359</u>	<u>\$ 40,222,082</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,918,918</u>	<u>\$ 16,581,208</u>	<u>\$ 834,481</u>	<u>\$ 243,359</u>	<u>\$ 53,577,966</u>

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances, balance sheet, governmental funds	\$ 40,222,082
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the position of the County as a whole.	80,349,673
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	(1,498,887)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	759,675
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(807,669)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.	1,252,820
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(65,529,989)
Net position of governmental activities	<u>\$ 54,747,705</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2015

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 21,662,268	\$ -	\$ -	\$ -	\$ 21,662,268
Other local taxes	6,476,494	-	-	-	6,476,494
Permits, privilege fees and regulatory licenses	507,232	6,618,625	-	-	7,125,857
Fines and forfeitures	179,261	-	-	-	179,261
Revenue from use of money and property	175,449	92,284	9,963	1,783	279,479
Charges for services	501,859	-	-	-	501,859
Miscellaneous	288,441	403,105	-	-	691,546
Recovered costs	175,000	-	-	-	175,000
Intergovernmental:					
Commonwealth	5,758,410	74,257	-	-	5,832,667
Federal	888,433	410,034	-	-	1,298,467
Total revenues	\$ 36,612,847	\$ 7,598,305	\$ 9,963	\$ 1,783	\$ 44,222,898
Expenditures:					
Current:					
General government administration	\$ 2,854,993	\$ 299,339	\$ -	\$ -	\$ 3,154,332
Judicial administration	1,086,559	49,190	-	-	1,135,749
Public safety	9,294,007	815,493	-	-	10,109,500
Public works	1,746,822	49,285	-	-	1,796,107
Health and welfare	3,973,961	-	-	-	3,973,961
Education	13,716,441	1,710,000	-	-	15,426,441
Parks, recreation, and cultural	1,199,401	45,425	-	-	1,244,826
Community development	1,201,702	93,258	-	-	1,294,960
Debt service:					
Principal retirement	2,959,919	-	-	-	2,959,919
Interest and other fiscal charges	3,028,176	-	-	-	3,028,176
Bond issuance costs	-	196,809	-	-	196,809
Total expenditures	\$ 41,061,981	\$ 3,258,799	\$ -	\$ -	\$ 44,320,780
Excess (deficiency) of revenues over (under) expenditures	\$ (4,449,134)	\$ 4,339,506	\$ 9,963	\$ 1,783	\$ (97,882)
Other financing sources (uses):					
Transfers in	\$ 6,439,819	\$ -	\$ -	\$ 15,000	\$ 6,454,819
Transfers out	(15,000)	(6,524,857)	-	-	(6,539,857)
Payment to refunded bond escrow agent	-	(18,013,368)	-	-	(18,013,368)
Issuance of refunding bonds	-	15,605,000	-	-	15,605,000
Bond premium	-	2,605,177	-	-	2,605,177
Total other financing sources (uses)	\$ 6,424,819	\$ (6,328,048)	\$ -	\$ 15,000	\$ 111,771
Net changes in fund balances	\$ 1,975,685	\$ (1,988,542)	\$ 9,963	\$ 16,783	\$ 13,889
Fund balances at beginning of year	20,730,756	18,426,343	824,518	226,576	40,208,193
Fund balances at end of year	\$ 22,706,441	\$ 16,437,801	\$ 834,481	\$ 243,359	\$ 40,222,082

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	13,889
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 the capital outlays exceeded depreciation in the current period. The following details support this adjustment:		
Capital outlay	\$ 2,161,614	
Depreciation expense	<u>(2,663,882)</u>	(502,268)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,532,372)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(55,844)	
Change in deferred inflows related to the measurement of the net pension liability	<u>(1,498,887)</u>	(1,554,731)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Proceeds from issuance of refunding bonds	\$ (15,605,000)	
Premium on bonds	(2,605,177)	
Payment to refunded bond escrow agent	18,013,368	
Amortization of bond premium	239,610	
Amortization of deferred amount on refunding	(147,612)	
Principal retired on general obligation and lease revenue bonds	2,709,919	
Principal retired on state literary fund loans	<u>250,000</u>	2,855,108
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	\$ (11,463)	
Change in net pension liability	1,972,734	
Change in deferred outflows related to pension contributions subsequent to the measurement date	(63,242)	
Change in accrued interest payable	<u>55,303</u>	1,953,332
Change in net position of governmental activities	\$	<u>1,232,958</u>

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

Statement of Net Position - Proprietary Fund  
At June 30, 2015

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 4,251,241
Receivables (net of allowance for uncollectibles):	
Accounts receivable	754,590
Due from other governments	<u>171,485</u>
Total Current Assets	\$ <u>5,177,316</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	53,149,017
Equipment	880,253
Construction in progress	4,912,422
Accumulated depreciation	<u>(16,414,936)</u>
Total Capital Assets	\$ <u>44,789,110</u>
Total Assets	\$ <u>49,966,426</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension contributions subsequent to the measurement date	\$ 94,769
Deferred charge on refunding	<u>2,238,781</u>
Total deferred outflows of resources	\$ <u>2,333,550</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 118,561
Retainage payable	99,000
Customer deposits	146,363
Unearned revenue	122,642
Accrued interest payable	253,412
Long-term obligations - current portion	<u>937,706</u>
Total Current Liabilities	\$ <u>1,677,684</u>
Noncurrent Liabilities	
Long-term obligations - noncurrent portion	<u>29,367,717</u>
Total Liabilities	\$ <u>31,045,401</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Items related to the measurement of the net pension liability	\$ <u>152,597</u>
<b>NET POSITION</b>	
Net Investment in capital assets	\$ 16,923,176
Unrestricted assets	<u>4,178,802</u>
Total Net Position	\$ <u><u>21,101,978</u></u>

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

Statement of Revenues, Expenses and Change in Net Position -  
 Proprietary Fund  
 Year Ended June 30, 2015

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 1,094,391
Sewer revenues	1,615,370
Availability fees	559,780
Debt fees	1,430,948
Other revenues	<u>289,397</u>
Total operating revenues	\$ <u>4,989,886</u>
Operating expenses:	
Personnel services	\$ 903,908
Fringe benefits	400,971
Contractual services	435,516
Depreciation	1,365,488
Other operating expenses	<u>1,103,812</u>
Total operating expenses	\$ <u>4,209,695</u>
Net income (loss) from operations	\$ <u>780,191</u>
Nonoperating revenues (expenses):	
Interest income	\$ 323
Interest expense	<u>(1,335,992)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,335,669)</u>
Net income (loss) before capital contributions	\$ (555,478)
Capital contributions:	
Capital contributions - developer	\$ 1,795,000
State and local grant funds	467,172
Capital contributions - County of King George, Virginia	<u>85,038</u>
Total capital contributions	\$ <u>2,347,210</u>
Change in net position	\$ 1,791,732
Net position, beginning of year, as restated	<u>19,310,246</u>
Net position, end of year	<u><u>\$ 21,101,978</u></u>

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



Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2015

	<b>Enterprise Fund Water and Sewer Fund</b>
Cash flows from operating activities:	
Receipts from customers and users	\$ 4,851,800
Payments to employees (including fringe benefits)	(1,374,395)
Payments for operating activities	(2,527,137)
Net cash provided by operating activities	\$ 950,268
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (2,042,293)
Proceeds from long term indebtedness issued	2,822,538
Proceeds from issuance of refunding debt	9,729,000
Premium on issuance of refunding debt	664,441
Capital grants and contributions	837,064
Payment to refunded bonds escrow agent	(10,162,887)
Retirement of indebtedness	(555,855)
Interest expense	(1,385,977)
Net cash provided by (used for) capital and related financing activities	\$ (93,969)
Cash flows from investing activities:	
Interest income	\$ 323
Net increase (decrease) in cash and cash equivalents	\$ 856,622
Cash and cash equivalents (including restricted) at beginning of year	3,394,619
Cash and cash equivalents (including restricted) at end of year	\$ 4,251,241
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 780,191
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,365,488
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(89,255)
(Increase) deferred outflows - pension contributions subsequent to the measurement date	(10,990)
Increase (decrease) in accounts payable	(987,809)
Increase (decrease) in unearned revenue	(111,426)
Increase (decrease) in customer deposits	62,595
Increase (decrease) in net pension liability	(200,838)
Increase (decrease) in deferred inflows - items related to measurement of net pension liability	152,597
Increase (decrease) in compensated absences	(10,285)
Net cash provided by operating activities	\$ 950,268
Noncash investing and financing activities:	
Noncash capital contributions	\$ 1,795,000

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

Statement of Fiduciary Net Position  
At June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,014,499
Accounts receivable	<u>56,283</u>
Total assets	<u>\$ 4,070,782</u>
LIABILITIES	
Amounts held for others	\$ 56,283
Amounts held for landfill closure and postclosure costs	3,966,665
Amounts held for social services' clients	<u>47,834</u>
Total liabilities	<u>\$ 4,070,782</u>

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

## COUNTY OF KING GEORGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2015

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#### **Note 1—Summary of Significant Accounting Policies:**

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The County of King George, Virginia is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include sheriff and volunteer fire protection, sanitation services, recreational activities, cultural events, education and social services.

The financial statements of the County of King George, Virginia have been prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB) 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.

#### Financial Statement Presentation

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

#### 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; however, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display 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).

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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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*.

Fund Financial Statements - 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.

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

#### **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 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 George, Virginia (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 Units - The King George County Service Authority is reported as a blended component unit of the County of King George, Virginia. The Authority is governed by a board comprised of the government's elected supervisors. There is a financial burden/benefit relationship between the Authority and the County. The Authority is reported as an Enterprise Fund.

Complete financial statements of the Authority can be obtained from the administrative offices located at 10459 Courthouse Drive, King George, Virginia 22845.

The King George County Wireless Authority is reported as a blended component unit of the County of King George, Virginia. The Authority is governed by a board comprised of the government's elected supervisors. There is a financial burden/benefit relationship between the Authority and the County. The Authority does not issue a separate financial report.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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#### **B. Individual Component Unit Disclosures: (Continued)**

##### Discretely Presented Component Units

###### School Board

The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board 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.

###### Economic Development Authority of King George

The Economic Development Authority of King George was created by the Board of Supervisors ordinance to state statute and it is legally separate from the County. The Board of Supervisors appoints seven (7) board members; however, the County cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. There is no financial benefit or burden relationship with the County. The Authority performs economic development services exclusively to the County as an administrative entity for the County through the authorization of industrial development revenue bonds and recruitment of potential businesses for location in the County. The Authority does not provide specific benefits for other governments or others that are not part of the reporting entity. Accordingly, the Authority is reported as a discretely presented component unit of the County because of the nature and significance of its relationship with the Primary Government.

A copy of the Authority's financial statements may be obtained from the County of King George, Virginia Department of Finance, 10459 Courthouse Drive Suite 201, King George, Virginia 22485.

###### Other Related Organizations

###### Included in the County's Comprehensive Annual Financial Report

None

#### **C. 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 proprietary fund and fiduciary fund financial statements; however, the agency funds have no measurement focus. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major sources of revenue susceptible to accrual include but are not limited to state and local sales tax, PPTRA, and other local taxes. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

#### **1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

##### **a. General Fund**

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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

##### 1. Governmental Funds: (Continued)

###### b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted or 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. The Capital Projects Fund is considered a major fund.

###### c. Permanent Fund

The Permanent Fund accounts for and reports resources that are restricted such that only earnings may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizens). The Permanent Fund accounts for operations of the Smoot Library Endowment Fund and is considered a major fund.

###### d. Special Revenue Fund

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Wireless Authority Fund, which is considered a major fund. The primary revenue source for the fund is resources committed for wireless projects within the County.

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

#### Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for water and sewer services of the King George County Service Authority.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the County unit 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. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare Fund, Payroll Taxes Fund, and the Landfill Escrow Fund.

#### **E. Budgets and Budgetary Accounting:**

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. 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. Formal budgetary integration is employed as a management control device during the year for the General Fund, School Operating Fund, and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

#### **F. Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is utilized as part of the County's accounting system. Encumbrances totaled \$878,011 in the General Fund at June 30, 2015.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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#### **G. Cash and Cash Equivalents:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### **H. Investments:**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

#### **I. Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of 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 \$696,788 at June 30, 2015 and is comprised of the following:

Property taxes	\$ 519,355
Water & sewer accounts	<u>177,433</u>
Total	<u>\$ 696,788</u>

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on June 20<sup>th</sup> and December 5<sup>th</sup>. The County bills and collects its own property taxes.

#### **J. 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, road registered vehicles, 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 estimated fair market value at the date of donation.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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#### **J. Capital Assets: (Continued)**

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 during the year ended June 30, 2015.

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	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

#### **K. 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 items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Another item is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. Lastly the County reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

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#### **K. Deferred Outflows/Inflows of Resources: (Continued)**

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 two types of 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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

#### **L. Compensated Absences:**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

Upon retirement, County employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements.

For County Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next 12 months is recorded as a fund liability and amounts expected to be paid after 12 months are recorded in the entity-wide statements. For County Proprietary Funds, the cost of vacation and sick leave is recorded as a liability when earned.

#### **M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Retirement Plan and the additions to/deductions from the County 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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#### **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 debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

#### **O. Retirement Plan:**

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

#### **P. 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.

#### **Q. Prepaid Connection Fees:**

Prepaid connection fees are non-refundable deposits received in advance for water and/or sewer connection fees. The amounts are recorded as revenue when the connection is made.

#### **R. Net Position**

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

#### **S. Net Position Flow Assumption**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 1–Summary of Significant Accounting Policies: (Continued)**

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#### **T. Component Unit-School Board Capital Asset and Debt Presentation**

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

In the Statement of Net Position, this scenario presents a unique situation for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

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

#### **U. Fund Equity**

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

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

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

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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

### U. Fund Equity: (Continued)

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is a designation or commitment of the fund (such as for special incentives), this category also includes contractual obligations. As authorized in the County's fund balance policy, assigned fund balance is established by the Board of Supervisors or Finance Director as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The County has as policy to maintain an unassigned fund balance in the General Fund equal to 15% of the total operating budget of the County.

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

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Wireless Authority Fund</u>	<u>Total</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Prepays	-	2,000	-	-	2,000
<b>Total Nonspendable Fund Balance</b>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 702,000</u>
<b>Restricted:</b>					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Natatorium	-	135,357	-	-	135,357
Library	38,531	-	-	-	38,531
Grants	240,582	-	-	-	240,582
<b>Total Restricted Fund Balance</b>	<u>\$ 1,428,993</u>	<u>\$ 135,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,564,350</u>
<b>Committed:</b>					
Education	\$ 639,038	\$ -	\$ -	\$ -	\$ 639,038
Wireless project	-	-	-	243,359	243,359
Stabilization funds	1,372,093	-	-	-	1,372,093
Library	-	-	134,481	-	134,481
2016 budget	410,485	-	-	-	410,485
Capital projects	-	7,805,930	-	-	7,805,930
Tourism	251,519	-	-	-	251,519
Recreation	294,211	-	-	-	294,211
Other purposes	286,515	-	-	-	286,515
<b>Total Committed Fund Balance</b>	<u>\$ 3,253,861</u>	<u>\$ 7,805,930</u>	<u>\$ 134,481</u>	<u>\$ 243,359</u>	<u>\$ 11,437,631</u>
<b>Assigned:</b>					
Turf resurfacing	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital projects	-	8,094,514	-	-	8,094,514
<b>Total Assigned Fund Balance</b>	<u>\$ -</u>	<u>\$ 8,494,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,494,514</u>
<b>Unassigned Fund Balance</b>	<u>\$ 18,023,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,023,587</u>
<b>Total Fund Balances</b>	<u>\$ 22,706,441</u>	<u>\$ 16,437,801</u>	<u>\$ 834,481</u>	<u>\$ 243,359</u>	<u>\$ 40,222,082</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 1–Summary of Significant Accounting Policies: (Continued)

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#### V. Adoption of Accounting Principles

**Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:**

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Unit School Board</u>
Net Position as reported June 30, 2014	\$ 55,865,185	\$ 19,549,537	\$ 75,414,722	\$ 28,851,611
Implementation of GASB 68	<u>(2,350,438)</u>	<u>(239,291)</u>	<u>(2,589,729)</u>	<u>(33,623,149)</u>
Net Position as restated June 30, 2014	<u>\$ 53,514,747</u>	<u>\$ 19,310,246</u>	<u>\$ 72,824,993</u>	<u>\$ (4,771,538)</u>

### Note 2–Deposits and Investments:

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#### Deposits

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

#### Investments

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 2—Deposits and Investments: (Continued)

#### Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

County's Rated Debt Investments' Values					
Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA	AA-
U.S. Agencies	\$ -	\$ -	\$ 7,537,964	\$ -	\$ -
Local Government Investment Pool	4,607,961	-	-	-	-
Corporate Notes	-	819,516	991,678	1,021,168	983,704
Municipal Bonds	-	-	500,165	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	-	17,038,657	-	-
Total	\$ 4,607,961	\$ 819,516	\$ 26,068,464	\$ 1,021,168	\$ 983,704

#### Interest Rate Risk

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	5-9 Years	Greater Than 10 Years
Repurchase Agreements	\$ 17,038,657	\$ -	\$ -	\$ 5,520,519	\$ 11,518,138
Corporate Notes	3,816,066	195,554	3,620,512	-	-
Municipal Bonds	500,165	500,165	-	-	-
U.S. Agencies	7,537,964	-	6,709,890	12,567	815,507
U.S. Treasuries	6,968,296	324,056	6,644,240	-	-
Total	\$ 35,861,148	\$ 1,019,775	\$ 16,974,642	\$ 5,533,086	\$ 12,333,645

#### External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 3—Due From Other Governments:

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At June 30, 2015, the County and School Board had receivables from other governments as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Unit School Board</b>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	809,962
PPTRA	1,088,066	-
Local sales taxes	377,511	-
Communications tax	32,511	-
Public assistance	24,042	-
Shared expenses	140,396	-
CSA	187,803	-
KGSA loan and grant proceeds	171,485	-
Other	37,981	-
Federal Government:		
School funds	-	591,672
Public assistance	66,708	-
Totals	<u>\$ 3,126,503</u>	<u>\$ 1,401,634</u>

### Note 4—Due To/From Primary Government/Component Units:

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<b>Fund</b>	<b>Due to Component Unit</b>	<b>Due From Primary Government</b>
General	\$ 3,206,424	\$ -
School Board	-	3,206,424
Totals	<u>\$ 3,206,424</u>	<u>\$ 3,206,424</u>

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 6,439,819	\$ 15,000
Service Authority	85,038	-
Wireless Project Fund	15,000	-
Capital Improvements Fund	-	6,524,857
Total	<u>\$ 6,539,857</u>	<u>\$ 6,539,857</u>

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

### Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2015:

#### Primary Government:

	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2015</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	\$ -	\$ -	\$ 6,050,806
Construction in progress-jointly owned assets	4,245,138	1,119,309	5,364,447	-
Construction in progress	<u>3,448,941</u>	<u>441,735</u>	<u>1,908,110</u>	<u>1,982,566</u>
Total capital assets not being depreciated	<u>\$ 13,744,885</u>	<u>\$ 1,561,044</u>	<u>\$ 7,272,557</u>	<u>\$ 8,033,372</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 34,927,953	\$ 1,901,598	\$ -	\$ 36,829,551
Equipment	9,957,877	607,082	343,694	10,221,265
Jointly owned assets	<u>41,763,919</u>	<u>5,364,447</u>	<u>2,213,107</u>	<u>44,915,259</u>
Total capital assets being depreciated	<u>\$ 86,649,749</u>	<u>\$ 7,873,127</u>	<u>\$ 2,556,801</u>	<u>\$ 91,966,075</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,579,099	\$ 866,990	\$ -	\$ 6,446,089
Equipment	6,607,627	674,011	343,694	6,937,944
Jointly owned assets	<u>5,823,595</u>	<u>1,122,881</u>	<u>680,735</u>	<u>6,265,741</u>
Total accumulated depreciation	<u>\$ 18,010,321</u>	<u>\$ 2,663,882</u>	<u>\$ 1,024,429</u>	<u>\$ 19,649,774</u>
Total capital assets being depreciated, net	<u>\$ 68,639,428</u>	<u>\$ 5,209,245</u>	<u>\$ 1,532,372</u>	<u>\$ 72,316,301</u>
Governmental activities capital assets, net	<u>\$ 82,384,313</u>	<u>\$ 6,770,289</u>	<u>\$ 8,804,929</u>	<u>\$ 80,349,673</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 6—Capital Assets: (Continued)

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#### Primary Government: (Continued)

	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2015</u>
<b><u>Business-type activities-KGSA:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>2,945,860</u>	<u>1,993,193</u>	<u>26,631</u>	<u>4,912,422</u>
Total capital assets not being depreciated	<u>\$ 5,208,214</u>	<u>\$ 1,993,193</u>	<u>\$ 26,631</u>	<u>\$ 7,174,776</u>
Capital assets being depreciated:				
Infrastructure	\$ 51,354,017	\$ 1,795,000	\$ -	\$ 53,149,017
Equipment	<u>820,709</u>	<u>59,544</u>	<u>-</u>	<u>880,253</u>
Total capital assets being depreciated	<u>\$ 52,174,726</u>	<u>\$ 1,854,544</u>	<u>\$ -</u>	<u>\$ 54,029,270</u>
Accumulated depreciation:				
Infrastructure	\$ 14,366,472	\$ 1,331,992	\$ -	\$ 15,698,464
Equipment	<u>682,976</u>	<u>33,496</u>	<u>-</u>	<u>716,472</u>
Total accumulated depreciation	<u>\$ 15,049,448</u>	<u>\$ 1,365,488</u>	<u>\$ -</u>	<u>\$ 16,414,936</u>
Total capital assets being depreciated, net	<u>\$ 37,125,278</u>	<u>\$ 489,056</u>	<u>\$ -</u>	<u>\$ 37,614,334</u>
Business-type activities capital assets, net	<u>\$ 42,333,492</u>	<u>\$ 2,482,249</u>	<u>\$ 26,631</u>	<u>\$ 44,789,110</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2015 (Continued)

**Note 6—Capital Assets: (Continued)****Discretely Presented Component Unit—School Board:**

	<b><u>Beginning Balance July 1, 2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance June 30, 2015</u></b>
Capital assets not being depreciated:				
Land	\$ 173,134	\$ -	\$ -	\$ 173,134
Construction in progress	<u>-</u>	<u>148,589</u>	<u>-</u>	<u>148,589</u>
Total capital assets not being depreciated	\$ <u>173,134</u>	\$ <u>148,589</u>	\$ <u>-</u>	\$ <u>321,723</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 27,110,129	\$ 125,920	\$ -	\$ 27,236,049
Equipment	6,444,292	474,745	177,330	6,741,707
Jointly owned assets	<u>17,883,424</u>	<u>2,213,107</u>	<u>-</u>	<u>20,096,531</u>
Total capital assets being depreciated	\$ <u>51,437,845</u>	\$ <u>2,813,772</u>	\$ <u>177,330</u>	\$ <u>54,074,287</u>
Accumulated depreciation:				
Buildings and improvements	\$ 13,430,651	\$ 1,117,325	\$ -	\$ 14,547,976
Equipment	4,073,863	415,564	177,330	4,312,097
Jointly owned assets	<u>4,373,606</u>	<u>680,735</u>	<u>-</u>	<u>5,054,341</u>
Total accumulated depreciation	\$ <u>21,878,120</u>	\$ <u>2,213,624</u>	\$ <u>177,330</u>	\$ <u>23,914,414</u>
Total capital assets being depreciated, net	\$ <u>29,559,725</u>	\$ <u>600,148</u>	\$ <u>-</u>	\$ <u>30,159,873</u>
School Board capital assets, net	\$ <u><u>29,732,859</u></u>	\$ <u><u>748,737</u></u>	\$ <u><u>-</u></u>	\$ <u><u>30,481,596</u></u>

## Reconciliation of primary government net investment in capital assets:

Net capital assets	\$ <u>80,349,673</u>
Long-term debt applicable to capital assets at June 30, 2015	\$ 68,737,577
Deferred charge on refunding	<u>5,217,127</u>
Net investment in capital assets	\$ <u><u>16,829,223</u></u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 6—Capital Assets: (Continued)

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

Governmental activities:

General government	\$ 109,640
Judicial administration	19,504
Public safety	1,078,484
Public works	55,243
Health and Welfare	35,068
Education	1,122,881
Parks, recreation and cultural	231,395
Community development	<u>11,667</u>

Total	\$ <u>2,663,882</u>
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Component Unit-School Board	\$ <u>1,532,889</u> (1)
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King George Service Authority	\$ <u>1,365,488</u>
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(1) Depreciation expense	\$ 1,532,889
Accumulated depreciation on Joint tenancy asset transfer	<u>680,735</u>

Total increase in accumulated depreciation, page 48	\$ <u>2,213,624</u>
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### Note 7—Restricted Assets:

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Restricted assets at June 30, 2015 consist of the following:

Permanent fund corpus	\$ 700,000
Natatorium donation	135,357
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>1,985,237</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 8—Other Assets:**

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#### Notes Receivable:

\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0% \$ 349,997

### **Note 9—Long-Term Obligations:**

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#### **Governmental Activities:**

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2015:

	<b><u>Balance July 1, 2014 As Restated</u></b>	<b><u>Increases/ Issuances</u></b>	<b><u>Decreases/ Retirements</u></b>	<b><u>Balance June 30, 2015</u></b>	<b><u>Due Within One Year</u></b>
<b><u>Governmental Funds</u></b>					
General Obligation Bonds	\$ 13,701,366	\$ -	\$ 634,107	\$ 13,067,259	\$ 647,895
Revenue Bonds	49,509,370	15,605,000	17,798,470	47,315,900	2,205,900
State Literary Fund Loans	1,250,000	-	250,000	1,000,000	250,000
Compensated Absences	797,455	91,209	79,746	808,918	80,892
Net Pension Liability	3,173,355	2,607,059	4,579,793	1,200,621	-
Premium on bonds	<u>5,102,258</u>	<u>2,605,177</u>	<u>353,017</u>	<u>7,354,418</u>	<u>375,399</u>
Total	\$ <u>73,533,804</u>	\$ <u>20,908,445</u>	\$ <u>23,695,133</u>	\$ <u>70,747,116</u>	\$ <u>3,560,086</u>

The general fund revenues are used to liquidate compensated absences.

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2015 (Continued)

**Note 9—Long-Term Obligations: (Continued)****Governmental Activities: (Continued)**

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

Year Ending June 30,	Governmental Activities			
	General Obligation and Revenue Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2016	\$ 2,853,795	\$ 2,847,814	\$ 250,000	\$ 30,000
2017	2,707,144	2,730,321	250,000	22,500
2018	2,656,876	2,615,731	250,000	15,000
2019	2,777,117	2,499,145	250,000	7,500
2020	2,907,896	2,378,692	-	-
2021	3,044,237	2,251,016	-	-
2022	3,171,173	2,124,259	-	-
2023	3,037,431	1,993,314	-	-
2024	3,143,354	1,853,118	-	-
2025	3,240,681	1,705,156	-	-
2026	3,343,623	1,552,096	-	-
2027	3,093,672	1,408,179	-	-
2028	3,196,160	1,273,143	-	-
2029	2,925,000	1,142,909	-	-
2030	3,030,000	1,021,012	-	-
2031	3,135,000	783,059	-	-
2032	2,980,000	531,038	-	-
2033	2,700,000	389,062	-	-
2034	2,835,000	253,151	-	-
2035	1,755,000	139,784	-	-
2036	1,850,000	47,406	-	-
Total	\$ <u>60,383,159</u>	\$ <u>31,539,405</u>	\$ <u>1,000,000</u>	\$ <u>75,000</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 9—Long-Term Obligations: (Continued)**

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#### **Governmental Activities: (Continued)**

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b><u>Revenue Bonds:</u></b>		
\$2,155,900 Public Facilities Lease Revenue Bonds issued July 29, 2010 payable in various principal annual installments from August 15, 2010 to August 15, 2015, interest at 2.47%	\$ 605,900	\$ 605,900
\$17,304,918 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2018, interest payable semiannually at rates ranging from 3.125% to 5.375% (unrefunded portion)	2,180,000	510,000
\$4,473,200 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2018, interest payable semiannually at rates ranging from 3.125% to 5.375% (unrefunded)	760,000	190,000
\$28,645,000 VRA Lease Revenue Bonds Series 2012 payable in various installments beginning October 1, 2012 through October 1, 2035, interest payable semiannually at rates ranging from 2.125% to 5.125%	28,165,000	895,000
\$15,605,000 VRA Lease Revenue Bonds Series 2014C payable in various installments beginning October 1, 2015 through October 1, 2033, interest payable semiannually at rates ranging from 3.299% to 5.000%	<u>15,605,000</u>	<u>5,000</u>
Total Revenue Bonds	\$ <u>47,315,900</u>	\$ <u>2,205,900</u>
<b><u>General Obligation Bonds:</u></b>		
\$5,000,000, VPSA School Bonds, Series 2011 issued December 15, 2011 due in various annual installments through December 1, 2030, interest payable semiannually at 4.25%	\$ 4,955,000	\$ 30,000
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	3,761,066	313,890
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>4,351,193</u>	<u>304,005</u>
Total General Obligation Bonds	\$ <u>13,067,259</u>	\$ <u>647,895</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>60,383,159</u>	\$ <u>2,853,795</u>



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 9—Long-Term Obligations: (Continued)

#### Governmental Activities: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ <u>1,000,000</u>	\$ <u>250,000</u>
Compensated Absences	\$ <u>808,918</u>	\$ <u>80,892</u>
Premium on bonds	\$ <u>7,354,418</u>	\$ <u>375,399</u>
Net Pension Liability	\$ <u>1,200,621</u>	\$ <u>-</u>
Total long-term obligations	\$ <u><u>70,747,116</u></u>	\$ <u><u>3,560,086</u></u>

#### King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2015:

<u>Proprietary Funds</u>	<u>Balance July 1, 2014 As Restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Note Payable	\$ 366,664	\$ -	\$ 16,667	\$ 349,997	\$ 16,667
VRA Water and Sewer Revenue Bonds	2,076,036	1,573,079	-	3,649,115	-
VRA Water Revenue Bond	275,000	-	-	275,000	-
VRA Infrastructure Revenue Bonds	5,191,530	3,980,000	4,241,530	4,930,000	225,000
Compensated absences	88,765	3,030	13,315	78,480	11,772
Virginia Revenue Refunding Bond	6,915,000	-	2,160,000	4,755,000	-
Water and Sewer Refunding Bonds	11,575,000	5,749,000	2,975,000	14,349,000	584,000
Net pension liability	323,070	265,417	466,255	122,232	-
Premium on bonds	<u>1,614,934</u>	<u>664,441</u>	<u>482,776</u>	<u>1,796,599</u>	<u>100,267</u>
Total	\$ <u><u>28,425,999</u></u>	\$ <u><u>12,234,967</u></u>	\$ <u><u>10,355,543</u></u>	\$ <u><u>30,305,423</u></u>	\$ <u><u>937,706</u></u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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**Note 9—Long-Term Obligations: (Continued)**

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**King George County Service Authority: (Continued)**

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

Year Ending June 30,	VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ 14,025	\$ -	\$ 218,116
2017	-	14,025	330,000	212,180
2018	-	14,025	345,000	197,274
2019	-	14,025	360,000	179,994
2020	-	14,025	380,000	162,354
2021	-	14,025	395,000	145,610
2022	-	14,025	410,000	129,823
2023	-	14,025	425,000	111,573
2024	-	14,025	275,000	95,771
2025	-	14,025	285,000	83,572
2026	-	14,025	300,000	70,625
2027	-	14,025	230,000	58,495
2028	-	14,025	235,000	46,930
2029	-	14,025	250,000	34,320
2030	-	14,025	260,000	21,060
2031	-	14,025	275,000	7,150
2032	-	14,025	-	-
2033	<u>275,000</u>	<u>14,025</u>	<u>-</u>	<u>-</u>
Total	\$ <u>275,000</u>	\$ <u>252,450</u>	\$ <u>4,755,000</u>	\$ <u>1,774,847</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 9—Long-Term Obligations: (Continued)

### King George County Service Authority: (Continued)

Year Ending June 30,	Note Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 16,667	\$ -	\$ 584,000	\$ 499,263	\$ 225,000	\$ 231,859
2017	16,667	-	460,000	507,810	235,000	220,423
2018	16,667	-	480,000	489,620	240,000	208,249
2019	16,667	-	549,000	468,885	250,000	196,788
2020	16,667	-	572,000	446,175	255,000	184,941
2021	16,667	-	587,000	420,644	255,000	172,772
2022	16,667	-	618,000	392,531	260,000	160,475
2023	16,667	-	650,000	362,855	265,000	147,022
2024	16,667	-	854,000	330,447	270,000	133,313
2025	16,667	-	887,000	298,059	275,000	119,347
2026	16,667	-	918,000	266,645	285,000	104,997
2027	16,667	-	1,032,000	232,736	285,000	90,816
2028	16,667	-	1,069,000	196,317	295,000	76,828
2029	16,667	-	1,108,000	158,396	300,000	62,481
2030	16,667	-	1,143,000	119,770	305,000	50,028
2031	16,667	-	1,183,000	80,431	305,000	37,447
2032	16,667	-	858,000	43,272	315,000	22,484
2033	16,667	-	391,000	19,765	150,000	11,294
2034	16,667	-	406,000	6,662	160,000	3,850
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ 349,997	\$ -	\$ 14,349,000	\$ 5,340,283	\$ 4,930,000	\$ 2,235,414

Note: The preceding annual requirements to amortize long-term obligations and related interest include all bonds and notes with the exception of the VRA Water and Sewer Revenue Bonds issued in FY2014 which will be included once all proceeds have been drawn.

Details of long-term obligations are as follows:

	Amount Outstanding	Due Within One Year
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	\$ 349,997	\$ 16,667
\$5,790,000, Water and Sewer Revenue Refunding Bond issued May 2, 2011, payable in various principal annual installments through October 1, 2033, interest payable semiannually at rates ranging from 2.125% to 5.125%	3,015,000	110,000
\$5,905,000, Water and Sewer Revenue Refunding bond issued October 23, 2010, payable in various principal annual installments through October 1, 2031, interest payable semiannually at rates ranging from 4.100% to 5.100%	5,585,000	220,000

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 9—Long-Term Obligations: (Continued)

#### King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at 5.1%	\$ 275,000	\$ -
\$6,915,000 Virginia Revenue Refunding bond issued June 16, 2010, payable in various principal annual installments through October 1, 2030, interest payable semiannually at rates ranging from 3.598% to 5.2%	4,755,000	-
\$3,966,800 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2018, interest payable semiannually at rates ranging from 3.125% to 5.375%	670,000	165,000
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2018, interest payable semiannually at rates ranging from 3.125% to 5.375%	280,000	60,000
\$3,980,000 VRA Revenue Bonds Series 2014C payable in various installments beginning October 1, 2015 through October 1, 2033, interest payable semiannually at rates ranging from 3.299% to 5.000%	3,980,000	-
\$919,000, Water and Sewer Revenue Refunding bond payable in various principal annual installments through October 1, 2019, interest payable semiannually at 2.240%	919,000	249,000
\$4,830,000, Water and Sewer Revenue Refunding bond payable in various principal annual installments through October 1, 2033, interest payable semiannually at 2.240%	4,830,000	5,000
\$2,500,000 VRA Revenue Bonds Series 2014, payable in various annual installments through December 1, 2034, interest payable semiannually at 2.46%. Proceeds in the amount of \$2,401,751 have been drawn as of June 30, 2015.	2,401,751	-
\$1,340,270 VRA Revenue Bonds Series 2014, payable in various annual installments through March 1, 2035, interest payable semiannually at 2.25%. Proceeds in the amount of \$1,247,364 have been drawn as of June 30, 2015.	1,247,364	-
Total long-term debt	\$ 28,308,112	\$ 825,667
Compensated absences	\$ 78,480	\$ 11,772
Premium on bonds	\$ 1,796,599	\$ 100,267
Net Pension Liability	\$ 122,232	\$ -
Total long-term obligations	\$ 30,305,423	\$ 937,706

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 9—Long-Term Obligations: (Continued)

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#### Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2015:

	<b>Balance July 1, 2014 As Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>	<b>Amounts Due Within One Year</b>
Net OPEB obligation	\$ 485,204	\$ 153,000	\$ 53,900	\$ 584,304	\$ -
Net pension liability	36,020,798	3,145,507	7,863,696	31,302,609	-
Compensated absences payable	<u>423,894</u>	<u>37,133</u>	<u>42,389</u>	<u>418,638</u>	<u>41,864</u>
Total	<u>\$ 36,929,896</u>	<u>\$ 3,335,640</u>	<u>\$ 7,959,985</u>	<u>\$ 32,305,551</u>	<u>\$ 41,864</u>

Details of long-term obligations are as follows:

	<b>Amount Outstanding</b>	<b>Due Within One Year</b>
Compensated Absences	\$ <u>418,638</u>	\$ <u>41,864</u>
Net OPEB obligation	<u>584,304</u>	<u>-</u>
Net Pension Liability	<u>31,302,609</u>	<u>-</u>
Total	<u>\$ 32,305,551</u>	<u>\$ 41,864</u>

### Note 10—Compensated Absences:

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In accordance with GASB statement 16 "Accounting for Compensated Absences," the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County had outstanding accrued vacation pay as follows:

Primary Government	\$ <u>808,918</u>
King George Service Authority	\$ <u>78,480</u>
Component Unit School Board	\$ <u>418,638</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 11—Deferred/Unavailable//Unearned Revenue:**

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Deferred/unavailable/unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred/unavailable/unearned is comprised of the following:

	<b>Government-wide Statements</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Deferred revenue - property tax revenue:		
Deferred revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 7,416,297	\$ -
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	512,206	-
Unearned revenue - prepaid connections	-	122,642
Total	\$ <u>7,928,503</u>	\$ <u>122,642</u>
	<b>Balance Sheet</b>	
	<b>Governmental Funds</b>	
Unavailable revenue - property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 8,669,117	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	512,206	
Total	\$ <u>9,181,323</u>	

### **Note 12—Litigation:**

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The County has been named as a defendant in matters involving real estate and other matters. It is not known what liability, if any, the County faces.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 13–Pension Plan:

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#### *Plan Description*

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	<b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li></ul>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul>



# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13–Pension Plan: (Continued)

### Plan Description: (Continued)

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

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13–Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting (Cont.)</b></p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting (Cont.)</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component: (Cont.)</u></b></p> <p>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> </ul>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b> <u><b>Defined Contributions Component: (Cont.)</b></u> <ul style="list-style-type: none"> <li>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.  An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1  <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as Plan 2.</p> <p><b>Defined Contribution Component:</b>  Not applicable.</p>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Eligibility:</u></b> Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13–Pension Plan: (Continued)

### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"><li>• Hybrid Retirement Plan members are ineligible for ported service.</li><li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li><li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li></ul> <b><u>Defined Contribution Component:</u></b> Not applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 13—Pension Plan: (Continued)

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#### *Employees Covered by Benefit Terms*

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board (Nonprofessional)</b>
Inactive members or their beneficiaries currently receiving benefits	68	36
Inactive members:		
Vested inactive members	31	6
Non-vested inactive members	63	35
Inactive members active elsewhere in VRS	69	17
Total inactive members	163	58
Active members	189	100
Total covered employees	420	194

#### *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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2015 was 9.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$854,444 and \$906,696 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 8.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### ***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 \$175,143 and \$196,649 for the years ended June 30, 2015 and June 30, 2014, respectively.

#### ***Net Pension Liability***

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

#### ***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, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 13—Pension Plan: (Continued)**

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#### **Actuarial Assumptions – General Employees: (Continued)**

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

#### **Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 13–Pension Plan: (Continued)**

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#### ***Actuarial Assumptions – Public Safety Employees (Continued)***

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 13—Pension Plan: (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 13—Pension Plan: (Continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 26,491,013	\$ 22,994,588	\$ 3,496,425
Changes for the year:			
Service cost	\$ 1,024,811	\$ -	\$ 1,024,811
Interest	1,828,464	-	1,828,464
Differences between expected and actual experience	-	-	-
Contributions - employer	-	906,696	(906,696)
Contributions - employee	-	444,462	(444,462)
Net investment income	-	3,694,695	(3,694,695)
Benefit payments, including refunds of employee contributions	(740,189)	(740,189)	-
Administrative expenses	-	(19,201)	19,201
Other changes	-	195	(195)
Net changes	\$ 2,113,086	\$ 4,286,658	\$ (2,173,572)
Balances at June 30, 2014	\$ 28,604,099	\$ 27,281,246	\$ 1,322,853

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

## Note 13—Pension Plan: (Continued)

### Changes in Net Pension Liability

	<b>Component School Board (nonprofessional)</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2013	\$ 5,778,509	\$ 5,158,711	\$ 619,798
Changes for the year:			
Service cost	\$ 259,885	\$ -	\$ 259,885
Interest	397,313	-	397,313
Differences between expected and actual experience	-	-	-
Contributions - employer	-	196,649	(196,649)
Contributions - employee	-	111,465	(111,465)
Net investment income	-	823,538	(823,538)
Benefit payments, including refunds of employee contributions	(205,213)	(205,213)	-
Administrative expenses	-	(4,309)	4,309
Other changes	-	44	(44)
Net changes	\$ 451,985	\$ 922,174	\$ (470,189)
Balances at June 30, 2014	\$ 6,230,494	\$ 6,080,885	\$ 149,609

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

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

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
County Net Pension Liability (Asset)	\$ 5,397,017	\$ 1,322,853	\$ (2,030,589)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 931,600	\$ 149,609	\$ (505,412)



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 13—Pension Plan: (Continued)

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

For the year ended June 30, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$384,608 and \$93,641, respectively. At June 30, 2015, 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:

	<b>Primary Government</b>		<b>Component Unit School Board (Nonprofessional)</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,651,484	\$ -	\$ 367,181
Employer contributions subsequent to the measurement date	<u>854,444</u>	<u>-</u>	<u>175,143</u>	<u>-</u>
Total	<u>\$ 854,444</u>	<u>\$ 1,651,484</u>	<u>\$ 175,143</u>	<u>\$ 367,181</u>

\$854,444 and \$175,143 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 the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended June 30</u></b>	<b><u>Primary Government</u></b>	<b><u>Component Unit School Board (Nonprofessional)</u></b>
2016	\$ 412,871	\$ 91,795
2017	412,871	91,795
2018	412,871	91,795
2019	412,871	91,796

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 13—Pension Plan: (Continued)**

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#### **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 regarding the plan description can be found in 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 options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$2,848,557 and \$2,201,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$31,153,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .25779% as compared to .25698% at June 30, 2013.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 13—Pension Plan: (Continued)**

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#### **Component Unit School Board (professional) (Continued)**

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

For the year ended June 30, 2015, the school division recognized pension expense of \$2,484,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 92,000	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,623,000
Employer contributions subsequent to the measurement date	<u>2,848,557</u>	<u>-</u>
Total	<u><u>\$ 2,940,557</u></u>	<u><u>\$ 4,623,000</u></u>

\$2,848,557 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30**

2016	\$ (1,136,000)
2017	(1,136,000)
2018	(1,136,000)
2019	(1,136,000)
Thereafter	13,000

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 13—Pension Plan: (Continued)**

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#### **Component Unit School Board (professional) (Continued)**

##### ***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

##### **Mortality rates:**

###### **Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

###### **Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

###### **Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

### Note 13—Pension Plan: (Continued)

#### Component Unit School Board (professional) (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 13—Pension Plan: (Continued)

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#### Component Unit School Board (professional) (Continued)

##### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed 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.

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

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

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 45,745,315	\$ 31,153,000	\$ 19,139,033

##### ***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### Note 14—Risk Management:

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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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 14–Risk Management: (Continued)**

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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 losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

### **Note 15–Landfill Closure and Postclosure Care Cost:**

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The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2015 the County has set aside escrow funds in the amount of \$3,966,665 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund. After the landfill has been closed for 15 years 50% of the fund and interest earned thereon may be paid to the contractor provided there has not been a material claim against the County. All unexpended funds will be paid to the Contractor 30 years after the final closure of the facility.

### **Note 16–Commitments and Contingencies:**

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Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

### **Note 17–Expenditures Over Appropriations:**

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At June 30, 2015 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
Capital Projects Fund:			
Land purchase	\$ 19,000	\$ 21,310	\$ (2,310)
Bond issuance costs	-	196,809	(196,809)

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 18–Surety Bond:**

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Charles V. Mason, Clerk of the Circuit Court	\$ 25,000
Alice L. Moore, Treasurer	400,000
JoAnn Ando, Commissioner of the Revenue	3,000
S.F. Dempsey, Sheriff	30,000
All County Employees	250,000
 Nationwide Insurance	
All school personnel handling money - blanket bond	25,000

### **Note 19–Construction Commitments:**

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At June 30, 2015 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2015</u>	<u>Contract Balance</u>
Dahlgren WWTP Upgrades	\$ 1,990,800	\$ 1,980,000	\$ 10,800
Shiloh Park	<u>1,332,128</u>	<u>1,324,246</u>	<u>7,882</u>
Total	<u>\$ 3,322,928</u>	<u>\$ 3,304,246</u>	<u>\$ 18,682</u>

### **Note 20–Other Postemployment Benefits–Health Insurance:**

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#### **School Board:**

##### **A. Plan Description:**

The School Board Post-Retirement Medical Plan (SBPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who have attained the age of 50, who were employed by King George County Public Schools with at least 10 years of service are eligible for retiree medical benefits. The SBPRMP has no separate financial report.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 20—Other Postemployment Benefits—Health Insurance: (Continued)

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#### School Board: (Continued)

##### **B. Funding Policy:**

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Participating retirees pay 100% of the monthly premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

##### **C. Annual OPEB Cost and Net OPEB Obligation:**

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$	153,900
Interest on net OPEB obligation		17,000
Adjustment to annual required contribution		(17,900)
Annual OPEB cost (expense)	\$	153,000
Contributions made		(53,900)
Increase in net OPEB obligation	\$	99,100
Net OPEB obligation-beginning of year		485,204
Net OPEB obligation-end of year	\$	<u>584,304</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years are as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>		<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
June 30, 2015	\$	153,000	\$	35.23%	\$	584,304
June 30, 2014		164,300		29.15%		485,204
June 30, 2013		157,800		25.29%		368,804

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### Note 20—Other Postemployment Benefits—Health Insurance: (Continued)

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#### D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015 is as follows:

Actuarial accrued liability (AAL)	\$	1,124,600
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,124,600
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)		21,222,500
UAAL as a percentage of covered payroll		5.30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### E. Actuarial Methods and Assumptions

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

##### Cost Method

The cost method for valuation of liabilities used for this valuation is the Projected Unit Credit (PUC) Actuarial Cost Method. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's average final compensation projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 20—Other Postemployment Benefits—Health Insurance: (Continued)**

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#### **E. Actuarial Methods and Assumptions: (Continued)**

##### Cost Method: (Continued)

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

##### Interest Assumptions

In the January 1, 2015, most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.50% initially, reduced by decrements to an ultimate rate of 4.50% after sixty-five years. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015, was thirty years.

##### Unfunded

Discount rate	\$	3.50%
Payroll growth		3.00%

The County does not offer other postemployment benefits to its employees.

### **Note 21—Health Insurance Credit Program—Other Postemployment Benefits:**

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#### **A. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 21—Health Insurance Credit Program-Other Postemployment Benefits:**

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#### **A. Plan Description: (Continued)**

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

#### **B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$117,871, \$112,439, and \$95,451 respectively and equaled the required contributions for each year.

### **Note 22—Debt Refunding:**

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On November 19, 2014 the County of King George, Virginia issued \$19,585,000 in VRA Lease Revenue Refunding Bonds, Series, 2014C with an effective interest rate ranging from 3.424% to 5.125%. The Series 2014C bonds were issued to refund \$19,730,000 of Revenue Bonds. The bonds will be repaid in various installments beginning October 1, 2015 to October 1, 2033. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$3,028,744. The advance refunding reduced the total debt service payments over the next 19 years by \$1,390,952 and resulted in an economic gain of \$1,059,509. At June 30, 2015 the defeased bonds had balances outstanding of \$19,730,000.

On November 19, 2014 the County of King George, Virginia issued \$5,749,000 in Water and Sewer Revenue Refunding Bonds with an effective interest rate ranging from 2.240% to 5.000%. The bonds were issued to refund \$4,830,000 of Revenue Bonds. The bonds will be repaid in various installments beginning October 1, 2015 to October 1, 2033. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$682,604. The advance refunding reduced the total debt service payments over the next 19 years by \$632,001 and resulted in an economic gain of \$506,490. At June 30, 2015, the defeased bonds had balances outstanding of \$4,830,000.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015 (Continued)

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### **Note 23—Upcoming GASB Pronouncements:**

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Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2015

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 20,991,415	\$ 20,991,415	\$ 21,662,268	\$ 670,853
Other local taxes	6,347,600	6,347,600	6,476,494	128,894
Permits, privilege fees and regulatory licenses	415,100	415,100	507,232	92,132
Fines and forfeitures	193,500	193,500	179,261	(14,239)
Revenue from use of money and property	156,842	156,842	175,449	18,607
Charges for services	488,395	488,395	501,859	13,464
Miscellaneous	209,300	237,276	288,441	51,165
Recovered costs	175,000	175,000	175,000	-
Intergovernmental:				
Commonwealth	6,372,083	6,386,826	5,758,410	(628,416)
Federal	818,310	818,310	888,433	70,123
Total revenues	\$ 36,167,545	\$ 36,210,264	\$ 36,612,847	\$ 402,583
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 68,294	\$ 68,294	\$ 67,318	\$ 976
General and financial administration:				
County administration	\$ 315,995	\$ 320,351	\$ 314,803	\$ 5,548
Legal services	205,488	422,277	421,880	397
Human resources	123,171	123,650	110,118	13,532
Commissioner of the Revenue	380,260	381,616	380,469	1,147
Reassessment	1,650	1,650	-	1,650
Treasurer	295,012	296,016	277,920	18,096
Information technology	353,210	353,957	336,801	17,156
Department of finance	811,527	821,437	800,059	21,378
Total general and financial administration	\$ 2,486,313	\$ 2,720,954	\$ 2,642,050	\$ 78,904
Board of Elections:				
Electoral board and officials	\$ 62,171	\$ 44,171	\$ 35,036	\$ 9,135
Registrar	122,767	115,082	110,589	4,493
Total board of elections	\$ 184,938	\$ 159,253	\$ 145,625	\$ 13,628
Total general government administration	\$ 2,739,545	\$ 2,948,501	\$ 2,854,993	\$ 93,508

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 39,367	\$ 42,042	\$ 42,042	\$ -
Combined courts	21,075	21,075	16,424	4,651
Magistrates	3,650	3,650	1,741	1,909
Clerk of the circuit court	432,490	466,903	454,843	12,060
Law library	13,000	13,000	4,211	8,789
Victim assistance program	22,838	22,838	18,134	4,704
Total courts	\$ 532,420	\$ 569,508	\$ 537,395	\$ 32,113
Commonwealth's attorney:				
Commonwealth's attorney	\$ 549,310	\$ 551,520	\$ 549,164	\$ 2,356
Total judicial administration	\$ 1,081,730	\$ 1,121,028	\$ 1,086,559	\$ 34,469
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,562,009	\$ 3,499,594	\$ 3,349,472	\$ 150,122
VJCCCA / CHINS	60,113	60,319	59,407	912
E-911	719,404	676,175	647,153	29,022
Other law enforcement	22,500	27,500	9,694	17,806
Public safety grants	13,635	28,220	16,547	11,673
Total law enforcement and traffic control	\$ 4,377,661	\$ 4,291,808	\$ 4,082,273	\$ 209,535
Fire and rescue services:				
Emergency services	\$ 3,018,485	\$ 2,945,146	\$ 2,779,504	\$ 165,642
Ambulance services	42,793	44,347	44,347	-
Fire and rescue grants	140,077	379,748	124,470	255,278
King George fire and rescue	437,870	452,943	410,180	42,763
Total fire and rescue services	\$ 3,639,225	\$ 3,822,184	\$ 3,358,501	\$ 463,683
Correction and detention:				
Juvenile detention	\$ 213,198	\$ 335,102	\$ 335,102	\$ -
Regional jail	1,232,420	1,232,523	1,232,523	-
Total correction and detention	\$ 1,445,618	\$ 1,567,625	\$ 1,567,625	\$ -

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 296,101	\$ 297,024	\$ 285,508	\$ 11,516
Medical examiner	-	100	100	-
Total other protection	\$ 296,101	\$ 297,124	\$ 285,608	\$ 11,516
Total public safety	\$ 9,758,605	\$ 9,978,741	\$ 9,294,007	\$ 684,734
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 98,987	\$ 104,461	\$ 98,116	\$ 6,345
Sanitation and waste removal:				
Landfill	\$ 206,100	\$ 206,907	\$ 203,396	\$ 3,511
Maintenance of general buildings and grounds:				
General properties	\$ 1,438,600	\$ 1,415,005	\$ 1,375,649	\$ 39,356
Miscellaneous	103,500	130,476	33,100	97,376
Citizen's center	44,542	44,542	36,561	7,981
Total maintenance of general buildings and grounds	\$ 1,586,642	\$ 1,590,023	\$ 1,445,310	\$ 144,713
Total public works	\$ 1,891,729	\$ 1,901,391	\$ 1,746,822	\$ 154,569
Health and welfare:				
Health:				
Local health department	\$ 308,415	\$ 308,415	\$ 308,415	\$ -
Mental health and mental retardation:				
Community services board	\$ 76,675	\$ 76,675	\$ 76,675	\$ -
Welfare:				
Administration and public assistance	\$ 2,213,396	\$ 2,213,396	\$ 1,954,508	\$ 258,888
Childrens services	2,109,765	2,109,765	1,634,363	475,402
Total welfare	\$ 4,323,161	\$ 4,323,161	\$ 3,588,871	\$ 734,290
Total health and welfare	\$ 4,708,251	\$ 4,708,251	\$ 3,973,961	\$ 734,290

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,902	\$ 4,902	\$ 4,902	\$ -
Contribution to Component Unit School Board	14,198,072	14,599,615	13,711,539	888,076
Total education	\$ 14,202,974	\$ 14,604,517	\$ 13,716,441	\$ 888,076
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 327,597	\$ 328,825	\$ 322,149	\$ 6,676
Recreation programs and events	403,574	405,333	379,133	26,200
Total parks and recreation	\$ 731,171	\$ 734,158	\$ 701,282	\$ 32,876
Library:				
Library	\$ 509,972	\$ 511,726	\$ 498,119	\$ 13,607
Total parks, recreation and cultural	\$ 1,241,143	\$ 1,245,884	\$ 1,199,401	\$ 46,483
Community development:				
Planning and community development:				
Community development	\$ 721,653	\$ 726,833	\$ 721,402	\$ 5,431
Economic development	146,232	151,047	145,945	5,102
Tourism	84,000	85,225	61,813	23,412
Planning / community zoning boards	19,629	19,629	11,574	8,055
Community organizations	122,402	122,402	122,402	-
Total planning and community development	\$ 1,093,916	\$ 1,105,136	\$ 1,063,136	\$ 42,000
Environmental management:				
Litter control	\$ 5,350	\$ 5,558	\$ 5,557	\$ 1
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 37,598	\$ 37,806	\$ 37,805	\$ 1

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Community development: (continued)				
Cooperative extension program:				
VPI extension	\$ 126,875	\$ 108,971	\$ 100,761	\$ 8,210
Total community development	\$ 1,258,389	\$ 1,251,913	\$ 1,201,702	\$ 50,211
Debt service:				
Principal retirement	\$ 2,959,919	\$ 2,959,919	\$ 2,959,919	\$ -
Interest and fiscal charges	3,070,383	3,070,383	3,028,176	42,207
Total debt service	\$ 6,030,302	\$ 6,030,302	\$ 5,988,095	\$ 42,207
Total expenditures	\$ 42,912,668	\$ 43,790,528	\$ 41,061,981	\$ 2,728,547
Excess (deficiency) of revenues over (under) expenditures	\$ (6,745,123)	\$ (7,580,264)	\$ (4,449,134)	\$ 3,131,130
Other financing sources (uses):				
Operating transfers in	\$ 6,469,819	\$ 6,439,819	\$ 6,439,819	\$ -
Operating transfers (out)	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	\$ 6,454,819	\$ 6,424,819	\$ 6,424,819	\$ -
Net changes in fund balance	\$ (290,304)	\$ (1,155,445)	\$ 1,975,685	\$ 3,131,130
Fund balance at beginning of year	290,304	1,155,445	20,730,756	19,575,311
Fund balance at end of year	\$ -	\$ -	\$ 22,706,441	\$ 22,706,441

Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Primary Government  
Year Ended June 30, 2015

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 1,024,811
Interest	1,828,464
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(740,189)
<b>Net change in total pension liability</b>	<b>\$ 2,113,086</b>
<b>Total pension liability - beginning</b>	<b>26,491,013</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 28,604,099</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 906,696
Contributions - employee	444,462
Net investment income	3,694,695
Benefit payments, including refunds of employee contributions	(740,189)
Administrative expense	(19,201)
Other	195
<b>Net change in plan fiduciary net position</b>	<b>\$ 4,286,658</b>
<b>Plan fiduciary net position - beginning</b>	<b>22,994,588</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 27,281,246</b>
 <b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 1,322,853</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>95.38%</b>
 <b>Covered-employee payroll</b>	<b>\$ 8,879,202</b>
 <b>County/City/Town's net pension liability as a percentage of covered-employee payroll</b>	<b>14.90%</b>

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 Year Ended June 30, 2015

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 259,885
Interest	397,313
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(205,213)
<b>Net change in total pension liability</b>	<b>\$ 451,985</b>
<b>Total pension liability - beginning</b>	<b>5,778,509</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,230,494</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 196,649
Contributions - employee	111,465
Net investment income	823,538
Benefit payments, including refunds of employee contributions	(205,213)
Administrative expense	(4,309)
Other	44
<b>Net change in plan fiduciary net position</b>	<b>\$ 922,174</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,158,711</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,080,885</b>
 <b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 149,609</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>97.60%</b>
 <b>Covered-employee payroll</b>	<b>\$ 2,229,985</b>
 <b>School Division's net pension liability as a percentage of covered-employee payroll</b>	<b>6.71%</b>

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 Year Ended June 30, 2015\*

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.25779%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 31,153,000
Employer's Covered-Employee Payroll	19,645,222
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	158.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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



Schedule of Employer Contributions  
Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
<b>Primary Government</b>					
2015	\$ 854,444	\$ 854,444	-	\$ 9,358,646	9.13%
<b>Component Unit School Board (nonprofessional)</b>					
2015	\$ 175,143	\$ 175,143	-	\$ 2,154,275	8.13%
<b>Component Unit School Board (professional)</b>					
2015	\$ 2,848,557	\$ 2,848,557	-	\$ 19,645,222	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information  
Year Ended June 30, 2015

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**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of OPEB Funding Progress  
Last Three Fiscal Years

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**Other Postemployment Benefits:****Discretely Presented Component Unit - School Board:**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio (2) / (3)</b>	<b>Covered Payroll</b>	<b>UAAL as % of Payroll (4) / (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
1/1/2015	\$ -	\$ 1,124,600	\$ 1,124,600	0.00%	\$ 21,222,500	5.30%
1/1/2013	-	1,146,300	1,146,300	0.00%	20,738,500	5.53%
1/1/2011	-	824,400	824,400	0.00%	21,202,100	3.89%

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**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

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Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,744,000	\$ 6,544,000	\$ 6,618,625	\$ 74,625
Revenue from use of money and property	130,000	130,000	92,284	(37,716)
Miscellaneous	-	200,000	403,105	203,105
Intergovernmental:				
Commonwealth	-	150,000	74,257	(75,743)
Federal	212,500	212,500	410,034	197,534
Total revenues	\$ 7,086,500	\$ 7,236,500	\$ 7,598,305	\$ 361,805
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 103,032	\$ 75,679	\$ 27,353
Total general government administration	\$ -	\$ 103,032	\$ 75,679	\$ 27,353
Public safety:				
Vehicle and equipment acquisition - EMS	\$ -	\$ 446,371	\$ 446,131	\$ 240
Vehicle acquisition - Sheriff	-	203,932	201,491	2,441
Total public safety	\$ -	\$ 650,303	\$ 647,622	\$ 2,681
Education:				
Equipment additions	\$ -	\$ 125,000	\$ -	\$ 125,000
Vehicle additions	-	312,021	312,000	21
Total education	\$ -	\$ 437,021	\$ 312,000	\$ 125,021
Capital projects:				
General government administration:				
Construction program	\$ 531,643	\$ 172,642	\$ 13,569	\$ 159,073
Joint land use study	-	174,838	158,901	15,937
Land purchase	-	19,000	21,310	(2,310)
County complex	-	403,134	29,880	373,254
Total general government administration	\$ 531,643	\$ 769,614	\$ 223,660	\$ 545,954
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 87,605	\$ 19,190	\$ 68,415
Courthouse improvements	-	32,326	30,000	2,326
Total judicial administration	\$ -	\$ 119,931	\$ 49,190	\$ 70,741
Public safety:				
Sheriff's office at county complex	\$ -	\$ 227,329	\$ 10,900	\$ 216,429
PSAP project	-	150,000	140,256	9,744
Fire station renovation	-	18,468	14,505	3,963
EMS construction	-	150,000	-	150,000
Animal pound	-	88,130	2,210	85,920
Total public safety	\$ -	\$ 633,927	\$ 167,871	\$ 466,056
Public works:				
Vehicle maintenance facility	\$ -	\$ 77,433	\$ 49,285	\$ 28,148
Total public works	\$ -	\$ 77,433	\$ 49,285	\$ 28,148

## Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2015 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Connecting roads high school/middle school	\$ -	\$ 3,585	\$ -	\$ 3,585
New high school stadium	-	16,746	-	16,746
Old middle school well	-	12,350	1,554	10,796
KGMS and PES access control system	-	2,337	-	2,337
Middle school roof repair	-	594,975	9,387	585,588
Roof admin complex	-	11,719	-	11,719
Middle school HVAC	-	25,000	-	25,000
Potomac elementary school renovations	-	1,522,644	1,382,877	139,767
Ralph Bunche renovations	-	72,249	4,182	68,067
Total education	\$ -	\$ 2,261,605	\$ 1,398,000	\$ 863,605
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 20,368	\$ 2,576	\$ 17,792
Shiloh park old landfill site	-	160,414	42,849	117,565
Library expansion	-	9,264	-	9,264
Total parks and recreation	\$ -	\$ 190,046	\$ 45,425	\$ 144,621
Community development:				
Citizens center renovations	\$ -	\$ 9,966	\$ 6,495	\$ 3,471
Natural gas to the industrial park	-	4,300,000	-	4,300,000
Industrial park projects	-	95,315	86,763	8,552
Angelwood project	-	2,145	-	2,145
Angel court project	-	98,892	-	98,892
Total community development	\$ -	\$ 4,506,318	\$ 93,258	\$ 4,413,060
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 196,809	\$ (196,809)
Total expenditures	\$ 531,643	\$ 9,749,230	\$ 3,258,799	\$ 6,490,431
Excess (deficiency) of revenues over (under) expenditures	\$ 6,554,857	\$ (2,512,730)	\$ 4,339,506	\$ 6,852,236
Other financing sources (uses):				
Transfers (out)	\$ (6,554,857)	\$ (6,524,857)	\$ (6,524,857)	\$ -
Payment to refunded bond escrow agent	-	-	(18,013,368)	(18,013,368)
Issuance of refunding bonds	-	-	15,605,000	15,605,000
Bond premium	-	-	2,605,177	2,605,177
Net changes in fund balance	\$ -	\$ (9,037,587)	\$ (1,988,542)	\$ 7,049,045
Fund balance at beginning of year	-	9,037,587	18,426,343	9,388,756
Fund balance at end of year	\$ -	\$ -	\$ 16,437,801	\$ 16,437,801

Combining Statement of Fiduciary Net Position -  
 Agency Funds  
 At June 30, 2015

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	<b>Special Welfare Fund</b>	<b>Payroll Taxes Fund</b>	<b>Landfill Escrow Fund</b>	<b>Totals</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 47,834	\$ -	\$ 3,966,665	\$ 4,014,499
Accounts receivable	<u>-</u>	<u>56,283</u>	<u>-</u>	<u>56,283</u>
Total assets	<u>\$ 47,834</u>	<u>\$ 56,283</u>	<u>\$ 3,966,665</u>	<u>\$ 4,070,782</u>
<b>Liabilities:</b>				
Amounts held for others	\$ -	\$ 56,283	\$ -	\$ 56,283
Amounts held for landfill closure and postclosure costs	-	-	3,966,665	3,966,665
Amounts held for social services' clients	<u>47,834</u>	<u>-</u>	<u>-</u>	<u>47,834</u>
Total liabilities	<u>\$ 47,834</u>	<u>\$ 56,283</u>	<u>\$ 3,966,665</u>	<u>\$ 4,070,782</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 50,622	\$ 36,793	\$ 39,581	\$ 47,834
Liabilities:				
Amounts held for social services' clients	\$ 50,622	\$ 36,793	\$ 39,581	\$ 47,834
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,621,052	\$ 1,621,052	\$ -
Accounts receivable	57,623	56,283	57,623	56,283
Total assets	\$ 57,623	\$ 1,677,335	\$ 1,678,675	\$ 56,283
Liabilities:				
Amounts held for others	\$ 57,623	\$ 1,677,335	\$ 1,678,675	\$ 56,283
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,969,767	\$ -	\$ 3,102	\$ 3,966,665
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,969,767	\$ -	\$ 3,102	\$ 3,966,665
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 4,020,389	\$ 1,657,845	\$ 1,663,735	\$ 4,014,499
Accounts receivable	57,623	56,283	57,623	56,283
Total assets	\$ 4,078,012	\$ 1,714,128	\$ 1,721,358	\$ 4,070,782
Liabilities:				
Amounts held for social services' clients	\$ 50,622	\$ 36,793	\$ 39,581	\$ 47,834
Amounts held for landfill closure and postclosure costs	3,969,767	-	3,102	3,966,665
Amounts held for others	57,623	1,677,335	1,678,675	56,283
Total liabilities	\$ 4,078,012	\$ 1,714,128	\$ 1,721,358	\$ 4,070,782

**Discretely Presented Component Unit-School Board**

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Balance Sheet - Discretely Presented Component Unit - School Board  
At June 30, 2015

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,000	\$ -	\$ 2,000
Due from primary government	3,206,424	-	3,206,424
Due from other governmental units	<u>1,271,547</u>	<u>130,087</u>	<u>1,401,634</u>
Total assets	<u>\$ 4,479,971</u>	<u>\$ 130,087</u>	<u>\$ 4,610,058</u>
<b>LIABILITIES</b>			
Reconciled overdraft	\$ -	\$ 926	\$ 926
Accounts payable	672,340	16	672,356
Accrued liabilities	<u>3,805,631</u>	<u>93,310</u>	<u>3,898,941</u>
Total liabilities	<u>\$ 4,477,971</u>	<u>\$ 94,252</u>	<u>\$ 4,572,223</u>
<b>FUND BALANCES</b>			
Committed - cafeteria	\$ -	\$ 35,835	\$ 35,835
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 35,835</u>	<u>\$ 37,835</u>
Total liabilities and fund balances	<u>\$ 4,479,971</u>	<u>\$ 130,087</u>	<u>\$ 4,610,058</u>

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances, balance sheet, governmental funds \$ 37,835

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole.

30,481,596

Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.

(4,990,181)

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

3,023,700

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.

(32,213,551)

Net position of Governmental Activities

\$ (3,660,601)

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2015

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 14,690	\$ 76	\$ 14,766
Charges for services	55,230	556,847	612,077
Miscellaneous	116,208	11,710	127,918
Intergovernmental:			
County contribution to School Board	13,711,539	-	13,711,539
Commonwealth	21,336,420	20,836	21,357,256
Federal	<u>1,305,717</u>	<u>823,950</u>	<u>2,129,667</u>
Total revenues	<u>\$ 36,539,804</u>	<u>\$ 1,413,419</u>	<u>\$ 37,953,223</u>
Expenditures:			
Current:			
Education	<u>\$ 36,539,804</u>	<u>\$ 1,403,434</u>	<u>\$ 37,943,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 9,985</u>	<u>\$ 9,985</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 9,985</u>	<u>\$ 9,985</u>
Fund balances at beginning of year	<u>2,000</u>	<u>25,850</u>	<u>27,850</u>
Fund balances at end of year	<u><u>\$ 2,000</u></u>	<u><u>\$ 35,835</u></u>	<u><u>\$ 37,835</u></u>



Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit - School Board  
Year Ended June 30, 2015

		<b>Component Unit School Board</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	9,985
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. The amount by which the depreciation exceeded capital outlays in the current period is computed as follows:		
Capital additions	\$ 749,254	
Depreciation expense	<u>(1,532,889)</u>	(783,635)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Change in deferred inflows related to the measurement of the net pension liability		(4,990,181)
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 the items supporting this adjustment:		
Change in net OPEB obligation	\$ (99,100)	
Change in net pension liability	4,718,189	
Change in deferred outflows related to the measurement of the net pension liability	92,000	
Change in deferred outflows related to pension contributions subsequent to the measurement date	626,051	
Change in compensated absences	<u>5,256</u>	5,342,396
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		<u>1,532,372</u>
Change in net position of governmental activities	\$	<u><u>1,110,937</u></u>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Discretely Presented Component Unit - School Board

Governmental Funds

Year Ended June 30, 2015

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 14,690	\$ (10,310)
Charges for services	75,000	75,000	55,230	(19,770)
Miscellaneous	150,000	150,000	116,208	(33,792)
Intergovernmental:				
County contribution to School Board	14,198,072	14,599,615	13,711,539	(888,076)
Commonwealth	21,346,903	21,213,172	21,336,420	123,248
Federal	1,430,786	1,859,790	1,305,717	(554,073)
Total revenues	<u>\$ 37,225,761</u>	<u>\$ 37,922,577</u>	<u>\$ 36,539,804</u>	<u>\$ (1,382,773)</u>
Expenditures:				
Current:				
Instruction	\$ 28,153,473	\$ 28,349,407	\$ 27,205,672	\$ 1,143,735
Administration, attendance and health	1,039,136	1,217,096	1,217,095	1
Pupil transportation	2,566,499	2,726,321	2,529,208	197,113
Operation and maintenance	3,724,004	3,754,828	3,754,827	1
School food service costs	-	-	-	-
Facilities	68,948	191,881	185,319	6,562
Technology	1,673,701	1,683,044	1,647,683	35,361
Total education	<u>\$ 37,225,761</u>	<u>\$ 37,922,577</u>	<u>\$ 36,539,804</u>	<u>\$ 1,382,773</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 2,000</u></u>

Exhibit 23

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 76	\$ 76
695,829	695,829	556,847	(138,982)
17,000	17,000	11,710	(5,290)
-	-	-	-
21,000	21,000	20,836	(164)
750,000	750,000	823,950	73,950
\$ 1,483,829	\$ 1,483,829	\$ 1,413,419	\$ (70,410)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,483,829	1,483,829	1,403,434	80,395
-	-	-	-
-	-	-	-
\$ 1,483,829	\$ 1,483,829	\$ 1,403,434	\$ 80,395
\$ -	\$ -	\$ 9,985	\$ 9,985
\$ -	\$ -	\$ 9,985	\$ 9,985
-	-	25,850	25,850
\$ -	\$ -	\$ 35,835	\$ 35,835

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## **Supporting Schedules**

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## Governmental Funds and Discretely Presented Component Unit - School Board

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2015

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,640,800	\$ 14,640,800	\$ 15,156,786	\$ 515,986
Public service taxes	1,425,458	1,425,458	1,493,418	67,960
Personal property taxes	4,327,313	4,327,313	4,513,702	186,389
Mobile home taxes	25,610	25,610	22,821	(2,789)
Machinery and tools taxes	227,234	227,234	148,511	(78,723)
Penalties	225,000	225,000	208,565	(16,435)
Interest	120,000	120,000	118,465	(1,535)
Total general property taxes	\$ 20,991,415	\$ 20,991,415	\$ 21,662,268	\$ 670,853
Other local taxes:				
Local sales and use taxes	\$ 1,980,000	\$ 1,980,000	\$ 2,231,237	\$ 251,237
Consumer utility taxes	240,000	240,000	253,970	13,970
Local consumption tax	70,000	70,000	85,086	15,086
Business license taxes	1,275,000	1,275,000	1,175,774	(99,226)
Motor vehicle licenses	550,000	550,000	524,061	(25,939)
Bank franchise taxes	75,000	75,000	104,294	29,294
Recordation taxes	265,000	265,000	262,143	(2,857)
Local tax from clerk	55,000	55,000	66,535	11,535
Interest on fines	3,600	3,600	5,782	2,182
Transient occupancy tax	134,000	134,000	200,471	66,471
Meals tax	950,000	950,000	999,806	49,806
Ambulance fees	750,000	750,000	567,335	(182,665)
Total other local taxes	\$ 6,347,600	\$ 6,347,600	\$ 6,476,494	\$ 128,894
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 6,979	\$ 1,979
Building and related permits	152,100	152,100	177,686	25,586
Landfill inspection fees	202,000	202,000	203,828	1,828
Other permits and licenses	56,000	56,000	118,739	62,739
Total permits, privilege fees and regulatory licenses	\$ 415,100	\$ 415,100	\$ 507,232	\$ 92,132
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 193,500	\$ 193,500	\$ 179,261	\$ (14,239)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 91,667	\$ 91,667	\$ 103,820	\$ 12,153
Revenue from use of property	65,175	65,175	71,629	6,454
Total revenue from use of money and property	\$ 156,842	\$ 156,842	\$ 175,449	\$ 18,607
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ -	\$ (921)
Law library fees	4,000	4,000	3,873	(127)
Local court appointed attorney fees	2,500	2,500	3,161	661
Courthouse maintenance fees	26,000	26,000	32,802	6,802
Commonwealth attorney fees	2,800	2,800	3,345	545
Courthouse security personnel fee	45,000	45,000	58,874	13,874
Jail admission fee	3,300	3,300	3,187	(113)
Charges for parks and recreation	403,574	403,574	396,245	(7,329)
Charges for maps / publications	300	300	25	(275)
Other charges for services	-	-	347	347
Total charges for services	\$ 488,395	\$ 488,395	\$ 501,859	\$ 13,464
Miscellaneous revenue:				
Miscellaneous	\$ 94,300	\$ 95,300	\$ 123,033	\$ 27,733
Wireless board	65,000	65,000	119,004	54,004
Insurance recoveries	50,000	76,976	46,404	(30,572)
Total miscellaneous revenue	\$ 209,300	\$ 237,276	\$ 288,441	\$ 51,165
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenue from local sources	\$ 28,977,152	\$ 29,005,128	\$ 29,966,004	\$ 960,876



## Governmental Funds and Discretely Presented Component Unit - School Board

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 4,000	\$ 4,000	\$ 3,913	\$ (87)
Mobile home titling taxes	5,000	5,000	7,547	2,547
Recordation tax	93,000	93,000	93,967	967
Auto rental tax	32,000	32,000	27,977	(4,023)
Communication tax	396,000	396,000	387,957	(8,043)
PPTRA	<u>2,147,868</u>	<u>2,147,868</u>	<u>2,147,868</u>	<u>-</u>
Total noncategorical aid	<u>\$ 2,677,868</u>	<u>\$ 2,677,868</u>	<u>\$ 2,669,229</u>	<u>\$ (8,639)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 276,841	\$ 275,331	\$ 262,618	\$ (12,713)
Sheriff	985,480	987,274	966,938	(20,336)
Commissioner of the Revenue	114,413	114,963	112,652	(2,311)
Treasurer	89,274	86,925	85,238	(1,687)
Registrar/electoral board	42,310	42,310	35,474	(6,836)
Clerk of the Circuit Court	<u>215,499</u>	<u>212,742</u>	<u>209,960</u>	<u>(2,782)</u>
Total shared expenses	<u>\$ 1,723,817</u>	<u>\$ 1,719,545</u>	<u>\$ 1,672,880</u>	<u>\$ (46,665)</u>
Other categorical aid:				
Welfare administration and assistance	\$ 456,173	\$ 456,173	\$ 318,479	\$ (137,694)
Litter control	7,000	5,160	5,160	-
Four for life funds	-	-	24,950	24,950
Children's services	1,244,000	1,244,000	824,724	(419,276)
VJCCCA grant	15,258	15,258	14,794	(464)
Rescue squad assistance	-	19,360	52,080	32,720
Fire programs	<u>66,257</u>	<u>66,257</u>	<u>63,747</u>	<u>(2,510)</u>

## Governmental Funds and Discretely Presented Component Unit - School Board

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,896	\$ 19,896	\$ 18,134	\$ (1,762)
Library grant	92,279	92,934	90,229	(2,705)
Other categorical aid	69,535	70,375	4,004	(66,371)
Total other categorical aid	\$ 1,970,398	\$ 1,989,413	\$ 1,416,301	\$ (573,112)
Total categorical aid	\$ 3,694,215	\$ 3,708,958	\$ 3,089,181	\$ (619,777)
Total revenue from the Commonwealth	\$ 6,372,083	\$ 6,386,826	\$ 5,758,410	\$ (628,416)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 801,990	\$ 801,990	\$ 840,275	\$ 38,285
Hazardous materials grant	-	-	9,552	9,552
Law enforcement grants	3,500	3,500	18,694	15,194
Other categorical aid	12,820	12,820	19,912	7,092
Total revenue from the federal government	\$ 818,310	\$ 818,310	\$ 888,433	\$ 70,123
Total General Fund	\$ 36,167,545	\$ 36,210,264	\$ 36,612,847	\$ 402,583
Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,260,037	\$ (139,963)
Landfill fees - beneficial use	144,000	144,000	358,588	214,588
Power plant revenue	200,000	-	-	-
Total permits, privilege fees and regulatory licenses	\$ 6,744,000	\$ 6,544,000	\$ 6,618,625	\$ 74,625

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 130,000	\$ 130,000	\$ 92,284	\$ (37,716)
Miscellaneous revenue:				
Sale of gas	\$ -	\$ 200,000	\$ 377,395	\$ 177,395
Miscellaneous	-	-	25,710	25,710
Total miscellaneous revenue	\$ -	\$ 200,000	\$ 403,105	\$ 203,105
Total revenue from local sources	\$ 6,874,000	\$ 6,874,000	\$ 7,114,014	\$ 240,014
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ -	\$ 150,000	\$ 74,257	\$ (75,743)
Total revenue from the Commonwealth	\$ -	\$ 150,000	\$ 74,257	\$ (75,743)
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ 212,500	\$ 212,500	\$ 196,988	\$ (15,512)
Assistance to firefighters	-	-	48,544	48,544
Joint land use study	-	-	164,502	164,502
Total revenue from the federal government	\$ 212,500	\$ 212,500	\$ 410,034	\$ 197,534
Total Capital Projects Fund	\$ 7,086,500	\$ 7,236,500	\$ 7,598,305	\$ 361,805
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 9,963	\$ 9,963
Wireless Authority Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,783	\$ 1,783
Grand Total Revenues -- Primary Government	\$ 43,254,045	\$ 43,446,764	\$ 44,222,898	\$ 776,134
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 25,000	\$ 25,000	\$ 14,690	\$ (10,310)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 14,690	\$ (10,310)
Charges for services:				
Charges for education	\$ 75,000	\$ 75,000	\$ 55,230	\$ (19,770)
Total charges for services	\$ 75,000	\$ 75,000	\$ 55,230	\$ (19,770)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 64,806	\$ (35,194)
Other reimbursements and recoveries	50,000	50,000	51,402	1,402
Total miscellaneous revenue	\$ 150,000	\$ 150,000	\$ 116,208	\$ (33,792)
Total revenue from local sources	\$ 250,000	\$ 250,000	\$ 186,128	\$ (63,872)
Intergovernmental:				
County contribution to School Board	\$ 14,198,072	\$ 14,599,615	\$ 13,711,539	\$ (888,076)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,326,291	\$ 4,341,578	\$ 4,404,065	\$ 62,487
Basic school aid	11,667,416	11,832,303	11,873,962	41,659
Remedial education	251,916	252,983	255,876	2,893
Vocational education SOQ	124,660	125,187	126,619	1,432
Special education	1,332,300	1,337,941	1,353,243	15,302
Fringe benefits	2,085,452	2,078,632	2,102,406	23,774
Technology grant	180,000	180,000	180,000	-
Gifted education	122,063	122,579	123,981	1,402
Textbooks	249,891	250,949	127,224	(123,725)
At risk	176,843	177,538	179,575	2,037
Other state funds	830,071	513,482	609,469	95,987
Total categorical aid	\$ 21,346,903	\$ 21,213,172	\$ 21,336,420	\$ 123,248
Total revenue from the Commonwealth	\$ 21,346,903	\$ 21,213,172	\$ 21,336,420	\$ 123,248
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 321,429	\$ 446,948	\$ 324,223	\$ (122,725)
Title VI - B	768,793	981,998	669,156	(312,842)
NJROTC	65,000	65,000	92,673	27,673
Title II - A	91,079	91,079	136,069	44,990
Other federal assistance	184,485	274,765	83,596	(191,169)
Total categorical aid	\$ 1,430,786	\$ 1,859,790	\$ 1,305,717	\$ (554,073)
Total revenue from the federal government	\$ 1,430,786	\$ 1,859,790	\$ 1,305,717	\$ (554,073)
Total School Operating Fund	\$ 37,225,761	\$ 37,922,577	\$ 36,539,804	\$ (1,382,773)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2015 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 76	\$ 76
Charges for services:				
Cafeteria sales	\$ 695,829	\$ 695,829	\$ 556,847	\$ (138,982)
Miscellaneous revenue:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 11,710	\$ (5,290)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 21,000	\$ 21,000	\$ 20,836	\$ (164)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 750,000	\$ 750,000	\$ 823,950	\$ 73,950
Total School Cafeteria Fund	\$ 1,483,829	\$ 1,483,829	\$ 1,413,419	\$ (70,410)
Total Revenues--Component Unit-School Board	\$ 38,709,590	\$ 39,406,406	\$ 37,953,223	\$ (1,453,183)

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# COUNTY OF KING GEORGE, VIRGINIA

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

**COUNTY OF KING GEORGE, VIRGINIA**

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:					
Net investment in capital assets	\$ 10,144,772	\$ 14,446,035	\$ 14,166,206	\$ 13,355,755	\$ 12,019,419
Restricted	1,095,309	1,113,229	3,335,777	3,354,693	3,350,043
Unrestricted	<u>34,535,361</u>	<u>34,057,246</u>	<u>35,118,549</u>	<u>38,353,717</u>	<u>42,461,130</u>
Total governmental activities net position	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>	<u>\$ 52,620,532</u>	<u>\$ 55,064,165</u>	<u>\$ 57,830,592</u>
Business-type activities:					
Net investment in capital assets	\$ 18,181,354	\$ 22,729,620	\$ 22,943,726	\$ 22,511,998	\$ 20,397,371
Unrestricted	<u>1,424,196</u>	<u>1,047,467</u>	<u>809,229</u>	<u>835,327</u>	<u>2,084,383</u>
Total business-type net position	<u>\$ 19,605,550</u>	<u>\$ 23,777,087</u>	<u>\$ 23,752,955</u>	<u>\$ 23,347,325</u>	<u>\$ 22,481,754</u>
Primary government:					
Net investment in capital assets	\$ 28,326,126	\$ 37,175,655	\$ 37,109,932	\$ 35,867,753	\$ 32,416,790
Restricted	1,095,309	1,113,229	3,335,777	3,354,693	3,350,043
Unrestricted	<u>35,959,557</u>	<u>35,104,713</u>	<u>35,927,778</u>	<u>39,189,044</u>	<u>44,545,513</u>
Total primary government net position	<u>\$ 65,380,992</u>	<u>\$ 73,393,597</u>	<u>\$ 76,373,487</u>	<u>\$ 78,411,490</u>	<u>\$ 80,312,346</u>



Table 1

	2011	2012	2013	2014	2015
\$	14,637,383	\$ 16,779,466	\$ 17,849,891	\$ 19,719,528	\$ 16,829,223
	3,789,880	3,565,698	3,092,023	2,030,662	1,985,237
	<u>38,269,130</u>	<u>37,307,424</u>	<u>34,966,854</u>	<u>34,114,995</u>	<u>35,933,245</u>
\$	<u>56,696,393</u>	<u>57,652,588</u>	<u>55,908,768</u>	<u>55,865,185</u>	<u>54,747,705</u>
\$	18,425,062	\$ 18,858,535	\$ 17,936,970	\$ 17,323,889	\$ 16,923,176
	2,839,009	1,684,339	1,963,895	2,225,648	4,178,802
\$	<u>21,264,071</u>	<u>20,542,874</u>	<u>19,900,865</u>	<u>19,549,537</u>	<u>21,101,978</u>
\$	33,062,445	\$ 35,638,001	\$ 35,786,861	\$ 37,043,417	\$ 33,752,399
	3,789,880	3,565,698	3,092,023	2,030,662	1,985,237
	<u>41,108,139</u>	<u>38,991,763</u>	<u>36,930,749</u>	<u>36,340,643</u>	<u>40,112,047</u>
\$	<u>77,960,464</u>	<u>78,195,462</u>	<u>75,809,633</u>	<u>75,414,722</u>	<u>75,849,683</u>

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379	\$ 2,409,601	\$ 2,989,454	\$ 3,122,953
Judicial administration	822,200	1,029,314	759,823	1,140,286	1,100,016	1,031,293	1,052,619	1,022,358	1,037,120	1,092,049
Public safety	6,052,406	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107	8,534,911	10,010,928	10,880,109	10,277,269
Public works	817,142	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751	1,550,883	1,419,964	1,619,383	1,594,488
Health and welfare	3,301,427	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279	4,731,360	4,403,698	4,384,274	3,931,369
Education	12,866,014	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617	14,860,879	17,550,953	16,931,948	16,958,203
Parks, recreation, and cultural	1,184,066	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355	1,225,450	1,311,229	1,438,503	1,420,822
Community development	6,149,803	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707	1,731,600	1,999,446	1,144,712	1,199,221
Interest and other fiscal charges	2,159,093	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545	2,558,359	3,297,304	3,043,578	3,077,684
Total governmental activities expenses	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164	\$ 38,854,440	\$ 43,425,481	\$ 43,469,081	\$ 42,674,058
Business-type activities:										
Water and sewer	3,316,047	4,873,141	5,415,119	5,267,415	5,188,663	5,264,429	5,392,378	5,337,484	5,541,049	5,545,687
Total primary government expenses	\$ 39,087,980	\$ 40,193,811	\$ 45,874,436	\$ 42,438,954	\$ 41,842,664	\$ 45,292,593	\$ 44,246,818	\$ 48,762,965	\$ 49,010,130	\$ 48,219,745
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487	\$ 296,622	\$ 250,002	\$ 222,789
Public safety	468,579	399,206	302,013	74,689	77,782	63,301	51,371	65,912	64,129	69,040
Public works	6,900,871	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268	7,108,725	7,102,710	7,040,896	7,000,139
Parks, recreation, and cultural	304,635	329,970	364,795	326,969	355,557	412,729	387,063	409,151	401,596	396,245
Community development	203,819	305,066	90,253	100,864	94,038	81,273	73,746	79,095	74,831	118,764
Operating grants and contributions:										
General government administration	224,212	266,564	296,199	272,914	260,936	286,613	228,914	222,433	233,181	233,364
Judicial administration	528,744	611,895	551,648	514,220	491,009	467,991	459,857	465,607	448,561	472,578
Public safety	1,298,468	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398	1,158,848	1,225,517	1,437,562	1,190,873
Public works	6,568	-	-	-	-	-	-	-	-	-
Health and welfare	1,964,992	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300	2,576,554	2,186,413	2,394,102	1,983,478
Education	-	-	-	-	-	-	97,986	203,256	197,200	196,988
Parks, recreation, and cultural	75,624	103,747	96,339	107,412	104,949	96,862	110,692	82,122	146,155	97,321
Community development	4,618	-	20,728	24,851	30,179	-	-	-	-	-
Capital grants and contributions	1,385,549	396,834	798,438	46,177	138,345	-	138,945	466,102	670,318	287,303
Total governmental activities program revenues	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176	\$ 12,611,188	\$ 12,804,940	\$ 13,358,533	\$ 12,268,882
Business-type activities:										
Charges for services:										
Water and sewer	\$ 2,499,579	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,186,525	\$ 4,212,976	\$ 4,361,207	\$ 4,400,068	\$ 4,700,489
Operating grants and contributions	-	12,093	10,650	-	-	-	-	-	98,729	-
Capital grants and contributions	7,050,000	3,286,792	-	1,340,934	-	150,000	-	-	459,243	2,262,172
Total business-type activities program revenues	\$ 9,549,579	\$ 6,407,697	\$ 3,263,486	\$ 3,859,611	\$ 3,661,026	\$ 3,336,525	\$ 4,212,976	\$ 4,361,207	\$ 4,958,040	\$ 6,962,661
Total primary government program revenues	\$ 23,306,684	\$ 19,086,498	\$ 16,959,971	\$ 16,010,440	\$ 16,407,356	\$ 15,206,701	\$ 16,824,164	\$ 17,166,147	\$ 18,316,573	\$ 19,231,543
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,243,252)	\$ (30,620,541)	\$ (30,110,548)	\$ (30,405,176)
Business-type activities	6,233,532	1,534,556	(2,151,633)	(1,407,804)	(1,527,637)	(1,927,904)	(1,179,402)	(976,277)	(583,009)	1,416,974
Total primary government net expense	\$ (15,781,296)	\$ (21,107,313)	\$ (28,914,465)	\$ (26,428,514)	\$ (25,435,308)	\$ (30,085,892)	\$ (27,422,654)	\$ (31,596,818)	\$ (30,693,557)	\$ (28,988,202)

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
General property taxes	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987	\$ 19,061,869	\$ 20,597,122	\$ 21,606,424
Local sales and use taxes	1,185,968	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016	1,909,760	1,876,393	2,059,339	2,231,237
Communication sales taxes	-	-	450,124	403,435	-	-	-	-	-	-
Consumer utility taxes	372,235	301,276	229,585	238,428	245,177	246,993	226,865	259,123	242,082	253,970
Business license taxes	1,171,729	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388	1,195,950	1,350,496	1,272,838	1,175,774
Motor vehicle licenses	483,352	446,312	493,466	522,202	509,925	552,436	520,137	559,806	569,615	524,061
Recordation taxes	741,770	607,113	434,099	290,079	275,511	231,589	232,533	312,579	276,551	262,143
Meals tax	635,687	674,535	702,153	752,391	769,662	793,459	878,555	953,393	957,493	999,806
E-911 taxes	230,387	200,141	-	-	-	-	-	-	-	-
Ambulance fees	-	-	-	490,866	518,275	454,554	660,964	658,904	600,452	567,335
Other local taxes	450,673	522,896	575,123	324,239	335,476	348,366	328,324	404,746	424,481	462,168
Grants and contributions not restricted to specific programs	2,637,595	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408	2,676,883	2,690,859	2,670,462	2,669,229
Unrestricted revenues from use of money and property	2,653,602	3,980,793	3,160,698	1,515,653	802,389	469,926	406,925	209,155	312,891	279,479
Miscellaneous	427,254	557,181	2,470,865	899,705	405,413	202,740	321,788	236,125	418,029	691,546
Transfers	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)	(172,595)	(85,401)	54,284	(85,038)
Total governmental activities	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076	\$ 28,488,047	\$ 30,455,639	\$ 31,638,134
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305	\$ 2,007	\$ 776	\$ 323
Miscellaneous	1,211,493	1,318,584	1,424,469	525,385	285,501	762,895	283,305	246,860	285,189	289,397
Transfers	1,699,783	1,108,173	569,857	455,885	365,507	328,214	172,595	85,401	(54,284)	85,038
Total business-type activities	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 1,095,177	\$ 458,205	\$ 334,268	\$ 231,681	\$ 374,758
Total primary government	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 28,118,966	\$ 28,509,281	\$ 28,822,315	\$ 30,687,320	\$ 32,012,892
<b>Change in Net Position</b>										
Governmental activities	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,807,824	\$ (2,132,494)	\$ 345,091	\$ 1,232,958
Business-type activities	9,256,787	4,171,537	(24,132)	(405,630)	(865,571)	(832,727)	(721,197)	(642,009)	(351,328)	1,791,732
Total primary government	\$ 10,987,283	\$ 8,012,605	\$ 2,979,890	\$ 2,038,003	\$ 1,900,856	\$ (1,966,926)	\$ 1,086,627	\$ (2,774,503)	\$ (6,237)	\$ 3,024,690

**COUNTY OF KING GEORGE, VIRGINIA**

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Reserved	\$ 1,261,813	\$ 1,113,229	\$ 1,135,777	\$ 1,154,693	\$ 1,150,043
Unreserved	17,619,894	18,312,583	20,434,481	22,317,265	25,603,932
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>	<u>\$ 21,570,258</u>	<u>\$ 23,471,958</u>	<u>\$ 26,753,975</u>
All other Governmental Funds					
Reserved for capital projects	\$ 53,852,195	\$ 51,546,624	\$ 15,228,296	\$ 18,379,524	\$ 13,737,529
Reserved for natatorium	-	-	2,200,000	2,200,000	2,200,000
Reserved for library operations	1,073,649	1,078,067	768,694	810,644	830,362
Reserved for wireless authority operations	-	-	560,243	265,008	239,552
Unreserved - capital projects fund	-	-	12,298,990	20,299,755	18,939,413
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>	<u>\$ 31,056,223</u>	<u>\$ 41,954,931</u>	<u>\$ 35,946,856</u>

Note: The County implemented GASB statement 54 beginning with fiscal year 2011 - see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 3

2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,401,766	1,399,650	1,433,451	1,424,234	1,428,993
695,197	1,080,525	992,924	2,815,849	3,253,861
6,050,000	4,324,700	184,969	-	-
17,189,811	17,721,849	17,623,960	16,490,673	18,023,587
<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>	<u>\$ 20,235,304</u>	<u>\$ 20,730,756</u>	<u>\$ 22,706,441</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
700,000	700,000	700,000	702,000	702,000
14,093,832	12,221,348	6,815,608	3,844,847	135,357
5,109,150	5,157,272	8,827,162	5,543,834	8,183,770
10,202,302	10,163,107	9,232,262	9,386,756	8,494,514
<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>	<u>\$ 25,575,032</u>	<u>\$ 19,477,437</u>	<u>\$ 17,515,641</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
General property taxes	\$ 14,424,491	\$ 15,174,874	\$ 17,092,704	\$ 17,381,006	\$ 17,776,623
Other local taxes	5,271,801	5,214,995	5,311,646	5,656,482	5,452,334
Permits, privilege fees and regulatory licenses	7,563,053	7,301,776	7,936,085	7,112,084	7,424,894
Fines and forfeitures	332,871	300,583	236,338	255,499	257,999
Revenue from use of money and property	2,653,602	3,980,793	3,160,698	1,515,653	802,389
Charges for services	372,406	396,444	441,050	410,123	460,555
Miscellaneous	427,254	557,181	2,470,865	899,705	405,413
Recovered costs	177,900	-	175,200	-	175,000
Intergovernmental:					
School Board	-	-	-	226,971	-
Commonwealth	6,758,941	5,642,960	6,414,676	5,740,816	6,231,998
Federal	1,367,429	1,495,401	984,460	969,895	1,089,059
Total revenues	\$ 39,349,748	\$ 40,065,007	\$ 44,223,722	\$ 40,168,234	\$ 40,076,264
Expenditures:					
General government administration	\$ 2,413,529	\$ 3,834,032	\$ 3,994,241	\$ 2,898,289	\$ 2,766,421
Judicial administration	818,117	1,025,967	1,086,764	1,127,473	1,087,706
Public safety	7,049,962	11,176,769	7,903,243	8,349,727	12,618,491
Public works	982,312	1,594,220	1,685,536	1,779,055	1,255,124
Health and welfare	3,285,612	3,518,011	3,530,265	4,001,766	4,382,789
Education	11,919,739	22,034,801	36,189,527	16,985,114	11,040,558
Parks, recreation, and cultural	1,149,277	1,216,147	1,885,728	1,717,251	1,265,906
Community development	5,887,223	1,519,877	1,391,591	1,666,723	1,414,185
Capital outlays and projects	-	-	-	-	-
Debt service:					
Principal retirement	1,194,852	1,959,618	2,401,440	2,685,742	3,054,211
Interest and other fiscal charges	2,666,216	2,721,295	2,957,614	3,195,197	3,551,424
Total expenditures	\$ 37,366,839	\$ 50,600,737	\$ 63,025,949	\$ 44,406,337	\$ 42,436,815
Excess (deficiency) of revenues over expenditures	\$ 1,982,909	\$ (10,535,730)	\$ (18,802,227)	\$ (4,238,103)	\$ (2,360,551)
Other financing sources (uses):					
Transfers in	\$ 1,568,980	\$ 2,823,173	\$ 4,969,447	\$ 5,763,828	\$ 6,636,320
Transfers (out)	(3,268,763)	(3,931,346)	(5,539,304)	(6,219,713)	(7,001,827)
Sale of property	-	-	-	-	-
Premium on bonds issued	-	-	343,349	181,528	-
Early retirement of indebtedness	(7,500,000)	-	(7,500,000)	-	-
Payment to refunded bond escrow agent	(855,000)	-	-	(4,465,250)	-
Long-term debt issued	6,411,957	9,886,855	7,104,713	21,778,118	-
Total other financing sources (uses)	\$ (3,642,826)	\$ 8,778,682	\$ (621,795)	\$ 17,038,511	\$ (365,507)
Net changes in fund balances	\$ (1,659,917)	\$ (1,757,048)	\$ (19,424,022)	\$ 12,800,408	\$ (2,726,058)
Debt service as a percentage of noncapital expenditures	<u>10.79%</u>	<u>13.45%</u>	<u>13.06%</u>	<u>15.89%</u>	<u>18.42%</u>

Table 4

	2011	2012	2013	2014	2015
\$	18,354,709	\$ 18,847,313	\$ 19,509,877	\$ 20,326,008	\$ 21,662,268
	5,420,801	5,953,088	6,375,440	6,402,851	6,476,494
	6,947,613	7,187,678	7,187,575	7,121,893	7,125,857
	237,714	183,108	254,380	209,473	179,261
	469,926	406,925	209,155	312,891	279,479
	509,685	468,606	511,535	500,088	501,859
	202,740	321,788	236,125	418,029	691,546
	-	-	175,000	175,000	175,000
	-	48,181	31,400	-	-
	5,878,173	6,190,762	6,078,850	6,228,067	5,832,667
	979,399	1,257,917	1,463,459	1,969,474	1,298,467
\$	<u>39,000,760</u>	<u>40,865,366</u>	<u>42,032,796</u>	<u>43,663,774</u>	<u>44,222,898</u>
\$	2,425,229	\$ 2,576,743	\$ 2,683,306	\$ 2,959,292	\$ 3,154,332
	1,027,700	1,059,200	1,295,334	1,125,052	1,135,749
	11,981,523	10,977,531	10,109,907	10,072,113	10,109,500
	2,587,135	1,624,315	1,661,489	2,671,996	1,796,107
	4,100,525	4,707,097	4,406,862	4,329,701	3,973,961
	14,317,559	14,970,909	16,350,034	17,589,381	15,426,441
	1,369,021	4,585,275	4,355,993	2,969,432	1,244,826
	1,284,213	1,723,671	2,021,307	1,192,435	1,294,960
	-	-	-	-	-
	2,713,288	2,712,585	2,895,220	2,847,303	2,959,919
	3,500,026	3,881,378	3,126,058	3,174,822	3,224,985
\$	<u>45,306,219</u>	<u>48,818,704</u>	<u>48,905,510</u>	<u>48,931,527</u>	<u>44,320,780</u>
\$	<u>(6,305,459)</u>	<u>(7,953,338)</u>	<u>(6,872,714)</u>	<u>(5,267,753)</u>	<u>(97,882)</u>
\$	5,792,544	\$ 4,063,486	\$ 2,197,886	\$ 6,710,277	\$ 6,454,819
	(6,120,758)	(4,236,081)	(2,283,287)	(6,655,993)	(6,539,857)
	-	-	-	-	-
	-	5,153,199	-	-	2,605,177
	(2,781,000)	-	-	-	-
	-	(33,345,873)	-	-	(18,013,368)
	2,155,900	33,645,000	-	-	15,605,000
\$	<u>(953,314)</u>	<u>5,279,731</u>	<u>(85,401)</u>	<u>54,284</u>	<u>111,771</u>
\$	<u>(7,258,773)</u>	<u>(2,673,607)</u>	<u>(6,958,115)</u>	<u>(5,213,469)</u>	<u>13,889</u>
	<u>15.92%</u>	<u>16.77%</u>	<u>14.19%</u>	<u>14.18%</u>	<u>14.67%</u>

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Assessed Value of Taxable Property (1)  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Direct Tax Rate</b>	<b>Personal Property</b>	<b>Direct Tax Rate</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total Direct Tax Rate</b>	<b>Total</b>
2005-06	\$ 1,820,476,337	\$ 0.40	\$ 156,703,285	\$ 3.10	\$ 4,620,563	\$ 220,026,033	\$ 0.61	\$ 2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	0.62	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	0.63	3,074,677,546
2008-09	2,722,995,335	0.45	174,355,891	3.20	5,718,355	230,164,658	0.62	3,133,234,239
2009-10	2,503,071,252	0.50	184,490,385	3.20	5,772,695	265,869,660	0.69	2,959,203,992
2010-11	2,542,929,212	0.50	191,595,390	3.20	6,905,855	295,535,384	0.70	3,036,965,841
2011-12	2,584,238,464	0.53	198,062,550	3.20	5,776,405	259,946,038	0.71	3,048,023,457
2012-13	2,598,409,312	0.53	210,168,415	3.20	6,376,115	257,549,642	0.72	3,072,503,484
2013-14	2,494,185,739	0.59	215,355,310	3.25	6,208,895	253,987,845	0.78	2,969,737,789
2014-15	2,536,514,617	0.61	223,726,535	3.25	5,545,500	252,479,431	0.80	3,018,266,083

(1) 100% fair market value.

Property Tax Rates (1)  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Real Estate First Half</b>	<b>Real Estate Second Half</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Mobile Homes First Half</b>	<b>Mobile Homes Second Half</b>	<b>Total Direct Tax Rate</b>
2005-06	\$ 0.77	\$ 0.40	\$ 3.10	\$ 2.50	\$ 0.77	\$ 0.40	\$ 0.61
2006-07	0.40	0.44	3.20	2.50	0.40	0.44	0.62
2007-08	0.44	0.45	3.20	2.50	0.44	0.45	0.63
2008-09	0.45	0.45	3.20	2.50	0.45	0.45	0.62
2009-10	0.45	0.50	3.20	2.50	0.45	0.50	0.69
2010-11	0.50	0.50	3.20	2.50	0.50	0.50	0.70
2011-12	0.50	0.53	3.20	2.50	0.50	0.53	0.71
2012-13	0.53	0.53	3.20	2.50	0.53	0.53	0.72
2013-14	0.53	0.59	3.25	2.50	0.53	0.59	0.78
2014-15	0.59	0.61	3.25	2.50	0.59	0.61	0.80

(1) Per \$100 of assessed value.

Principal Taxpayers  
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,008,008	\$ 165,247,279	6.37%	\$ 1,378,956	\$ 344,739,000	21.68%
Virginia Electric & Power Company	171,971	28,191,984	1.09%	121,999	30,499,750	1.92%
Horti-Group USA LLC	81,920	13,429,561	0.52%	N/A	N/A	N/A
Verizon South, Inc.	66,785	10,948,341	0.42%	112,679	28,169,750	1.77%
Northern Neck Electric Cooperative	45,265	7,420,487	0.29%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	51,944	8,515,443	0.33%	N/A	N/A	N/A
Dahlgren Office Building, LLC	42,394	6,949,911	0.27%	N/A	N/A	N/A
Monmouth Woods Associates	42,675	6,995,852	0.27%	38,770	9,692,500	0.61%
Dahlgren Office Building, LLC	35,257	5,779,872	0.22%	26,174	6,543,500	0.41%
King George Shopping Center	35,274	5,782,580	0.22%	N/A	N/A	N/A
CC&F Dahlgren Associates	28,882	4,734,702	0.18%	N/A	N/A	N/A
Heritage Hall LLC	28,014	4,592,426	0.18%	N/A	N/A	N/A
Birchwood Power Partners, LLC	N/A	N/A	N/A	70,488	17,622,000	1.11%
Virginia Homes LLC	N/A	N/A	N/A	29,278	7,319,500	0.46%
Augustine Land & Development LLC	N/A	N/A	N/A	28,671	7,167,750	0.45%
Thomas Worman Building Inc	N/A	N/A	N/A	28,363	7,090,750	0.45%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	24,298	6,074,500	0.38%
<b>TOTAL</b>	<b>\$ 1,638,389</b>	<b>\$ 268,588,438</b>	<b>10.36%</b>	<b>\$ 1,859,676</b>	<b>\$ 464,919,000</b>	<b>29.24%</b>

Source - Commissioner of the Revenue.

**COUNTY OF KING GEORGE, VIRGINIA**Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1)(4) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>
2005-06	\$ 16,478,637	\$ 16,138,236	97.93%	\$ 340,682
2006-07	17,388,433	16,720,812	96.16%	390,275
2007-08	19,108,607	18,539,554	97.02%	569,053
2008-09	19,303,194	18,775,585	97.27%	527,609
2009-10	19,468,250	19,055,429	97.88%	407,710
2010-11	20,270,753	19,769,446	97.53%	497,882
2011-12	20,900,625	20,140,541	96.36%	373,766
2012-13	21,785,485	20,922,911	96.04%	417,256
2013-14	22,553,220	21,703,489	96.23%	260,481
2014-15	23,794,046	23,075,368	96.98%	-

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

Table 8

Total Tax Collections		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)		Percent of Delinquent Taxes to Tax Levy
\$	16,478,918	100.00%	\$	1,131,343	6.87%
	17,111,087	98.40%		1,611,078	9.27%
	19,108,607	100.00%		1,737,848	9.09%
	19,303,194	100.00%		1,798,362	9.32%
	19,463,139	99.97%		1,743,426	8.96%
	20,267,328	99.98%		1,691,138	8.34%
	20,514,307	98.15%		1,876,766	8.98%
	21,340,167	97.96%		1,916,121	8.80%
	21,963,970	97.39%		2,012,049	8.92%
	23,075,368	96.98%		2,177,637	9.15%

**COUNTY OF KING GEORGE, VIRGINIA**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Lease Revenue Bonds	Bond Premium	State Literary Loans	Capital Leases
2005-06	\$ 7,641,957	\$ 37,724,000	\$ 444,067	\$ 3,339,600	\$ 7,500,000
2006-07	7,108,853	46,249,000	429,265	3,044,800	7,730,141
2007-08	13,663,640	44,769,000	749,220	2,750,000	153,427
2008-09	12,830,612	60,901,118	898,779	2,500,000	76,713
2009-10	12,001,764	59,002,468	862,922	2,250,000	-
2010-11	10,505,973	57,409,871	823,227	2,000,000	-
2011-12	14,917,875	53,535,384	5,581,476	1,750,000	-
2012-13	14,322,865	51,485,174	5,341,867	1,500,000	-
2013-14	13,701,366	49,509,370	5,102,258	1,250,000	-
2014-15	13,067,259	47,315,900	7,354,418	1,000,000	-

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

(1) See the Schedule of Demographic and Economic Statistics - Table 13.

Table 9

Business-Type Activities								
Virginia Water Facilities Loan			Total Primary Government	Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita	
\$	551,269	\$ 19,627,374	\$ 725,198	\$ 77,553,465	\$ 31,338	11.99%	20,637	\$ 3,758
	437,112	23,203,178	680,381	88,882,730	33,778	12.08%	21,780	4,081
	318,343	22,569,525	635,564	85,608,719	33,778	11.41%	22,205	3,855
	194,775	24,311,125	590,749	102,303,871	33,778	13.07%	23,170	4,415
	66,215	25,260,320	545,932	99,989,621	33,690	12.42%	23,891	4,185
	-	26,139,891	501,115	97,380,077	33,690	12.26%	23,584	4,129
	-	25,992,952	456,298	102,233,985	33,690	13.01%	23,333	4,382
	-	25,798,086	411,481	98,859,473	33,690	12.25%	23,945	4,129
	-	27,647,500	366,664	97,577,158	41,791	9.37%	24,926	3,915
	-	29,754,714	349,997	98,842,288	47,244	8.25%	25,371	3,896

Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2005-06	20,637	\$ 2,201,826,217	\$ 10,981,557	\$ 1,095,309	\$ 9,886,248	0.45%	\$ 479
2006-07	21,780	2,941,002,174	10,153,653	1,113,229	9,040,424	0.31%	415
2007-08	22,205	3,074,677,546	16,413,640	1,135,777	15,277,863	0.50%	688
2008-09	23,170	3,133,234,239	15,330,612	1,154,693	14,175,919	0.45%	612
2009-10	23,891	2,959,203,992	14,251,764	1,150,043	13,101,721	0.44%	548
2010-11	23,584	3,036,965,841	12,505,973	1,149,880	11,356,093	0.37%	482
2011-12	23,333	3,048,023,457	16,667,875	1,149,880	15,517,995	0.51%	665
2012-13	23,945	3,072,503,484	15,822,865	1,149,880	14,672,985	0.48%	613
2013-14	24,926	2,969,737,789	14,951,366	1,149,880	13,801,486	0.46%	554
2014-15	25,371	3,018,266,083	14,067,259	1,149,880	12,917,379	0.43%	509

Sources:

- (1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13.
- (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5.
- (3) Includes all long-term general obligation bonded debt, Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences.



Computation of Direct and Overlapping Debt  
At June 30, 2015

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Direct: (1)

County of King George	\$	68,737,577	100%	\$	68,737,577
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The County of King George has no overlapping debt.

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage		
							Principal	Interest			
2005-06	\$	3,823,051	\$	3,021,332	\$	801,719	\$	821,701	\$	1,005,324	0.44
2006-07		4,416,131		3,539,727		876,404		613,170		1,065,683	0.52
2007-08		4,821,130		3,039,040		1,782,090		797,239		1,135,260	0.92
2008-09		4,254,480		2,841,873		1,412,607		743,001		1,167,279	0.74
2009-10		3,957,585		2,836,695		1,120,890		233,377		1,011,166	0.90
2010-11		3,953,488		2,674,520		1,278,968		120,985		1,164,087	1.00
2011-12		4,498,586		2,863,077		1,635,509		102,780		1,232,690	1.22
2012-13		4,610,074		2,865,144		1,744,930		150,707		1,158,505	1.33
2013-14		4,686,033		3,048,064		1,637,969		182,463		1,179,218	1.20
2014-15		4,990,209		2,844,207		2,146,002		555,855		1,335,992	1.13

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

Water and Sewer charges and other includes investment earnings. Operating expenses do not include interest expense or depreciation and amortization.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Unemployment Rate</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income</b>	<b>Student Enrollment</b>
2005-06	20,637	2.80	\$ 31,338	\$ 646,722,306	3,825
2006-07	21,780	3.31	33,778	735,684,840	3,801
2007-08	22,205	5.30	33,778	750,040,490	3,982
2008-09	23,170	7.90	33,778	782,636,260	4,066
2009-10	23,891	8.30	33,690	804,887,790	4,129
2010-11	23,584	7.30	33,690	794,544,960	4,228
2011-12	23,333	6.90	33,690	786,088,770	4,176
2012-13	23,945	6.30	33,690	806,707,050	4,258
2013-14	24,926	6.00	41,791	1,041,682,466	4,326
2014-15	25,371	5.30	47,244	1,198,627,524	4,384

NA - Not available

Sources: [www.fedstats.gov](http://www.fedstats.gov), Department of Education, Weldon Cooper Center for Public Service, VEC

Principal Employers  
Current Year and Nine Years Prior

Employer	Fiscal Year 2015		Fiscal Year 2006	
	Employees (1)	Rank	Employees (1)	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 750	2	500 to 999	2
County of King George	250 to 499	3	100 to 249	5
Wal Mart	250 to 499	4	-	-
EG & G, Inc.	250 to 499	5	100 to 249	4
Northrop Grumman Corporation	250 to 499	6	250 to 499	3
Marconi Technology	249 and under	7	100 to 249	6
Integrated Microcomputer System, Lockheed Martin	249 and under	8	100 to 249	7
Solutions Development Corporation	249 and under	9	-	-
Tatitlek Training Services Inc.	249 and under	10	-	-
Chugach McKinley Inc	-	-	100 to 249	8
Chugach Systems Intergration	-	-	100 to 249	9
Sun Valley Management	-	-	100 to 249	10

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2015 and 2nd Qtr 2006

(1) The VEC is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act.

Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	30	29	29	29	29	29	29	29	29	29
Judicial administration	10	13	12	12	12	12	12	12	12	12
Public safety										
Sheriffs department	38	43	43	43	43	43	43	43	45	49
Fire & rescue	20	21	25	25	25	25	28	28	34	34
Animal control	2	2	2	2	2	2	2	2	4	4
Public works										
General maintenance	9	9	9	9	9	11	11	11	11	13
Landfill	2	3	3	3	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	14	14	16	16	16	16	16	16	16	16
Culture and recreation										
Parks and recreation	4	4	4	4	4	4	4	4	4	4
Library	3	4	4	4	4	4	4	4	4	4
Community development										
Planning	10	11	11	11	11	11	11	11	11	11
Totals	144	155	160	160	160	162	165	165	175	181

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Sheriffs department:										
Physical arrests	908	892	652	601	856	1,313	1,382	1,474	1,604	1,207
Traffic violations	5,418	3,093	3,038	3,172	3,847	2,724	3,713	3,575	3,137	3,166
Civil papers	7,713	7,940	7,914	7,800	8,146	8,051	7,441	8,110	7,172	7,045
Fire and rescue:										
Number of calls answered	3,188	3,256	3,291	3,005	2,782	2,921	3,354	3,380	3,219	3,406
Building inspections:										
Permits issued	484	340	160	78	83	64	75	85	104	100
Animal control:										
Number of calls answered	452	488	705	636	974	1039	903	650	750	850
Public works										
General maintenance:										
Trucks/vehicles	12	3	3	3	3	3	4	4	4	4
Component Unit - School Board										
Education:										
School age population	3,830	3,791	3,882	3,997	4,029	4,075	4,072	4,083	4,224	4,237
Number of teachers	257	283	285	279	282	283	290	291	295	290
Local expenditures per pupil	7,529	7,823	9,281	8,585	8,438	7,465	8,604	8,835	9,046	9,202

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	1	1	1	1	1	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	29	29	31	36	36	32	30	31	31	32
Other vehicles	7	7	7	7	8	8	8	8	8	8
Building inspections:										
Vehicles	-	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	12	3	3	3	3	4	4	4	4	5
Landfill:										
Vehicles	1	2	2	2	2	2	1	4	4	4
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	5	6	6	6	6	6	5	5	5	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	10	6	6	6	6	6	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.63	159.63	159.93	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	6	6	6	6	6	6	5	5	5	4
Component Unit - School Board										
Education:										
Schools	8	8	8	10	10	17	17	15	17	17
School buses	67	58	65	71	74	60	64	77	77	77

Source: Individual county departments

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## **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 George, 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 George, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise County of King George, Virginia's basic financial statements, and have issued our report thereon dated December 7, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered County of King George, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of King George, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of King George, 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 George, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

December 7, 2015

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133**

**To the Honorable Members of the Board of Supervisors  
County of King George, Virginia**

### **Report on Compliance for Each Major Federal Program**

We have audited County of King George, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King George, Virginia's major federal programs for the year ended June 30, 2015. County of King George, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of County of King George, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 George, 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 George, Virginia's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, County of King George, 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, 2015.

## Report on Internal Control over Compliance

Management of County of King George, 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 George, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of King George, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 7, 2015

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2015

<b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>PRIMARY GOVERNMENT:</b>			
<u>DEPARTMENT OF THE INTERIOR:</u>			
<u>Direct payments:</u>			
US fish and wildlife service	15.000	N/A	\$ 7,092
Total Department of the Interior			\$ 7,092
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Interagency hazardous materials public sector training and planning grants	20.703	77501-52604	\$ 9,552
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol open container requirements	20.607	60507-55129	8,503
State and community highway safety	20.600	60507-55032/54037	10,191
Total Department of Transportation			\$ 28,246
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Assistance to firefighters grant	97.044	N/A	\$ 48,544
<u>Pass through payments:</u>			
Department of Emergency Services:			
Emergency management performance grants	97.042	77501-52743	12,820
Total Department of Homeland Security			\$ 61,364
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010114/0010115	\$ 201,264
Total Department of Agriculture			\$ 201,264
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
Child care mandatory and matching funds of the child care and development fund	93.596	0760114/0760115	\$ 17,288
Foster care-title IV-E	93.658	1100114/1100115	77,144
Adoption assistance	93.659	1120114/1120115	71,728
Promoting safe and stable families	93.556	0950113/0950114	16,687
Temporary assistance for needy families	93.558	0400114/0400115	120,731
Refugee and entrant assistance - state administered programs	93.566	0500114/0500115	266
Low-income home energy assistance	93.568	0600414/0600415	13,132
Social services block grant	93.667	1000114/1000115	80,512
Stephanie Tubbs Jones child welfare services program	93.645	0900114/0900115	821
Chafee foster care independence program	93.674	9150114/9150115	2,015
Children's health insurance program	93.767	0540114/0540115	6,808
Medical assistance program	93.778	1200114/1200115	231,879
Total Department of Health and Human Services			\$ 639,011
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
Community economic adjustment assistance for compatible use and joint land use studies	12.610	N/A	\$ 164,502
Total Department of Defense			\$ 164,502

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2015 (Continued)

<b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>PRIMARY GOVERNMENT: (Continued)</b>			
<b><u>ENVIRONMENTAL PROTECTION AGENCY:</u></b>			
<b><u>Direct payments:</u></b>			
Capitalization grants for clean water state revolving funds	66.458	N/A	\$ 525,656
Capitalization grants for drinking water state revolving funds	66.468	N/A	942,072
Total Environmental Protection Agency			\$ 1,467,728
<b>Total Primary Government</b>			<b>\$ 2,569,207</b>
<b>COMPONENT UNIT-SCHOOL BOARD:</b>			
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<b><u>Pass through payments:</u></b>			
<b>Child Nutrition Cluster:</b>			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	2014IN109941 2015IN109941	\$ 82,323
Department of Education:			
National school lunch program	10.555	2014IN109941 2015IN109941	584,777
Total 10.555			\$ 667,100
School breakfast program	10.553	2014IN109941 2015IN109941	\$ 156,850
Total Department of Agriculture			\$ 823,950
<b><u>DEPARTMENT OF DEFENSE:</u></b>			
<b><u>Direct payments:</u></b>			
ROTC Instruction	12.000	N/A	\$ 92,673
Total Department of Defense			\$ 92,673
<b><u>DEPARTMENT OF EDUCATION:</u></b>			
<b><u>Direct payments:</u></b>			
Impact aid	84.041	N/A	\$ 25,818
State longitudinal data systems grants	84.384	N/A	68
Grants for enhanced assessment instruments	84.368	N/A	1,866
Total Direct Payments			\$ 27,752
<b><u>Pass through payments:</u></b>			
Department of Education:			
Title I grants to local educational agencies	84.010	S010A130046 S010A140046	\$ 324,223
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A120107/ H027A130107/ H027A140107	669,156
Special education - preschool grants	84.173	H173A120112	12,639
Total Special Education Cluster (IDEA)			\$ 681,795
Advanced placement program	84.330	S330B140002	\$ 259
Improving teacher quality state grants	84.367	S367A120044/ S367A130044/ S367A140044	136,069
Career and technical education - basic grants to states	84.048	V048A130046/ V048A140046	42,946
Total Department of Education			\$ 1,213,044
<b>Total Component Unit School Board</b>			<b>\$ 2,129,667</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,698,874</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

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### 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 George, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King George, 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 George, 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed.

### 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	\$	888,433
Capital Projects Fund		410,034
Proprietary Fund (loan proceeds)		<u>1,467,728</u>

Total primary government \$ 2,766,195

Component Unit School Board:

School Operating Fund	\$	1,305,717
School Cafeteria Fund		<u>823,950</u>
Total component unit school board	\$	<u>2,129,667</u>

Total federal expenditures per basic financial statements \$ 4,895,862

Less federal interest subsidy (196,988)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 4,698,874

## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major .510 programs:

CFDA #	Name of Federal Program or Cluster
10.561	State administrative matching grants for the supplemental nutrition assistance program
10.553/10.555	Child nutrition cluster
66.458	Capitalization grants for clean water state revolving funds
66.468	Capitalization grants for drinking water state revolving funds

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

Auditee qualified as low-risk auditee? No

### Section II - Financial Statement Findings

There are no financial statement findings to report.

### Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

### Section IV - Prior Audit Findings

There were no prior year audit findings.