



County of King George, Virginia

Comprehensive Annual Financial Report



Year Ended June 30, 2018

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report

Year Ended June 30, 2018

PREPARED BY:

Wilma Ward, Director of Finance

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report Year Ended June 30, 2018

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RUBY A. BRABO
At-Large Election District

CATHY E. BINDER
Shiloh Election District

RICHARD R. GRANGER
James Madison Election District

JEFFREY L. BUECHE
James Monroe Election District

JOHN E. JENKINS, JR.
Dahlgren Election District



OFFICE OF THE COUNTY ADMINISTRATOR
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Telephone: (540)775-9181
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November 29, 2018

**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, 2018 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, 2018, 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. The Board consists 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. As of June 30th, 2016, King George County had an estimated population of 25,515; an increase of 8.1% since 2010.

THE REPORTING ENTITY AND ITS SERVICES

King George County and King George County 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 services 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 King George County 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 King George County 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 pursuing 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, 2018 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

The County has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. NSF Dahlgren, a military installation, continues to play a critical role in the economic vitality of the County. NSF Dahlgren infuses over 1.5 billion dollars into the regional economy annually. The number of federal employers at NSF Dahlgren grew from 4,850 in fiscal year 2015 to 5,686 in 2017. The number of service members assigned to NSF Dahlgren declined from 394 to 365. While the total contracts for NSF Dahlgren remained stagnant at \$1.9 billion in FY 2017, the amount of local contracts increased from \$486 to \$528 million. 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 20th 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. The County is currently seeing a significant amount of retail growth.

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 5-year forecast model is being created to use 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, state literary loans, and the Virginia Public Schools Authority (VPSA) 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 its landfill agreement allowing Waste Management to apply for a vertical expansion of the landfill through the Virginia Department of Environmental Quality. The permit was approved. The County is now receiving three million dollars over six years for the expansion. In addition, the County will receive 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.

King George Middle School Expansion Project: In the spring of 2017, the Board of Supervisors approved the funding to complete a project to add sixth grade classrooms at the current Middle School. The project will be completed in winter 2020.

High School Track: In the spring of 2017, the Board of Supervisors approved a contract to build a new track to accommodate school events and programs. The track will be complete in the winter of 2018.

Capital Budget: In FY 18/19, the County was able to cash fund \$2.4 million of capital projects to include the purchase of school buses, a document-scanning project, and fiber installation.

Industrial Park: The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Courthouse and 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 and Tourism Director's primary focus is on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently, five businesses are located in the Industrial Park.

There are currently twelve additional lots (either owned or optioned by the EDA and County) totaling approximately 100 acres available for development in the industrial park. Economic development staff continues to market these sites.

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.

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 retailers including: Wendy's, Peebles, Petco, Rappahannock Goodwill Industries, Dollar Tree, IHOP, Jersey Mike's, AutoZone, Starbucks, Anytime Fitness, UPS, and Holiday Inn.

Port Conway Solar Farm: The County is poised to become the region's first location with a major investment in the generation of solar energy. Port Conway LLC has applied to build a solar power generation plant on an agricultural parcel that has been permitted to accommodate that use. The project has been recommended for approval by the King George County Planning Commission and was approved by the King George Board of Supervisors in December 2017.

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

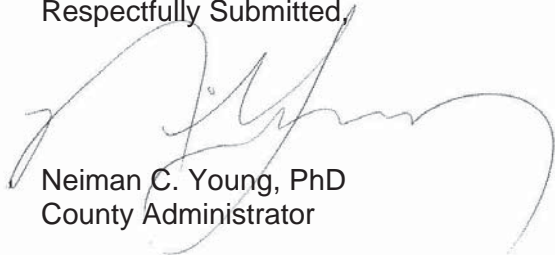
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The 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 handwritten signature in dark ink, appearing to read 'Neiman C. Young', is written over a light blue rectangular background.

Neiman C. Young, PhD
County Administrator

A handwritten signature in dark ink, appearing to read 'Wilma Ward', is written in a cursive style.

Wilma Ward
Director of Finance

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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

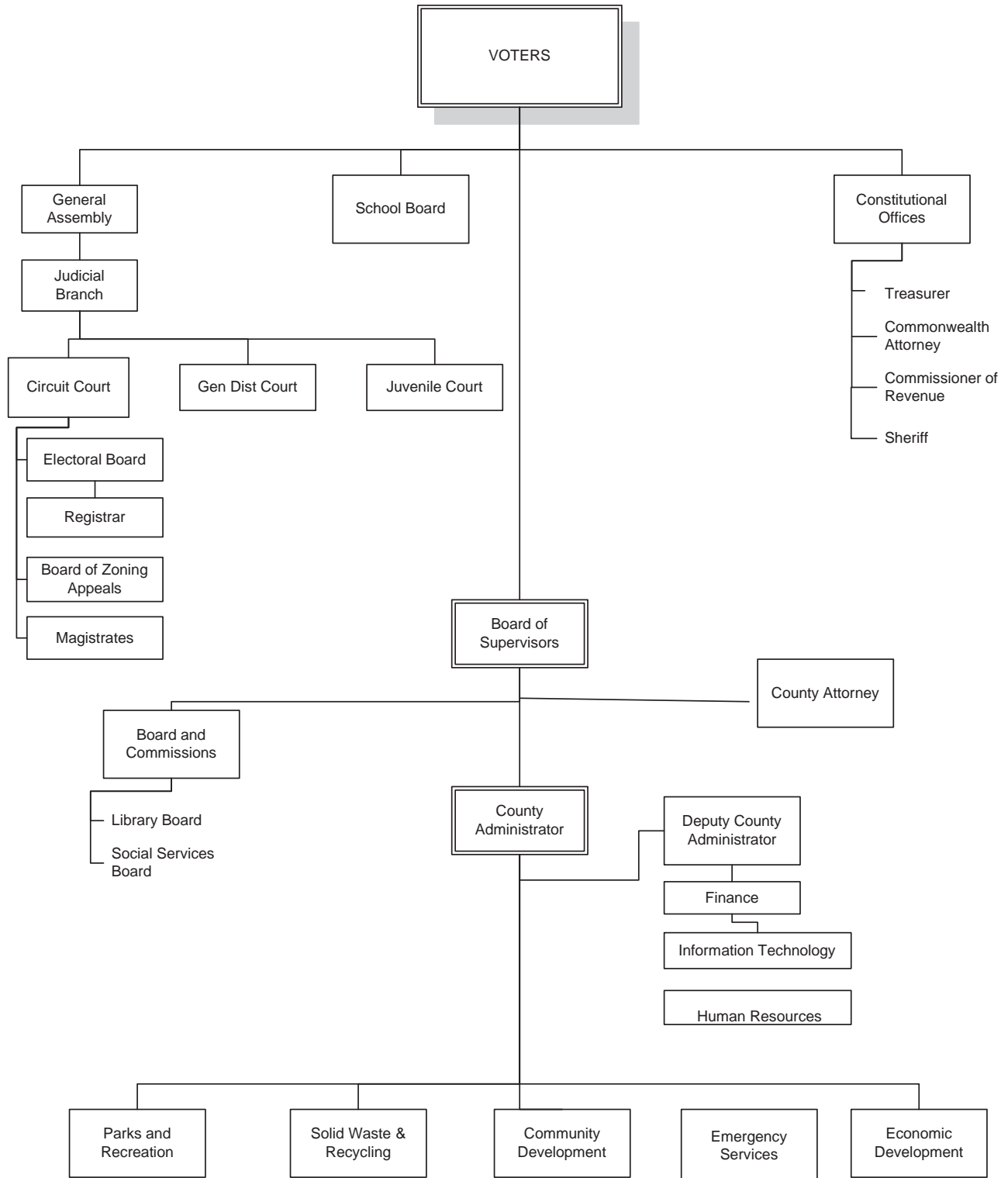
June 30, 2017

Christopher P. Morrell

Executive Director/CEO



KING GEORGE COUNTY ORGANIZATIONAL CHART



COUNTY OF KING GEORGE, VIRGINIA

June 30, 2018

Board of Supervisors

Richard R. Granger, Chairman
Jeffrey L. Bueche, Vice Chairman
Cathy E. Binder
Ruby A. Brabo
John E. Jenkins, Jr.

County School Board

Tammy Indseth, Chairman
Gayle Hock, Vice-Chairman
Kristin Tolliver
T. C. Collins
Gina Panciera

Board of Social Services

Renee Jenkins
Marva Smith
Jeffrey L. Bueche
James Brent
Jane Marvin

Smoot Memorial Library Board of Trustees

Cathy E. Binder
Carey Nicholson
Nancy Haenlein
Tracy Travers

Kris Parker
Dixie Lee Washington
Shellie Renz
Carol Sparbel

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	Judy S. Hart
Treasurer	Randy R. Jones
Judge of the General District Court	Robert E. Reibach
Judge of the Juvenile & Domestic Relations Courts	Joseph A. Vance, IV
Clerk of the General and Juvenile & Domestic Relations Courts	Becky Connor
Sheriff	Steve Dempsey
Superintendent of Schools	Robert Benson
Director of Social Services	David Coman
County Administrator	Neiman C. Young, PhD

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, 2018 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, 2018, 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 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 5-13, 118-122, and 123-136 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Matters: (Continued)

Supplementary and 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 November 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of King George, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of King George, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

November 29, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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 2018 by \$82.2 million (net position). This represents an increase of \$3.3 million compared to the prior fiscal year.
- Of the total net position, \$2.07 million is restricted.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$65.9 million, an increase of \$21.6 million over the previous fiscal year.
- Approximately thirty (30%) of this total amount or \$19.8 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 increased by \$17.5 million during the current fiscal year in comparison to the prior fiscal year primarily due to a \$20.8 million bond which was partially offset by repayment of principal thru debt service payments.

Overview of the Financial Statements

This discussion and analysis serves 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 \$62.5 million at the close of fiscal year 2018.

The County's net investment in capital assets such as land, buildings and equipment totals \$34.3 million at June 30, 2018, an decrease of \$50,245 from 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, 2018 and 2017**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 80,233,268	\$ 58,487,005	\$ 4,687,686	\$ 4,537,524	\$ 84,920,954	\$ 63,024,529
Capital assets	78,915,055	78,212,480	41,386,069	42,648,443	120,301,124	120,860,923
Total assets	\$ 159,148,323	\$ 136,699,485	\$ 46,073,755	\$ 47,185,967	\$ 205,222,078	\$ 183,885,452
Deferred outflows of resources	\$ 5,598,826	\$ 6,077,450	\$ 1,971,408	\$ 2,123,820	\$ 7,570,234	\$ 8,201,270
Long-term liabilities						
outstanding	\$ 83,599,735	\$ 65,650,895	\$ 25,348,022	\$ 26,840,482	\$ 108,947,757	\$ 92,491,377
Current liabilities	7,872,862	7,686,954	2,871,070	2,445,791	10,743,932	10,132,745
Total liabilities	\$ 91,472,597	\$ 73,337,849	\$ 28,219,092	\$ 29,286,273	\$ 119,691,689	\$ 102,624,122
Deferred inflows of resources	\$ 10,818,824	\$ 9,670,579	\$ 100,749	\$ 34,030	\$ 10,919,573	\$ 9,704,609
Net position:						
Net investment in capital assets	\$ 17,597,705	\$ 17,597,459	\$ 16,697,474	\$ 16,747,965	\$ 34,295,179	\$ 34,345,424
Restricted	2,071,313	2,105,686	-	-	2,071,313	2,105,686
Unrestricted	42,786,710	40,065,362	3,027,848	3,241,519	45,814,558	43,306,881
Total net position	\$ 62,455,728	\$ 59,768,507	\$ 19,725,322	\$ 19,989,484	\$ 82,181,050	\$ 79,757,991

Note: FY2018 was the first year of implementation of GASB Statement No. 75, and prior year comparative information was unavailable. As a consequence, the FY2017 information in the Table above has not been restated to reflect the requirements of GASB Statement No. 75.

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, and for a natatorium donation. The County's restricted net position amounts to \$2.1 million or three percent (3%) of total net position.

Government-wide Financial Analysis: (Continued)

Governmental and business-type activities reflect changes in net position of an increase of \$3.5 million and a decrease of \$180,990 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, 2018 and 2017						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 10,231,725	\$ 9,312,233	\$ 5,566,886	\$ 4,753,331	\$ 15,798,611	\$ 14,065,564
Operating grants and contributions	5,514,285	5,008,930	-	-	5,514,285	5,008,930
Capital grants and contributions	103,482	643,391	-	-	103,482	643,391
General revenues:						
General property taxes	27,286,754	26,080,586	-	-	27,286,754	26,080,586
Other local taxes	7,374,816	7,271,043	-	-	7,374,816	7,271,043
Use of money and property	489,376	235,816	-	67,768	489,376	303,584
C/VA non-categorical aid	2,654,336	2,672,786	-	-	2,654,336	2,672,786
Other general revenues	450,223	353,731	266,246	240,090	716,469	593,821
Total revenues	<u>\$ 54,104,997</u>	<u>\$ 51,578,516</u>	<u>\$ 5,833,132</u>	<u>\$ 5,061,189</u>	<u>\$ 59,938,129</u>	<u>\$ 56,639,705</u>
Expenses:						
General government administration	\$ 3,479,254	\$ 3,334,593	\$ -	\$ -	\$ 3,479,254	\$ 3,334,593
Judicial administration	1,241,344	1,235,671	-	-	1,241,344	1,235,671
Public safety	12,688,175	12,216,443	-	-	12,688,175	12,216,443
Public works	2,244,369	2,000,179	-	-	2,244,369	2,000,179
Health and welfare	4,822,935	4,886,524	-	-	4,822,935	4,886,524
Education	19,431,861	21,082,678	-	-	19,431,861	21,082,678
Parks, recreation, and cultural	1,505,749	1,527,991	-	-	1,505,749	1,527,991
Community development	1,455,030	1,202,623	-	-	1,455,030	1,202,623
Interest and other fiscal charges	3,640,193	2,747,370	-	-	3,640,193	2,747,370
Water and sewer	-	-	6,099,160	5,603,182	6,099,160	5,603,182
Total expenses	<u>\$ 50,508,910</u>	<u>\$ 50,234,072</u>	<u>\$ 6,099,160</u>	<u>\$ 5,603,182</u>	<u>\$ 56,608,070</u>	<u>\$ 55,837,254</u>
Increase (decrease) in net position before transfers	\$ 3,596,087	\$ 1,344,444	\$ (266,028)	\$ (541,993)	\$ 3,330,059	\$ 802,451
Transfers	<u>(85,038)</u>	<u>152,671</u>	<u>85,038</u>	<u>(152,671)</u>	<u>-</u>	<u>-</u>
Change in net position	\$ 3,511,049	\$ 1,497,115	\$ (180,990)	\$ (694,664)	\$ 3,330,059	\$ 802,451
Net position, July 1, as restated	<u>58,944,679</u>	<u>58,271,392</u>	<u>19,906,312</u>	<u>20,684,148</u>	<u>78,850,991</u>	<u>78,955,540</u>
Net position, June 30	<u>\$ 62,455,728</u>	<u>\$ 59,768,507</u>	<u>\$ 19,725,322</u>	<u>\$ 19,989,484</u>	<u>\$ 82,181,050</u>	<u>\$ 79,757,991</u>

Note: FY2018 was the first year of implementation of GASB Statement No. 75, and prior year comparative information was unavailable. As a consequence, the FY2017 information in the Table above has not been restated to reflect the requirements of GASB Statement No. 75.

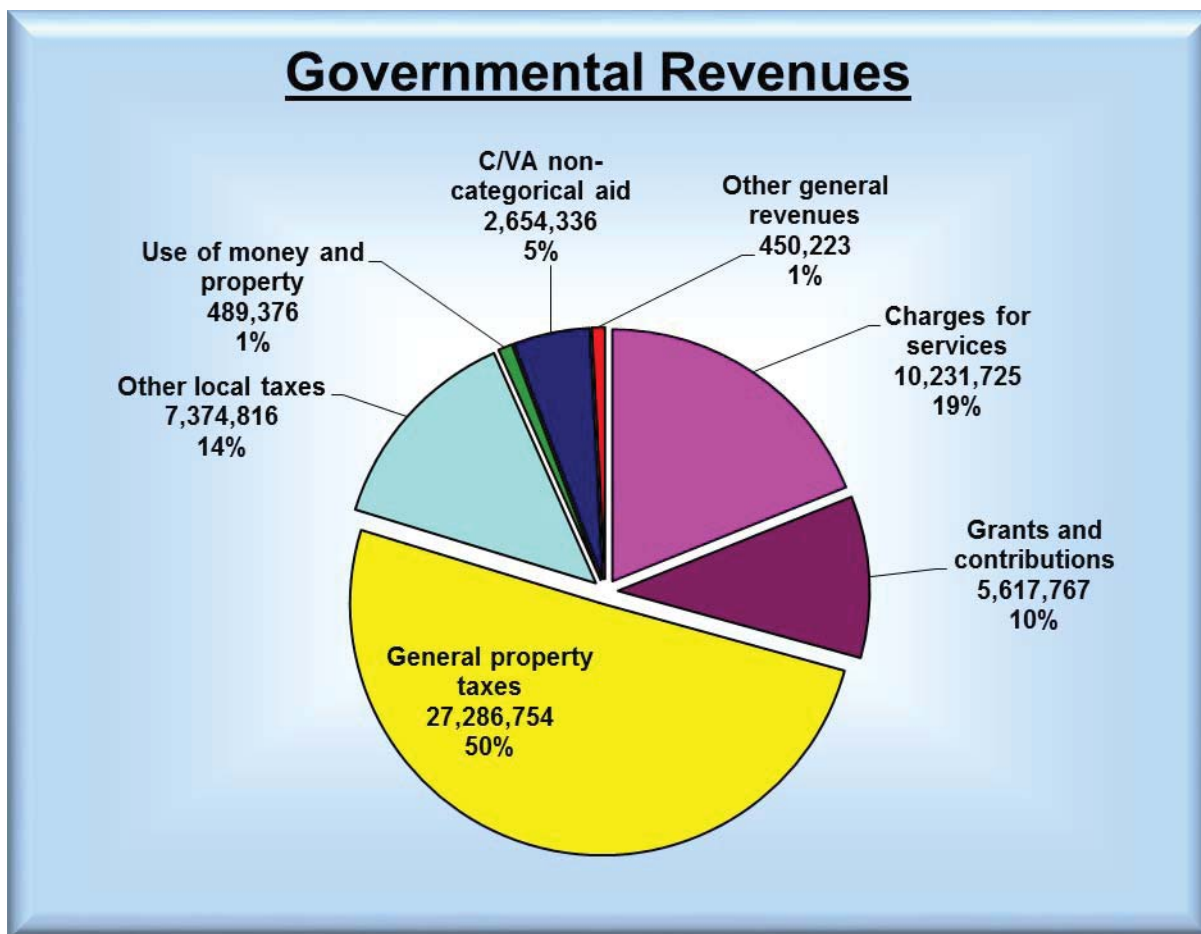
Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$54.1 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$27.3 million
- Charges for services totaled \$10.2 million (This includes \$8.9 million of landfill revenues)
- Other local taxes totaled \$7.4 million.
- Operating grants and contributions totaled \$5.5 million

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

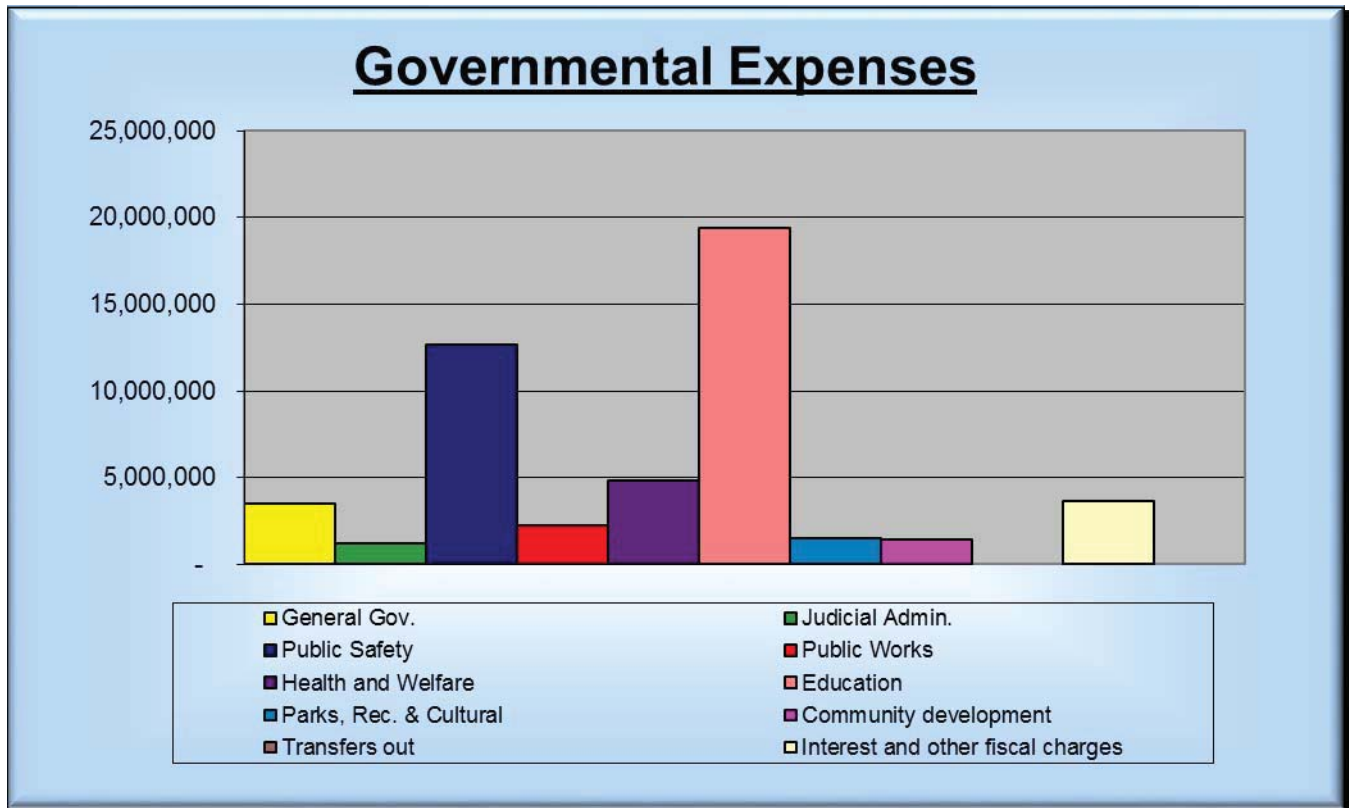


Government-wide Financial Analysis: (Continued)

Expenses for governmental activities totaled \$56.6 million for the fiscal year. Major categories were as follows:

- Education totaled \$19.4 million
- Public Safety totaled \$12.7 million
- Health and Welfare totaled \$4.8 million
- Interest/Other Charges totaled \$3.6 million

The graph below denotes expenses by major categories.



Significant changes noted in revenues and expenses were:

- General property taxes increased \$1,206,168 compared to prior year; this increase is due to rate stabilization for real estate and personal property along with additional assessments in the County.
- Educational expenses had a decrease of \$1,650,817 in comparison to the prior fiscal year.
- Public Safety expenses increased by \$471,732 due to increased staffing in those departments.
- Health and Welfare expenses decreased by \$63,589 due to better management of the Children's Services Act program and social services department in comparison to the previous fiscal year.

Government-wide Financial Analysis: (Continued)

Business-type activities - Business-type activities net position decreased by \$264,162 in the current year.

Major reasons are as follows:

- Revenues increased by \$771,943 during the year. This is mainly due to an increase in charges for services.
- Expenses increased during the year by \$495,978. This is due to increased expenses associated with contractual services and other operating expenses.
- Operating income in FY18 was positive; 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 \$65.9 million. Approximately thirty percent (30%) of this amount \$19.8 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 (\$714,880), restricted by an outside sources (\$2.2 million), committed (\$32.7 million) and not available for spending and assigned (\$10.5 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 \$19.8 million, while the total fund balance was \$27 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-one percent (41%) of total general fund expenditures, while total general fund balance represents fifty-six percent (56%) of that same amount.

General Fund: The fund balance of the County's general fund decreased by \$60,649 during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$5.4 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 \$1.2 million dollars.
- The total General Fund expenditures were under budget by \$3.3 million dollars.

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

Capital Projects Fund: At the end of the current fiscal year the fund balance for the County's capital projects fund was \$38 million of which \$143,516 is restricted, \$27.4 million is committed and \$10.5 million is assigned. See Note 1-U for details. The fund balance of the County's capital projects fund increased from the previous fiscal year, the factors that contributed to this are as follows:

- Landfill fees collected in fiscal year 2018 totaling \$8.85 million were used to fund debt service. The amount of landfill revenue collected did exceed the budget by \$2.2 million, which is favorable and contributes to an increase in fund balance when partially offset by expenditures for ongoing capital projects.
- A \$20.8 million bond was issued in 2018 for the middle school expansion.

Permanent Fund: At the end of the current fiscal year the fund balance for the County's permanent fund was \$824,010 of which \$700,000 is non-spendable and \$124,010 is restricted for library operations. The fund balance of the County's permanent fund decreased by \$29,153.

Wireless Authority Fund: The Wireless Authority project fund balance was \$39,927, which remained the same at the end of the current fiscal year, as the prior year.

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 \$2.2 million dollars or a four percent (4%) increase in appropriations. Significant budget variances are summarized as follows:

- County's contribution to the School Board increased by \$1,463,828 million 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 \$2.1 million reference Exhibit 10.

Actual expenditures were \$3.3 million less than the amended budget. Major contributors were as follows:

- Education expenditures were less than the amended budget by \$1.3 million due to School Board expenditures being kept under budget at June 30, 2018 although a substantial portion of these funds will be carried over into FY2018 for prior year encumbrances that were obligated at June 30, 2018 but not yet spent.
- Public safety also had a favorable expenditure variance of \$1.2 million of which a key component was favorable variances related to fire and rescue services.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2018 totaled \$78.9 million (net of accumulated depreciation). Major highlights of governmental capital assets include:

During Fiscal Year 2018, the County worked on projects that include the middle school expansion and various school and public safety related equipment purchases.

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2018 totaled \$41.4 million (net of accumulated depreciation). Investment in capital assets decreased in the amount of \$1.2 million. This decrease is due to the excess of depreciation expense over capital outlays.

Details supporting changes in capital asset activity including construction in progress can be found in Note 7 of the financial statements.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$87.6 million and the King George Service Authority has outstanding obligations of \$26.8 million.

Of the County's debt, \$31.3 million comprises debt backed by the full faith and credit of the County and \$41.7 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations increased during the current fiscal year by a net of \$17.5 million. The County issued General Obligation bonds in the total amount of \$20.8 million in fiscal year 2018.

The King George Service Authority decreased its long-term obligations by \$1.5 million during the year. This was due to repayment of principal thru debt service payments.

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 2017.

More detailed information of the County's long-term obligations can be found in Note 10 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 3.3% at June 30, 2018. The local unemployment rate compares favorably to the June 30, 2018 national rate of 4.2%. The County's favorable employment conditions are supported by the continued growth of jobs over the last ten years. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The total operating budget for FY19 is \$81,841,223.

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.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 60,845,671	\$ 3,514,622	\$ 64,360,293	\$ 269,939	\$ 376,843
Cash and cash equivalents in custody of others	125,047	-	125,047	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	11,439,340	-	11,439,340	-	-
Accounts receivable	2,392,115	1,173,064	3,565,179	-	-
Notes receivable	1,299,997	-	1,299,997	-	-
Due from other governments	2,168,915	-	2,168,915	1,284,889	-
Inventory	-	-	-	-	3,097,130
Prepaid items	14,880	-	14,880	-	-
Net pension asset	-	-	-	14,120	-
Restricted cash	1,947,303	-	1,947,303	-	-
Due from primary government	-	-	-	1,168,860	-
Total Current Assets	\$ 80,233,268	\$ 4,687,686	\$ 84,920,954	\$ 2,737,808	\$ 3,473,973
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134	\$ -
Infrastructure	-	38,683,766	38,683,766	-	-
Buildings and improvements	29,806,713	-	29,806,713	9,879,874	-
Equipment	4,456,947	88,217	4,545,164	2,850,743	-
Jointly owned assets	30,747,772	-	30,747,772	19,938,637	-
Construction in progress	7,852,817	351,732	8,204,549	1,212,504	-
Total capital assets	\$ 78,915,055	\$ 41,386,069	\$ 120,301,124	\$ 34,054,892	\$ -
Total Assets	\$ 159,148,323	\$ 46,073,755	\$ 205,222,078	\$ 36,792,700	\$ 3,473,973
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,132,139	\$ 110,877	\$ 1,243,016	\$ 7,242,986	\$ -
OPEB related items	66,334	7,666	74,000	839,000	-
Deferred charge on refunding	4,400,353	1,852,865	6,253,218	-	-
Total deferred outflows of resources	\$ 5,598,826	\$ 1,971,408	\$ 7,570,234	\$ 8,081,986	\$ -
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 1,431,607	\$ 227,656	\$ 1,659,263	\$ 543,981	\$ 8,653
Retainage payable	93,933	-	93,933	-	-
Customer deposits	-	275,930	275,930	-	-
Accrued liabilities	-	-	-	1,965,786	-
Due to component unit - School Board	1,168,860	-	1,168,860	-	-
Unearned revenue	-	681,573	681,573	-	-
Accrued interest payable	1,195,908	235,512	1,431,420	-	-
Long-term obligations - current portion	3,982,554	1,450,399	5,432,953	47,627	1,000,000
Total Current Liabilities	\$ 7,872,862	\$ 2,871,070	\$ 10,743,932	\$ 2,557,394	\$ 1,008,653
Noncurrent Liabilities					
Long-term obligations - noncurrent portion	83,599,735	25,348,022	108,947,757	42,859,606	-
Total Liabilities	\$ 91,472,597	\$ 28,219,092	\$ 119,691,689	\$ 45,417,000	\$ 1,008,653
DEFERRED INFLOWS OF RESOURCES					
Pension related items	\$ 960,893	\$ 92,364	\$ 1,053,257	\$ 3,943,407	\$ -
OPEB related items	85,615	8,385	94,000	309,828	-
Deferred revenue - property taxes	9,772,316	-	9,772,316	-	-
Total deferred inflows of resources	\$ 10,818,824	\$ 100,749	\$ 10,919,573	\$ 4,253,235	\$ -
NET POSITION					
Net investment in capital assets	\$ 17,597,705	\$ 16,697,474	\$ 34,295,179	\$ 34,054,892	\$ -
Restricted:					
Debt service	1,149,880	-	1,149,880	-	-
Smoot library:					
Nonexpendable	700,000	-	700,000	-	-
Temporarily restricted	124,010	-	124,010	-	-
Natatorium	97,423	-	97,423	-	-
Unrestricted assets	42,786,710	3,027,848	45,814,558	(38,850,441)	2,465,320
Total Net Position	\$ 62,455,728	\$ 19,725,322	\$ 82,181,050	\$ (4,795,549)	\$ 2,465,320

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,479,254	\$ -	\$ 244,699	\$ -
Judicial administration	1,241,344	262,200	528,027	-
Public safety	12,688,175	67,852	1,465,280	10,490
Public works	2,244,369	9,341,030	48,391	-
Health and welfare	4,822,935	-	2,926,184	-
Education	19,431,861	-	198,475	-
Parks, recreation, and cultural	1,505,749	478,339	103,229	-
Community development	1,455,030	82,304	-	92,992
Interest on long-term debt	3,640,193	-	-	-
Total governmental activities	\$ 50,508,910	\$ 10,231,725	\$ 5,514,285	\$ 103,482
Business-type activities:				
Water and sewer	\$ 6,099,160	\$ 5,566,886	\$ -	\$ -
Total primary government	\$ 56,608,070	\$ 15,798,611	\$ 5,514,285	\$ 103,482
COMPONENT UNITS:				
School Board	\$ 46,315,083	\$ 685,362	\$ 27,765,812	\$ -
Economic Development Authority	33,810	-	-	-
Total component units	\$ 46,348,893	\$ 685,362	\$ 27,765,812	\$ -
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
\$ (3,234,555)	\$ -	\$ (3,234,555)	\$ -	\$ -
(451,117)	-	(451,117)	-	-
(11,144,553)	-	(11,144,553)	-	-
7,145,052	-	7,145,052	-	-
(1,896,751)	-	(1,896,751)	-	-
(19,233,386)	-	(19,233,386)	-	-
(924,181)	-	(924,181)	-	-
(1,279,734)	-	(1,279,734)	-	-
(3,640,193)	-	(3,640,193)	-	-
\$ (34,659,418)	\$ -	\$ (34,659,418)	\$ -	\$ -
\$ -	\$ (532,274)	\$ (532,274)	\$ -	\$ -
\$ (34,659,418)	\$ (532,274)	\$ (35,191,692)	\$ -	\$ -
			\$ (17,863,909)	\$ -
			-	(33,810)
			\$ (17,863,909)	\$ (33,810)
\$ 27,286,754	\$ -	\$ 27,286,754	\$ -	\$ -
2,425,177	-	2,425,177	-	-
265,170	-	265,170	-	-
1,324,798	-	1,324,798	-	-
615,229	-	615,229	-	-
307,833	-	307,833	-	-
1,300,514	-	1,300,514	-	-
484,403	-	484,403	-	-
651,692	-	651,692	-	-
2,654,336	-	2,654,336	-	-
489,376	-	489,376	35,357	(50,013)
-	-	-	18,478,977	-
450,223	266,246	716,469	231,133	3,300
(85,038)	85,038	-	-	-
\$ 38,170,467	\$ 351,284	\$ 38,521,751	\$ 18,745,467	\$ (46,713)
\$ 3,511,049	\$ (180,990)	\$ 3,330,059	\$ 881,558	\$ (80,523)
58,944,679	19,906,312	78,850,991	(5,677,107)	2,545,843
\$ 62,455,728	\$ 19,725,322	\$ 82,181,050	\$ (4,795,549)	\$ 2,465,320

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2018

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
ASSETS					
Cash and cash equivalents	\$ 25,237,035	\$ 35,444,699	\$ 124,010	\$ 39,927	\$ 60,845,671
Cash and cash equivalents in custody of others	-	125,047	-	-	125,047
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	11,439,340	-	-	-	11,439,340
Accounts	253,583	2,138,532	-	-	2,392,115
Note receivable	1,299,997	-	-	-	1,299,997
Restricted cash	1,149,880	97,423	700,000	-	1,947,303
Due from other governmental units	1,168,915	1,000,000	-	-	2,168,915
Prepaid items	14,880	-	-	-	14,880
Total assets	<u>\$ 40,563,630</u>	<u>\$ 38,805,701</u>	<u>\$ 824,010</u>	<u>\$ 39,927</u>	<u>\$ 80,233,268</u>
LIABILITIES					
Accounts payable	\$ 746,294	\$ 685,313	\$ -	\$ -	\$ 1,431,607
Retainage payable	-	93,933	-	-	93,933
Due to component unit - School Board	1,168,860	-	-	-	1,168,860
Total liabilities	<u>\$ 1,915,154</u>	<u>\$ 779,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,694,400</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 11,622,823	\$ -	\$ -	\$ -	\$ 11,622,823
FUND BALANCES					
Nonspendable	\$ 14,880	\$ -	\$ 700,000	\$ -	\$ 714,880
Restricted	1,887,450	143,516	124,010	-	2,154,976
Committed	5,292,710	27,429,259	-	39,927	32,761,896
Assigned	-	10,453,680	-	-	10,453,680
Unassigned	19,830,613	-	-	-	19,830,613
Total fund balances	<u>\$ 27,025,653</u>	<u>\$ 38,026,455</u>	<u>\$ 824,010</u>	<u>\$ 39,927</u>	<u>\$ 65,916,045</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,563,630</u>	<u>\$ 38,805,701</u>	<u>\$ 824,010</u>	<u>\$ 39,927</u>	<u>\$ 80,233,268</u>

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

Total fund balances, balance sheet, governmental funds	\$ 65,916,045
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,915,055
Some of the County's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures and, therefore, are reported as deferred revenue in the funds.	1,850,507
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	5,598,826
Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.	(1,046,508)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,195,908)
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.	(87,582,289)
Net position of governmental activities	<u>\$ 62,455,728</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, 2018

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 26,892,812	\$ -	\$ -	\$ -	\$ 26,892,812
Other local taxes	7,374,816	-	-	-	7,374,816
Permits, privilege fees and regulatory licenses	569,419	8,850,537	-	-	9,419,956
Fines and forfeitures	218,030	-	-	-	218,030
Revenue from use of money and property	223,496	295,033	(29,153)	-	489,376
Charges for services	585,480	-	-	-	585,480
Miscellaneous	380,245	69,978	-	-	450,223
Intergovernmental:					
Contribution from the School Board	-	112,781	-	-	112,781
Commonwealth	6,776,453	-	-	-	6,776,453
Federal	1,294,944	208,965	-	-	1,503,909
Total revenues	\$ 44,315,695	\$ 9,537,294	\$ (29,153)	\$ -	\$ 53,823,836
Expenditures:					
Current:					
General government administration	\$ 3,124,654	\$ 258,487	\$ -	\$ -	\$ 3,383,141
Judicial administration	1,209,041	123,996	-	-	1,333,037
Public safety	11,698,163	1,732,280	-	-	13,430,443
Public works	2,230,920	145,896	-	-	2,376,816
Health and welfare	4,876,535	-	-	-	4,876,535
Education	16,224,499	3,435,342	-	-	19,659,841
Parks, recreation, and cultural	1,353,986	89,714	-	-	1,443,700
Community development	1,358,180	113,826	-	-	1,472,006
Debt service:					
Principal retirement	3,098,875	-	-	-	3,098,875
Interest and other fiscal charges	2,743,334	-	-	-	2,743,334
Bond issuance costs	-	569,330	-	-	569,330
Total expenditures	\$ 47,918,187	\$ 6,468,871	\$ -	\$ -	\$ 54,387,058
Excess (deficiency) of revenues over (under) expenditures	\$ (3,602,492)	\$ 3,068,423	\$ (29,153)	\$ -	\$ (563,222)
Other financing sources (uses):					
Transfers in	\$ 3,541,843	\$ -	\$ -	\$ -	\$ 3,541,843
Transfers out	-	(3,626,881)	-	-	(3,626,881)
Capital lease proceeds	-	656,431	-	-	656,431
Issuance of long-term debt	-	20,840,000	-	-	20,840,000
Bond premium	-	738,503	-	-	738,503
Total other financing sources (uses)	\$ 3,541,843	\$ 18,608,053	\$ -	\$ -	\$ 22,149,896
Net changes in fund balances	\$ (60,649)	\$ 21,676,476	\$ (29,153)	\$ -	\$ 21,586,674
Fund balances at beginning of year	27,086,302	16,349,979	853,163	39,927	44,329,371
Fund balances at end of year	\$ 27,025,653	\$ 38,026,455	\$ 824,010	\$ 39,927	\$ 65,916,045

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, 2018

		<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	\$	21,586,674
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	\$ 5,010,138	
Depreciation expense	<u>(2,843,735)</u>	2,166,403
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,463,828)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		393,942
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 long-term obligations	\$ (20,840,000)	
Premium on bonds	(738,503)	
Proceeds from issuance of capital lease	(656,431)	
Amortization of bond premium	375,399	
Amortization of deferred amount on refunding	(272,258)	
Principal retired on general obligation and lease revenue bonds	2,656,876	
Principal retired on state literary fund loans	250,000	
Principal retired on capital lease obligations	<u>191,999</u>	(19,032,918)
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	\$ (73,300)	
Pension expense	327,093	
OPEB expense	37,653	
Change in accrued interest payable	<u>(430,670)</u>	(139,224)
Change in net position of governmental activities	\$	<u><u>3,511,049</u></u>

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

Statement of Net Position - Proprietary Fund
At June 30, 2018

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,514,622
Receivables (net of allowance for uncollectibles):	
Accounts receivable	<u>1,173,064</u>
Total Current Assets	<u>\$ 4,687,686</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	58,793,002
Equipment	919,319
Construction in progress	351,732
Accumulated depreciation	<u>(20,940,338)</u>
Total Capital Assets	<u>\$ 41,386,069</u>
Total Assets	<u>\$ 46,073,755</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related items	\$ 110,877
OPEB related items	7,666
Deferred charge on refunding	<u>1,852,865</u>
Total deferred outflows of resources	<u>\$ 1,971,408</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 227,656
Customer deposits	275,930
Unearned revenue	681,573
Accrued interest payable	235,512
Long-term obligations - current portion	<u>1,450,399</u>
Total Current Liabilities	<u>\$ 2,871,070</u>
Noncurrent Liabilities	
Long-term obligations - noncurrent portion	<u>25,348,022</u>
Total Liabilities	<u>\$ 28,219,092</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 92,364
OPEB related items	<u>8,385</u>
Total deferred inflows of resources	<u>\$ 100,749</u>
NET POSITION	
Net Investment in capital assets	\$ 16,697,474
Unrestricted assets	<u>3,027,848</u>
Total Net Position	<u><u>\$ 19,725,322</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, 2018

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 1,194,808
Sewer revenues	1,804,162
Availability fees	422,285
Debt fees	2,145,631
Other revenues	<u>266,246</u>
Total operating revenues	\$ <u>5,833,132</u>
Operating expenses:	
Personnel services	\$ 1,204,227
Fringe benefits	387,951
Contractual services	621,691
Depreciation	1,505,544
Other operating expenses	<u>1,353,458</u>
Total operating expenses	\$ <u>5,072,871</u>
Net income (loss) from operations	\$ <u>760,261</u>
Nonoperating revenues (expenses):	
Interest expense	\$ <u>(1,026,289)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,026,289)</u>
Net income (loss) before capital contributions	\$ <u>(266,028)</u>
Capital contributions:	
Capital contributions - County of King George, Virginia (net)	\$ <u>85,038</u>
Change in net position	\$ (180,990)
Net position, beginning of year, as restated	<u>19,906,312</u>
Net position, end of year	<u>\$ 19,725,322</u>

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

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2018

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 5,711,987
Payments to employees (including fringe benefits)	(1,638,633)
Payments for operating activities	<u>(1,917,234)</u>
Net cash provided by operating activities	<u>\$ 2,156,120</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (243,170)
Capital grants and contributions	85,038
Retirement of indebtedness	(1,240,255)
Interest expense	<u>(1,011,045)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,409,432)</u>
Net increase (decrease) in cash and cash equivalents	\$ (253,312)
Cash and cash equivalents at beginning of year	<u>3,767,934</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,514,622</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 760,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,505,544
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(403,474)
(Increase) decrease in deferred outflows - pension related items	31,439
(Increase) decrease in deferred outflows - OPEB related items	(2,898)
Increase (decrease) in accounts payable	57,915
Increase (decrease) in unearned revenue	256,489
Increase (decrease) in customer deposits	25,840
Increase (decrease) in net pension liability	(127,061)
Increase (decrease) in net OPEB liability	(12,834)
Increase (decrease) in deferred inflows - pension related items	58,334
Increase (decrease) in deferred inflows - OPEB related items	8,385
Increase (decrease) in compensated absences	<u>(1,820)</u>
Net cash provided by operating activities	<u><u>\$ 2,156,120</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,072,573
Accounts receivable	<u>112,559</u>
Total assets	<u>\$ 4,185,132</u>
LIABILITIES	
Amounts held for others	\$ 113,170
Amounts held for landfill closure and postclosure costs	4,030,967
Amounts held for social services' clients	<u>40,995</u>
Total liabilities	<u>\$ 4,185,132</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, 2018

Note 1—Summary of Significant Accounting Policies:

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, 2018 (Continued)

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

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

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, 2018 (Continued)

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

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, 2018 (Continued)

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

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, 2018 (Continued)

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

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, 2018 (Continued)

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

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, Landfill Escrow Fund and the School Employee Benefit 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 \$1,213,791 in the General Fund at June 30, 2018.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

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:

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.

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

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 \$771,486 at June 30, 2018 and is comprised of the following:

Property taxes	\$ 534,772
Water & sewer accounts	<u>236,714</u>
Total	<u>\$ 771,486</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 20th and December 5th. 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 acquisition value at the date of donation.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

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, 2018.

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 and OPEB 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 and OPEB plan investments. Lastly the County reports contributions to the pension plan made during the current year and subsequent to the net pension and OPEB 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 and OPEB notes.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension and OPEB liabilities 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 and OPEB plan investments. For more detailed information on these items, reference the pension and OPEB notes.

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, 2018 (Continued)

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

N. Long-term Obligations:

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued and premiums on 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, 2018 (Continued)

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

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, 2018 (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:

	General Fund	Capital Projects	Permanent Fund	Wireless Authority Fund	Total
Fund Balances:					
Nonspendable:					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Prepays	14,880	-	-	-	14,880
Total Nonspendable	<u>\$ 14,880</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 714,880</u>
Restricted:					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Natatorium	-	97,423	-	-	97,423
Energy performance improvements	-	46,093	-	-	46,093
Library	44,948	-	124,010	-	168,958
Grants	692,622	-	-	-	692,622
Total Restricted	<u>\$ 1,887,450</u>	<u>\$ 143,516</u>	<u>\$ 124,010</u>	<u>\$ -</u>	<u>\$ 2,154,976</u>
Committed:					
Education	\$ 1,076,077	\$ -	\$ -	\$ -	\$ 1,076,077
Wireless project	-	-	-	39,927	39,927
Stabilization funds	2,421,515	-	-	-	2,421,515
2019 budget	808,914	-	-	-	808,914
Capital projects	-	27,429,259	-	-	27,429,259
Tourism	523,330	-	-	-	523,330
Recreation	252,679	-	-	-	252,679
Other purposes	210,195	-	-	-	210,195
Total Committed	<u>\$ 5,292,710</u>	<u>\$ 27,429,259</u>	<u>\$ -</u>	<u>\$ 39,927</u>	<u>\$ 32,761,896</u>
Assigned:					
Turf resurfacing	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital projects	-	10,053,680	-	-	10,053,680
Total Assigned	<u>\$ -</u>	<u>\$ 10,453,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,453,680</u>
Unassigned	<u>\$ 19,830,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,830,613</u>
Total Fund Balances	<u>\$ 27,025,653</u>	<u>\$ 38,026,455</u>	<u>\$ 824,010</u>	<u>\$ 39,927</u>	<u>\$ 65,916,045</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

V. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. 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. The implementation of this Statement resulted in the following restatements 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, 2017 \$	59,768,507	\$ 19,989,484	\$ 79,757,991	\$ 142,447
Implementation of GASB 75	<u>(823,828)</u>	<u>(83,172)</u>	<u>(907,000)</u>	<u>(5,819,554)</u>
Net Position as restated June 30, 2017 \$	<u>58,944,679</u>	<u>\$ 19,906,312</u>	<u>\$ 78,850,991</u>	<u>\$ (5,677,107)</u>

Governmental Accounting Standards Board Statement No. 85, *Omnibus*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

W. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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, 2018 (Continued)

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2018 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Rated Debt Investments	County's Rated Debt Investments' Values						
	Fair Quality Ratings						
	AAAm	AAA	AA+	AA	AA-	A+	A-1+
U.S. Agencies	\$ -	\$ -	\$ 6,683,313	\$ -	\$ -	\$ -	\$ -
Local Government Investment Pool	6,023,647	-	-	-	-	-	-
State Non-Arbitrage Pool	20,378,127	-	-	-	-	-	-
Money Market Fund	1,160,632	-	-	-	-	-	-
Supranational Bonds	-	1,583,845	-	-	-	-	-
Corporate Notes	-	687,116	773,929	460,209	1,265,696	306,171	-
Commercial Paper	-	-	-	-	-	-	547,533
Total	<u>\$ 27,562,406</u>	<u>\$ 2,270,961</u>	<u>\$ 7,457,242</u>	<u>\$ 460,209</u>	<u>\$ 1,265,696</u>	<u>\$ 306,171</u>	<u>\$ 547,533</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)				
	Fair Value	Less Than 1 Year	1-5 Years	5-9 Years	Greater Than 10 Years
Corporate Notes	\$ 3,493,121	\$ 451,887	\$ 3,041,234	\$ -	\$ -
Commercial Paper	547,533	547,533	-	-	-
U.S. Agencies	6,683,312	1,533,866	4,345,405	4,865	799,176
Supranational Bonds	1,583,845	-	1,583,845	-	-
U.S. Treasuries	6,741,377	-	6,741,377	-	-
Total	<u>\$ 19,049,188</u>	<u>\$ 2,533,286</u>	<u>\$ 15,711,861</u>	<u>\$ 4,865</u>	<u>\$ 799,176</u>

External Investment Pools

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

Note 3—Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 3–Fair Value Measurements: (Continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2018:

<u>Investment</u>	<u>June 30, 2018</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Corporate Notes	\$ 3,493,121	\$ 3,493,121
U.S. Agencies	6,683,312	6,683,312
Money Market Fund	1,160,632	1,160,632
Supranational Bonds	1,583,845	1,583,845
Commercial Paper	547,533	547,533
U.S. Treasuries	6,741,377	6,741,377
Total	\$ 20,209,820	\$ 20,209,820

Note 4–Due From Other Governments:

At June 30, 2018, the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 595,572
PPTRA	1,088,066	-
Local sales taxes	429,849	-
Communications tax	56,813	-
Public assistance	42,258	-
Shared expenses	146,227	-
CSA	270,095	-
Other	54,243	-
Federal Government:		
School funds	-	689,317
Public assistance	81,364	-
Totals	\$ 2,168,915	\$ 1,284,889

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 5–Due To/From Primary Government/Component Units:

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 1,168,860	\$ -
School Board	-	1,168,860
Totals	<u>\$ 1,168,860</u>	<u>\$ 1,168,860</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.

Note 6–Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 3,541,843	\$ -
Service Authority	85,038	-
Capital Improvements Fund	-	3,626,881
Total	<u>\$ 3,626,881</u>	<u>\$ 3,626,881</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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 7—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2018:

Primary Government:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	\$ -	\$ -	\$ 6,050,806
Construction in progress-jointly owned assets	3,105,836	2,509,411	-	5,615,247
Construction in progress	<u>3,418,903</u>	<u>537,271</u>	<u>1,718,604</u>	<u>2,237,570</u>
Total capital assets not being depreciated	<u>\$ 12,575,545</u>	<u>\$ 3,046,682</u>	<u>\$ 1,718,604</u>	<u>\$ 13,903,623</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 37,223,639	\$ 1,718,604	\$ -	\$ 38,942,243
Equipment	11,674,825	1,963,456	123,863	13,514,418
Jointly owned assets	<u>39,902,220</u>	<u>-</u>	<u>2,230,876</u>	<u>37,671,344</u>
Total capital assets being depreciated	<u>\$ 88,800,684</u>	<u>\$ 3,682,060</u>	<u>\$ 2,354,739</u>	<u>\$ 90,128,005</u>
Accumulated depreciation:				
Buildings and improvements	\$ 8,195,661	\$ 939,869	\$ -	\$ 9,135,530
Equipment	8,219,252	962,082	123,863	9,057,471
Jointly owned assets	<u>6,748,836</u>	<u>941,784</u>	<u>767,048</u>	<u>6,923,572</u>
Total accumulated depreciation	<u>\$ 23,163,749</u>	<u>\$ 2,843,735</u>	<u>\$ 890,911</u>	<u>\$ 25,116,573</u>
Total capital assets being depreciated, net	<u>\$ 65,636,935</u>	<u>\$ 838,325</u>	<u>\$ 1,463,828</u>	<u>\$ 65,011,432</u>
Governmental activities capital assets, net	<u>\$ 78,212,480</u>	<u>\$ 3,885,007</u>	<u>\$ 3,182,432</u>	<u>\$ 78,915,055</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 7—Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Beginning Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2018</u>
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>108,562</u>	<u>243,170</u>	<u>-</u>	<u>351,732</u>
Total capital assets not being depreciated	<u>\$ 2,370,916</u>	<u>\$ 243,170</u>	<u>\$ -</u>	<u>\$ 2,614,086</u>
Capital assets being depreciated:				
Infrastructure	\$ 58,793,002	\$ -	\$ -	\$ 58,793,002
Equipment	<u>919,319</u>	<u>-</u>	<u>-</u>	<u>919,319</u>
Total capital assets being depreciated	<u>\$ 59,712,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,712,321</u>
Accumulated depreciation:				
Infrastructure	\$ 18,639,673	\$ 1,469,563	\$ -	\$ 20,109,236
Equipment	<u>795,121</u>	<u>35,981</u>	<u>-</u>	<u>831,102</u>
Total accumulated depreciation	<u>\$ 19,434,794</u>	<u>\$ 1,505,544</u>	<u>\$ -</u>	<u>\$ 20,940,338</u>
Total capital assets being depreciated, net	<u>\$ 40,277,527</u>	<u>\$ (1,505,544)</u>	<u>\$ -</u>	<u>\$ 38,771,983</u>
Business-type activities capital assets, net	<u>\$ 42,648,443</u>	<u>\$ (1,262,374)</u>	<u>\$ -</u>	<u>\$ 41,386,069</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 7—Capital Assets: (Continued)**Discretely Presented Component Unit—School Board:**

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 173,134	\$ -	\$ -	\$ 173,134
Construction in progress	<u>1,002,963</u>	<u>355,476</u>	<u>145,935</u>	<u>1,212,504</u>
Total capital assets not being depreciated	<u>\$ 1,176,097</u>	<u>\$ 355,476</u>	<u>\$ 145,935</u>	<u>\$ 1,385,638</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,001,742	\$ 145,935	\$ -	\$ 28,147,677
Equipment	7,877,134	589,786	244,301	8,222,619
Jointly owned assets	<u>25,109,570</u>	<u>2,230,876</u>	<u>-</u>	<u>27,340,446</u>
Total capital assets being depreciated	<u>\$ 60,988,446</u>	<u>\$ 2,966,597</u>	<u>\$ 244,301</u>	<u>\$ 63,710,742</u>
Accumulated depreciation:				
Buildings and improvements	\$ 16,953,082	\$ 1,314,721	\$ -	\$ 18,267,803
Equipment	5,084,927	531,250	244,301	5,371,876
Jointly owned assets	<u>6,634,761</u>	<u>767,048</u>	<u>-</u>	<u>7,401,809</u>
Total accumulated depreciation	<u>\$ 28,672,770</u>	<u>\$ 2,613,019</u>	<u>\$ 244,301</u>	<u>\$ 31,041,488</u>
Total capital assets being depreciated, net	<u>\$ 32,315,676</u>	<u>\$ 353,578</u>	<u>\$ -</u>	<u>\$ 32,669,254</u>
School Board capital assets, net	<u>\$ 33,491,773</u>	<u>\$ 709,054</u>	<u>\$ 145,935</u>	<u>\$ 34,054,892</u>

Reconciliation of primary government net investment in capital assets:

Net capital assets	<u>\$ 78,915,055</u>
Long-term debt applicable to capital assets at June 30, 2018	\$ (65,717,703)
Deferred charge on refunding	<u>4,400,353</u>
Net investment in capital assets	<u>\$ 17,597,705</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 7—Capital Assets: (Continued)

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

Governmental activities:

General government	\$ 125,951
Judicial administration	45,387
Public safety	1,344,426
Public works	56,747
Health and Welfare	27,033
Education	941,784
Parks, recreation and cultural	289,248
Community development	<u>13,159</u>

Total \$ 2,843,735

Component Unit-School Board \$ 1,845,971 (1)

King George Service Authority \$ 1,505,544

(1) Depreciation expense \$ 1,845,971
Accumulated depreciation on Joint tenancy asset transfer 767,048

Total increase in accumulated depreciation, page 51 \$ 2,613,019

Assets acquired under capital leases are as follows:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 912,386	\$ 91,239	\$ 116,835
Construction in Progress	<u>3,783,414</u>	<u>-</u>	<u>-</u>
Total	\$ <u><u>4,695,800</u></u>	\$ <u><u>91,239</u></u>	\$ <u><u>116,835</u></u>

Note 8—Restricted Assets:

Restricted assets at June 30, 2018 consist of the following:

Smoot library	\$ 700,000
Natatorium donation	97,423
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u><u>1,947,303</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 9—Other Assets:

Notes Receivable:

\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	\$ 299,997
\$1,000,000 note receivable from the EDA of King George County upon sale of property in the Industrial Park, interest at 0%	<u>1,000,000</u>
Total notes receivable	\$ <u><u>1,299,997</u></u>

Note 10—Long-Term Obligations:

Governmental Activities:

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2018:

	<u>Balance July 1, 2017 As Restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 11,367,220	\$ 20,840,000	\$ 936,876	\$ 31,270,344	\$ 1,097,117
Revenue Bonds	43,455,000	-	1,720,000	41,735,000	1,780,000
State Literary Fund Loans	500,000	-	250,000	250,000	250,000
Capital leases	4,151,956	656,430	191,999	4,616,387	353,237
Compensated Absences	825,456	155,846	82,546	898,756	89,876
Net OPEB liability	871,060	26,413	130,579	766,894	-
Net Pension Liability	2,304,463	3,682,898	4,909,178	1,078,183	-
Premium on bonds	<u>6,603,620</u>	<u>738,504</u>	<u>375,399</u>	<u>6,966,725</u>	<u>412,324</u>
Total	\$ <u><u>70,078,775</u></u>	\$ <u><u>26,100,091</u></u>	\$ <u><u>8,596,577</u></u>	\$ <u><u>87,582,289</u></u>	\$ <u><u>3,982,554</u></u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—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		Capital Leases		State Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,877,117	\$ 3,367,905	\$ 353,237	\$ 98,760	\$ 250,000	\$ 7,500
2020	3,222,896	3,081,280	370,518	89,797	-	-
2021	3,354,237	2,937,854	387,960	80,434	-	-
2022	3,486,173	2,795,597	405,567	70,670	-	-
2023	3,617,431	2,648,902	368,105	60,485	-	-
2024	3,758,354	2,479,706	242,000	51,678	-	-
2025	3,900,681	2,300,994	256,000	46,748	-	-
2026	4,043,623	2,114,934	271,000	41,531	-	-
2027	4,118,672	1,936,017	286,000	36,016	-	-
2028	4,266,160	1,749,731	301,000	30,205	-	-
2029	4,330,000	1,598,097	318,000	24,077	-	-
2030	4,465,000	1,444,587	335,000	17,612	-	-
2031	4,610,000	1,163,584	352,000	10,811	-	-
2032	4,495,000	867,313	370,000	3,662	-	-
2033	4,265,000	679,887	-	-	-	-
2034	4,440,000	497,026	-	-	-	-
2035	3,415,000	335,509	-	-	-	-
2036	3,550,000	193,331	-	-	-	-
2037	1,380,000	90,675	-	-	-	-
2038	1,410,000	45,820	-	-	-	-
Total	\$ <u>73,005,344</u>	\$ <u>32,328,750</u>	\$ <u>4,616,387</u>	\$ <u>662,486</u>	\$ <u>250,000</u>	\$ <u>7,500</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$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)	\$ 580,000	\$ 580,000
\$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)	190,000	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%	25,375,000	1,005,000
\$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>15,590,000</u>	<u>5,000</u>
Total Revenue Bonds	\$ <u>41,735,000</u>	\$ <u>1,780,000</u>
<u>General Obligation Bonds:</u>		
\$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%	\$ 4,200,000	\$ 350,000
\$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%.	2,804,492	329,318
\$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%	3,425,852	317,799
\$20,840,000 VPSA Bonds, payable in various installments through February 1, 2038, interest payable semiannually at rates ranging from 2.0% to 5.0%	<u>20,840,000</u>	<u>100,000</u>
Total General Obligation Bonds	\$ <u>31,270,344</u>	\$ <u>1,097,117</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>73,005,344</u>	\$ <u>2,877,117</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—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>250,000</u>	\$ <u>250,000</u>
<u>Capital Lease Obligations:</u>		
\$3,896,000 lease obligation due in various annual installments through September 1, 2031, interest payable annually at 1.98%, secured by energy performance improvements	\$ 3,752,000	\$ 180,000
\$255,956 lease obligation due in various annual installments through November 1, 2021, interest payable annually at 3.22%, secured by communications equipment.	207,956	49,544
\$656,431 lease obligation due in various annual installments through November 1, 2022, interest payable annually at 2.979%, secured by communications equipment.	<u>656,431</u>	<u>123,693</u>
Total Capital Lease Obligations	\$ <u>4,616,387</u>	\$ <u>353,237</u>
Compensated Absences	\$ <u>898,756</u>	\$ <u>89,876</u>
Premium on bonds	\$ <u>6,966,725</u>	\$ <u>412,324</u>
Net OPEB Liability	\$ <u>766,894</u>	\$ <u>-</u>
Net Pension Liability	\$ <u>1,078,183</u>	\$ <u>-</u>
Total long-term obligations	\$ <u><u>87,582,289</u></u>	\$ <u><u>3,982,554</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—Long-Term Obligations: (Continued)

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, 2018:

Proprietary Funds	Balance July 1, 2017 As Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018	Due Within One Year
Note Payable	\$ 316,664	\$ -	\$ 16,667	\$ 299,997	\$ 16,667
VRA Water and Sewer Revenue Bonds	3,489,253	-	158,588	3,330,665	163,026
VRA Infrastructure Revenue Bonds	4,470,000	-	240,000	4,230,000	250,000
Compensated absences	78,080	9,894	11,712	76,262	11,439
Virginia Revenue Refunding Bond	4,425,000	-	345,000	4,080,000	360,000
Water and Sewer Refunding Bonds	13,585,000	-	480,000	13,105,000	549,000
Net OPEB liability	87,940	2,587	15,421	75,106	-
Net pension liability	232,654	360,067	487,128	105,593	-
Premium on bonds	1,596,065	-	100,267	1,495,798	100,267
Total	\$ 28,280,656	\$ 372,548	\$ 1,854,783	\$ 26,798,421	\$ 1,450,399

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

Year Ending June 30,	Virginia Revenue Refunding Bond		VRA Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 360,000	\$ 179,994	\$ 163,026	\$ 93,505
2020	380,000	162,354	167,588	88,943
2021	395,000	145,610	172,280	84,250
2022	410,000	129,823	177,104	79,427
2023	425,000	111,573	182,064	74,467
2024	275,000	95,771	187,163	69,367
2025	285,000	83,572	192,406	64,124
2026	300,000	70,625	197,798	58,732
2027	230,000	58,495	203,343	53,188
2028	235,000	46,930	209,042	47,487
2029	250,000	34,320	214,905	41,626
2030	260,000	21,060	220,932	35,598
2031	275,000	7,150	227,130	29,401
2032	-	-	233,502	23,028
2033	-	-	240,056	16,475
2034	-	-	246,794	9,736
2035	-	-	95,532	2,807
Total	\$ 4,080,000	\$ 1,147,277	\$ 3,330,665	\$ 872,161

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—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
2019	\$ 16,667	\$ -	\$ 549,000	\$ 479,635	\$ 250,000	\$ 196,788
2020	16,667	-	572,000	456,925	255,000	184,941
2021	16,667	-	587,000	431,394	255,000	172,772
2022	16,667	-	618,000	403,281	260,000	160,475
2023	16,667	-	650,000	373,605	265,000	147,022
2024	16,667	-	854,000	341,197	270,000	133,313
2025	16,667	-	887,000	308,809	275,000	119,347
2026	16,667	-	918,000	277,395	285,000	104,997
2027	16,667	-	1,032,000	243,486	285,000	90,816
2028	16,667	-	1,069,000	207,067	295,000	76,828
2029	16,667	-	1,108,000	169,146	300,000	62,481
2030	16,667	-	1,143,000	130,520	305,000	50,028
2031	16,667	-	1,183,000	91,181	305,000	37,447
2032	16,667	-	858,000	54,022	315,000	22,484
2033	16,667	-	671,000	25,140	150,000	11,294
2034	16,667	-	406,000	6,662	160,000	3,850
2035	16,667	-	-	-	-	-
2036	16,658	-	-	-	-	-
Total	\$ 299,997	\$ -	\$ 13,105,000	\$ 3,999,465	\$ 4,230,000	\$ 1,574,883

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	\$ 299,997	\$ 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%	2,770,000	90,000
\$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%	4,895,000	260,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—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>
\$280,000 Virginia Resources Authority Refunding bond issued May 11, 2016 payable in one principal annual installment on October 1, 2032 interest payable semiannually at 3.839%	\$ 280,000	\$ -
\$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%	4,080,000	360,000
\$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%	170,000	170,000
\$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%	80,000	80,000
\$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%	345,000	171,000
\$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%	4,815,000	28,000
\$2,500,000 VRA Revenue Bonds Series 2014, payable in various annual installments through December 1, 2034, interest payable semiannually at 2.46%.	2,130,204	105,255
\$1,340,270 VRA Revenue Bonds Series 2014, payable in various annual installments through March 1, 2035, interest payable semiannually at 2.25%.	1,200,461	57,771
Total long-term debt	\$ 25,045,662	\$ 1,338,693
Compensated absences	\$ 76,262	\$ 11,439
Premium on bonds	\$ 1,495,798	\$ 100,267
Net OPEB Liability	\$ 75,106	\$ -
Net Pension Liability	\$ 105,593	\$ -
Total long-term obligations	\$ 26,798,421	\$ 1,450,399

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 10—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2018:

	Balance July 1, 2017 As Restated	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Net OPEB liability	\$ 7,049,258	\$ 1,014,682	\$ 763,979	\$ 7,299,961	\$ -
Net pension liability	37,516,135	8,706,795	11,091,930	35,131,000	-
Compensated absences payable	<u>425,833</u>	<u>93,022</u>	<u>42,583</u>	<u>476,272</u>	<u>47,627</u>
Total	<u>\$ 44,991,226</u>	<u>\$ 9,814,499</u>	<u>\$ 11,898,492</u>	<u>\$ 42,907,233</u>	<u>\$ 47,627</u>

Details of long-term obligations are as follows:

	Amount Outstanding	Due Within One Year
Compensated Absences	\$ <u>476,272</u>	\$ <u>47,627</u>
Net OPEB liability	\$ <u>7,299,961</u>	\$ <u>-</u>
Net Pension Liability	\$ <u>35,131,000</u>	\$ <u>-</u>
Total	<u>\$ 42,907,233</u>	<u>\$ 47,627</u>

Note 11—Compensated Absences:

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>898,756</u>
King George Service Authority	\$ <u>76,262</u>
Component Unit School Board	\$ <u>476,272</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 12—Deferred/Unavailable//Unearned Revenue:

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:

	Government-wide Statements	
	Governmental Activities	Business-type Activities
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.	\$ 9,067,585	\$ -
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	704,731	-
Unearned revenue - prepaid connections	-	681,573
Total	\$ <u>9,772,316</u>	\$ <u>681,573</u>
	Balance Sheet	
	Governmental Funds	
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.	\$ 10,918,092	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>704,731</u>	
Total	\$ <u>11,622,823</u>	

Note 13—Litigation:

The County had no pending litigation at June 30, 2018.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the 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. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through County of King George, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. 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
About Plan 1 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.	About Plan 2 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as 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">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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>Hybrid Opt-In Election (Cont.) 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>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <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>Retirement Contributions 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 are paying the full 5% as of 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>Retirement Contributions 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 are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</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>Vesting (Cont.)</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component: (Cont.)</u></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><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> <ul style="list-style-type: none"> After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. 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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation 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, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: 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>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: 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>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: 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, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: 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>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement 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>Cost-of-Living Adjustment (COLA) in Retirement 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>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description: (Continued)

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage 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>Disability Coverage 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, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Plan Description: (Continued)

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	87	50
Inactive members:		
Vested inactive members	33	4
Non-vested inactive members	63	25
Inactive members active elsewhere in VRS	69	20
Total inactive members	165	49
Active members	209	91
Total covered employees	461	190

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, 2018 was 7.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$779,719 and \$762,337 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 5.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$130,215 and \$138,858 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 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:

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related: (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

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

Mortality rates: (Continued)

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related: (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

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

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

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

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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–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, 2019, 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, 2019 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 (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 32,642,750	\$ 30,105,633	\$ 2,537,117
Changes for the year:			
Service cost	\$ 1,137,044	\$ -	\$ 1,137,044
Interest	2,245,492	-	2,245,492
Changes of assumptions	(424,738)	-	(424,738)
Differences between expected and actual experience	629,950	-	629,950
Contributions - employer	-	747,883	(747,883)
Contributions - employee	-	517,641	(517,641)
Net investment income	-	3,699,701	(3,699,701)
Benefit payments, including refunds of employee contributions	(1,128,596)	(1,128,596)	-
Administrative expenses	-	(20,821)	20,821
Other changes	-	(3,315)	3,315
Net changes	\$ 2,459,152	\$ 3,812,493	\$ (1,353,341)
Balances at June 30, 2017	\$ 35,101,902	\$ 33,918,126	\$ 1,183,776

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 6,794,349	\$ 6,522,214	\$ 272,135
Changes for the year:			
Service cost	\$ 214,430	\$ -	\$ 214,430
Interest	466,048	-	466,048
Changes of assumptions	(8,319)	-	(8,319)
Differences between expected and actual experience	90,055	-	90,055
Contributions - employer	-	132,035	(132,035)
Contributions - employee	-	122,274	(122,274)
Net investment income	-	799,422	(799,422)
Benefit payments, including refunds of employee contributions	(273,029)	(273,029)	-
Administrative expenses	-	(4,549)	4,549
Other changes	-	(713)	713
Net changes	\$ 489,185	\$ 775,440	\$ (286,255)
Balances at June 30, 2017	\$ 7,283,534	\$ 7,297,654	\$ (14,120)

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County Net Pension Liability (Asset)	\$ 6,096,430	\$ 1,183,776	\$ (2,863,589)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 864,104	\$ (14,120)	\$ (753,292)

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$400,884 and \$15,730, respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 463,297	\$ 232,561	\$ 62,260	\$ 65,927
Change in assumptions	-	312,373	-	5,751
Net difference between projected and actual earnings on pension plan investments	-	508,323	-	106,729
Employer contributions subsequent to the measurement date	<u>779,719</u>	<u>-</u>	<u>130,215</u>	<u>-</u>
Total	<u>\$ 1,243,016</u>	<u>\$ 1,053,257</u>	<u>\$ 192,475</u>	<u>\$ 178,407</u>

\$779,919 and \$130,215 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2019	\$ (376,805)	\$ (94,955)
2020	77,068	43,069
2021	27,448	4,481
2022	(317,671)	(68,742)

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,621,511 and \$3,329,306 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$35,131,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .28566% as compared to .26576% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$3,296,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, 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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,489,000
Change in assumptions	513,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,916,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,276,000
Employer contributions subsequent to the measurement date	<u>3,621,511</u>	<u>-</u>
Total	<u>\$ 7,050,511</u>	<u>\$ 3,765,000</u>

\$3,621,511 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (676,000)
2020	597,000
2021	214,000
2022	(628,000)
2023	157,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–Pension Plan: (Continued)

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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>12,297,975</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14–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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2019, 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, 2019 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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 52,462,000	\$ 35,131,000	\$ 20,794,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Risk Management:

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 16—Landfill Closure and Postclosure Care Cost:

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, 2018 the County has set aside escrow funds in the amount of \$4,030,967 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 17—Commitments and Contingencies:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2, Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

At June 30, 2018 the County had Outstanding Construction Commitments totaling \$17,843,036.

Note 18—Expenditures Over Appropriations:

At June 30, 2018 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public works miscellaneous	\$ 90,649	\$ 136,684	\$ (46,035)
Capital Projects Fund:			
Bond issuance costs	413,030	569,330	(156,300)

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 19—Surety Bond:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Charles V. Mason, Clerk of the Circuit Court	\$ 25,000
Randy R. Jones, Treasurer	400,000
Judy Hart, 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 20—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description: (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$57,000 and \$52,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to School Professional Plan were \$119,000 and \$117,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the School Nonprofessional Plan were \$13,000 and \$12,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County, School Board (Professional) and School Board (Nonprofessional) reported a liabilities of \$842,000, \$1,856,000, and \$205,000, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, County, School Board (Professional) and School Board (Nonprofessional)'s proportion were .05593%, .12337% and .01359% respectively, as compared to .05481% .11286% and .01195% at June 30, 2016.

For the year ended June 30, 2018, the County, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of \$12,000, \$50,000, and \$6,000 respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Primary Government</u>		<u>School Professional</u>		<u>School Nonprofessional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,000	\$ -	\$ 41,000	\$ -	\$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	32,000	-	70,000	-	8,000
Change in assumptions	-	43,000	-	96,000	-	11,000
Changes in proportion	17,000	-	155,000	-	25,000	-
Employer contributions subsequent to the measurement date	<u>57,000</u>	<u>-</u>	<u>119,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Total	<u>\$ 74,000</u>	<u>\$ 94,000</u>	<u>\$ 274,000</u>	<u>\$ 207,000</u>	<u>\$ 38,000</u>	<u>\$ 23,000</u>

\$57,000, \$119,000, and \$13,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the respective County, School Board (Professional) and School Board (Nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>School Professional</u>	<u>School Nonprofessional</u>
2019	\$ (16,000)	\$ (14,000)	\$ (1,000)
2020	(16,000)	(14,000)	(1,000)
2021	(16,000)	(14,000)	(1,000)
2022	(16,000)	(10,000)	(1,000)
2023	(8,000)	-	1,000
Thereafter	(5,000)	-	5,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

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

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

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

Mortality Rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees: (Continued)

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

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

Mortality Rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees: (Continued)

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

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

Mortality Rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees: (Continued)

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 20—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
Proportionate share of the Group Life Insurance Program Net OPEB Liability:				
Primary Government	\$	1,089,000	\$ 842,000	\$ 642,000
School Professional		2,401,000	1,856,000	1,415,000
School Nonprofessional		265,000	205,000	156,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$281,000 and \$253,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$3,654,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .28805% as compared to .26574% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$334,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 7,000
Change in assumptions	-	37,000
Change in proportion	246,000	-
Employer contributions subsequent to the measurement date	<u>281,000</u>	<u>-</u>
Total	<u>\$ 527,000</u>	<u>\$ 44,000</u>

\$281,000 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ 30,000
2020	30,000
2021	30,000
2022	30,000
2023	31,000
Thereafter	51,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

Long-Term Expected Rate of Return

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 21—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,078,000	\$ 3,654,000	\$ 3,293,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

Note 22— Health Insurance – Pay-as-you-Go (OPEB Plan) – School Board:

Plan Description

In addition to the pension benefits described in Note 14, the School Board administers a single-employer defined benefit healthcare plan, The School Board Post-Retirement Medical Plan (SBPRMP). The plan 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. In addition, participants must be eligible to receive immediate pension benefits from the Virginia Retirement System (VRS). The SBPRMP has no separate financial report.

Benefits Provided

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.

Plan Membership

At January 1, 2017 (valuation date), the following employees were covered by the benefit terms:

Active	\$	545
Retirees		<u>11</u>
Total	\$	<u><u>556</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2018 was \$62,723.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 22—Health Insurance – Pay-as-you-Go (OPEB Plan) – School Board: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.87%

Mortality Rates:

- Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. Please see the appendices for more details.
- Post-Retirement: RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year.
- Post-Disablement: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index. The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of the fiscal year with the expectation that the School Board will continue paying the pay-go cost.

Changes in Total OPEB Liability

Changes in Net OPEB Liability - School Board	
	Primary Government Total OPEB Liability
Balances at June 30, 2017	\$ 1,494,258
Changes for the year:	
Service cost	142,484
Interest	56,198
Changes in assumptions	(45,256)
Benefit payments	(62,723)
Net changes	90,703
Balances at June 30, 2018	\$ 1,584,961

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 22—Health Insurance – Pay-as-you-Go (OPEB Plan) – School Board: (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 1,709,344	\$ 1,584,961	\$ 1,467,766

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.90% increasing to an ultimate rate of 3.20%) or one percentage point higher (9.90% increasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
1% Decrease (7.90% increasing to 3.20%)	Healthcare Cost Trend (8.90% decreasing to 4.20%)	1% Increase (9.90% decreasing to 5.20%)
\$ 1,377,836	\$ 1,584,961	\$ 1,832,181

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$189,254. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 35,828

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

Note 22—Health Insurance – Pay-as-you-Go (OPEB Plan) – School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2019	\$	(9,428)
2020		(9,428)
2021		(9,428)
2022		(7,544)
2023		-
Thereafter		-

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

Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:

	<u>Primary Government</u>			<u>Component Unit School Board</u>		
	<u>Net OPEB Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
School Pay-as-you-go (Note 22)	\$ -	\$ -	\$ -	\$ 1,584,961	\$ -	\$ 35,828
Group Life County - (Note 20)	842,000	74,000	94,000	-	-	-
Group Life - School Professional (Note 20)	-	-	-	1,856,000	274,000	207,000
Group Life - School Nonprofessional (Note 20)	-	-	-	205,000	38,000	23,000
Teacher HIC Program (Note 21)	-	-	-	3,654,000	527,000	44,000
Total	<u>\$ 842,000</u>	<u>\$ 74,000</u>	<u>\$ 94,000</u>	<u>\$ 7,299,961</u>	<u>\$ 839,000</u>	<u>\$ 309,828</u>

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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.

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 25,708,024	\$ 25,708,024	\$ 26,892,812	\$ 1,184,788
Other local taxes	6,709,700	6,709,700	7,374,816	665,116
Permits, privilege fees and regulatory licenses	484,525	484,525	569,419	84,894
Fines and forfeitures	193,500	193,500	218,030	24,530
Revenue from use of money and property	169,000	169,000	223,496	54,496
Charges for services	502,872	502,872	585,480	82,608
Miscellaneous	255,215	255,215	380,245	125,030
Recovered costs	130,000	130,000	-	(130,000)
Intergovernmental:				
Commonwealth	6,775,534	6,785,534	6,776,453	(9,081)
Federal	939,810	1,269,570	1,294,944	25,374
Total revenues	\$ 41,868,180	\$ 42,207,940	\$ 44,315,695	\$ 2,107,755
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 93,101	\$ 109,436	\$ 109,436	\$ -
General and financial administration:				
County administration	\$ 364,871	\$ 386,940	\$ 386,940	\$ -
Legal services	140,000	140,000	131,360	8,640
Human resources	186,710	197,956	174,294	23,662
Commissioner of the Revenue	371,651	378,870	378,868	2
Reassessment	10,198	21,451	4,310	17,141
Treasurer	335,441	337,017	327,826	9,191
Information technology	497,442	522,026	508,067	13,959
Department of finance	866,922	869,867	839,221	30,646
Total general and financial administration	\$ 2,773,235	\$ 2,854,127	\$ 2,750,886	\$ 103,241
Board of Elections:				
Electoral board and officials	\$ 104,954	\$ 104,954	\$ 98,346	\$ 6,608
Registrar	186,522	191,531	165,986	25,545
Total board of elections	\$ 291,476	\$ 296,485	\$ 264,332	\$ 32,153
Total general government administration	\$ 3,157,812	\$ 3,260,048	\$ 3,124,654	\$ 135,394

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018 (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	\$ 78,676	\$ 79,706	\$ 74,590	\$ 5,116
Combined courts	25,725	25,725	19,218	6,507
Magistrates	2,300	2,300	2,043	257
Clerk of the circuit court	488,902	494,638	471,816	22,822
Victim assistance program	80,119	80,609	70,799	9,810
Total courts	\$ 675,722	\$ 682,978	\$ 638,466	\$ 44,512
Commonwealth's attorney:				
Commonwealth's attorney	\$ 583,632	\$ 586,728	\$ 570,575	\$ 16,153
Total judicial administration	\$ 1,259,354	\$ 1,269,706	\$ 1,209,041	\$ 60,665
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,012,604	\$ 4,171,437	\$ 4,048,828	\$ 122,609
VJCCCA / CHINS	71,262	72,558	72,229	329
E-911	737,535	762,631	618,220	144,411
Other law enforcement	40,765	40,765	10,381	30,384
Public safety grants	20,654	20,654	12,019	8,635
Total law enforcement and traffic control	\$ 4,882,820	\$ 5,068,045	\$ 4,761,677	\$ 306,368
Fire and rescue services:				
Emergency services	\$ 4,261,100	\$ 4,470,284	\$ 4,211,601	\$ 258,683
Ambulance services	36,500	36,500	30,270	6,230
Fire and rescue grants	207,820	986,423	438,256	548,167
King George fire and rescue	419,155	503,458	486,456	17,002
Total fire and rescue services	\$ 4,924,575	\$ 5,996,665	\$ 5,166,583	\$ 830,082
Correction and detention:				
Juvenile detention	\$ 442,281	\$ 442,281	\$ 409,619	\$ 32,662
Regional jail	1,045,486	1,045,486	1,045,487	(1)
Total correction and detention	\$ 1,487,767	\$ 1,487,767	\$ 1,455,106	\$ 32,661

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018 (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	\$ 307,674	\$ 314,715	\$ 314,477	\$ 238
Medical examiner	-	320	320	-
Total other protection	\$ 307,674	\$ 315,035	\$ 314,797	\$ 238
Total public safety	\$ 11,602,836	\$ 12,867,512	\$ 11,698,163	\$ 1,169,349
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 122,012	\$ 175,837	\$ 169,756	\$ 6,081
Sanitation and waste removal:				
Landfill	\$ 236,179	\$ 239,051	\$ 237,449	\$ 1,602
Maintenance of general buildings and grounds:				
General properties	\$ 1,655,566	\$ 1,703,076	\$ 1,645,746	\$ 57,330
Miscellaneous	343,500	90,649	136,684	(46,035)
Citizen's center	50,034	50,034	41,285	8,749
Total maintenance of general buildings and grounds	\$ 2,049,100	\$ 1,843,759	\$ 1,823,715	\$ 20,044
Total public works	\$ 2,407,291	\$ 2,258,647	\$ 2,230,920	\$ 27,727
Health and welfare:				
Health:				
Local health department	\$ 308,415	\$ 308,415	\$ 308,415	-
Mental health and mental retardation:				
Community services board	\$ 102,483	\$ 102,483	\$ 102,483	-
Welfare:				
Administration and public assistance	\$ 2,183,250	\$ 2,183,250	\$ 2,082,634	\$ 100,616
Childrens services	2,410,074	2,410,074	2,383,003	27,071
Total welfare	\$ 4,593,324	\$ 4,593,324	\$ 4,465,637	\$ 127,687
Total health and welfare	\$ 5,004,222	\$ 5,004,222	\$ 4,876,535	\$ 127,687

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018 (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	\$ 11,100	\$ 11,100	\$ 11,100	\$ -
Contribution to Component Unit School Board	16,712,707	17,519,553	16,213,399	1,306,154
Total education	\$ 16,723,807	\$ 17,530,653	\$ 16,224,499	\$ 1,306,154
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 362,205	\$ 376,220	\$ 354,966	\$ 21,254
Recreation programs and events	431,572	460,969	456,553	4,416
Total parks and recreation	\$ 793,777	\$ 837,189	\$ 811,519	\$ 25,670
Library:				
Library	\$ 543,712	\$ 572,857	\$ 542,467	\$ 30,390
Total parks, recreation and cultural	\$ 1,337,489	\$ 1,410,046	\$ 1,353,986	\$ 56,060
Community development:				
Planning and community development:				
Community development	\$ 791,250	\$ 872,099	\$ 856,730	\$ 15,369
Economic development	149,369	149,369	121,025	28,344
Tourism	120,000	120,000	60,562	59,438
Planning / community zoning boards	14,834	14,834	13,639	1,195
Community development grants	-	55,248	20,162	35,086
Community organizations	121,147	121,148	121,147	1
Total planning and community development	\$ 1,196,600	\$ 1,332,698	\$ 1,193,265	\$ 139,433
Environmental management:				
Litter control	\$ 5,350	\$ 5,350	\$ 4,830	\$ 520
Soil and water conservation district	46,823	46,823	46,823	-
Total environmental management	\$ 52,173	\$ 52,173	\$ 51,653	\$ 520

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018 (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	\$ 131,652	\$ 131,652	\$ 113,262	\$ 18,390
Total community development	\$ 1,380,425	\$ 1,516,523	\$ 1,358,180	\$ 158,343
Debt service:				
Principal retirement	\$ 3,251,117	\$ 3,251,117	\$ 3,098,875	\$ 152,242
Interest and fiscal charges	2,829,830	2,832,138	2,743,334	88,804
Total debt service	\$ 6,080,947	\$ 6,083,255	\$ 5,842,209	\$ 241,046
Total expenditures	\$ 48,954,183	\$ 51,200,612	\$ 47,918,187	\$ 3,282,425
Excess (deficiency) of revenues over (under) expenditures	\$ (7,086,003)	\$ (8,992,672)	\$ (3,602,492)	\$ 5,390,180
Other financing sources (uses):				
Operating transfers in	\$ 6,260,943	\$ 3,541,843	\$ 3,541,843	\$ -
Total other financing sources (uses)	\$ 6,260,943	\$ 3,541,843	\$ 3,541,843	\$ -
Net changes in fund balance	\$ (825,060)	\$ (5,450,829)	\$ (60,649)	\$ 5,390,180
Fund balance at beginning of year	825,060	5,450,829	27,086,302	21,635,473
Fund balance at end of year	\$ -	\$ -	\$ 27,025,653	\$ 27,025,653

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,137,044	\$ 1,106,197	\$ 1,070,656	\$ 1,024,811
Interest	2,245,492	2,117,704	1,976,220	1,828,464
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	629,950	(365,071)	(184,301)	-
Changes in assumptions	(424,738)	-	-	-
Benefit payments, including refunds of employee contributions	(1,128,596)	(937,995)	(744,759)	(740,189)
Net change in total pension liability	\$ 2,459,152	\$ 1,920,835	\$ 2,117,816	\$ 2,113,086
Total pension liability - beginning	32,642,750	30,721,915	28,604,099	26,491,013
Total pension liability - ending (a)	\$ 35,101,902	\$ 32,642,750	\$ 30,721,915	\$ 28,604,099
Plan fiduciary net position				
Contributions - employer	\$ 747,883	\$ 888,014	\$ 851,848	\$ 906,696
Contributions - employee	517,641	489,931	502,982	444,462
Net investment income	3,699,701	532,416	1,276,766	3,694,695
Benefit payments, including refunds of employee contributions	(1,128,596)	(937,995)	(744,759)	(740,189)
Administrative expense	(20,821)	(17,722)	(16,602)	(19,201)
Other	(3,315)	(220)	(272)	195
Net change in plan fiduciary net position	\$ 3,812,493	\$ 954,424	\$ 1,869,963	\$ 4,286,658
Plan fiduciary net position - beginning	30,105,633	29,151,209	27,281,246	22,994,588
Plan fiduciary net position - ending (b)	\$ 33,918,126	\$ 30,105,633	\$ 29,151,209	\$ 27,281,246
County's net pension liability - ending (a) - (b)	\$ 1,183,776	\$ 2,537,117	\$ 1,570,706	\$ 1,322,853
Plan fiduciary net position as a percentage of the total pension liability	96.63%	92.23%	94.89%	95.38%
Covered payroll	\$ 10,315,794	\$ 9,807,506	\$ 9,358,646	\$ 8,879,202
County's net pension liability as a percentage of covered payroll	11.48%	25.87%	16.78%	14.90%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 214,430	\$ 228,856	\$ 253,174	\$ 259,885
Interest	466,048	446,299	429,269	397,313
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	90,055	(102,196)	(186,758)	-
Changes in assumptions	(8,319)	-	-	-
Benefit payments, including refunds of employee contributions	(273,029)	(308,619)	(196,170)	(205,213)
Net change in total pension liability	\$ 489,185	\$ 264,340	\$ 299,515	\$ 451,985
Total pension liability - beginning	<u>6,794,349</u>	<u>6,530,009</u>	<u>6,230,494</u>	<u>5,778,509</u>
Total pension liability - ending (a)	<u>\$ 7,283,534</u>	<u>\$ 6,794,349</u>	<u>\$ 6,530,009</u>	<u>\$ 6,230,494</u>
Plan fiduciary net position				
Contributions - employer	\$ 132,035	\$ 171,888	\$ 174,305	\$ 196,649
Contributions - employee	122,274	104,663	106,877	111,465
Net investment income	799,422	113,998	282,184	823,538
Benefit payments, including refunds of employee contributions	(273,029)	(308,619)	(196,170)	(205,213)
Administrative expense	(4,549)	(3,960)	(3,726)	(4,309)
Other	(713)	(48)	(63)	44
Net change in plan fiduciary net position	\$ 775,440	\$ 77,922	\$ 363,407	\$ 922,174
Plan fiduciary net position - beginning	<u>6,522,214</u>	<u>6,444,292</u>	<u>6,080,885</u>	<u>5,158,711</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,297,654</u>	<u>\$ 6,522,214</u>	<u>\$ 6,444,292</u>	<u>\$ 6,080,885</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (14,120)	\$ 272,135	\$ 85,717	\$ 149,609
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.19%	95.99%	98.69%	97.60%
Covered payroll	\$ 2,506,598	\$ 2,147,788	\$ 2,154,275	\$ 2,229,985
School Division's net pension liability (asset) as a percentage of covered payroll	-0.56%	12.67%	3.98%	6.71%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018*

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.28566%	0.26576%	0.25907%	0.25779%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 35,131,000	\$ 37,244,000	\$ 32,608,000	\$ 31,153,000
Employer's Covered-Employee Payroll	22,732,862	20,262,800	19,261,608	18,739,825
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	154.54%	183.80%	169.29%	166.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

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

Schedule of Employer Contributions

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 779,719	\$ 779,719	-	\$ 10,937,899	7.13%
2017	762,337	762,337	-	10,315,794	7.39%
2016	895,425	895,425	-	9,807,506	9.13%
2015	854,444	854,444	-	9,358,646	9.13%
2014	905,679	905,679	-	8,879,202	10.20%
2013	866,536	866,536	-	8,495,455	10.20%
2012	666,316	666,316	-	8,266,952	8.06%
2011	647,358	647,358	-	8,031,743	8.06%
2010	649,665	649,665	-	8,070,374	8.05%
2009	650,732	650,732	-	8,083,631	8.05%
Component Unit School Board (nonprofessional)					
2018	\$ 130,215	\$ 130,215	-	\$ 2,517,680	5.17%
2017	135,858	135,858	-	2,506,598	5.42%
2016	174,615	174,615	-	2,147,788	8.13%
2015	175,143	175,143	-	2,154,275	8.13%
2014	196,685	196,685	-	2,229,985	8.82%
2013	198,960	198,960	-	2,255,782	8.82%
2012	163,972	163,972	-	2,312,724	7.09%
2011	155,974	155,974	-	2,199,918	7.09%
2010	173,901	173,901	-	2,168,339	8.02%
2009	178,971	178,971	-	2,231,554	8.02%
Component Unit School Board (professional) (1)					
2018	\$ 3,621,511	\$ 3,621,511	-	\$ 22,830,526	15.86%
2017	3,329,306	3,329,306	-	22,732,862	14.65%
2016	3,179,807	3,179,807	-	20,262,800	15.69%
2015	2,848,557	2,848,557	-	19,261,608	14.79%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Schedule of County of King George, Virginia's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.05593%	\$ 842,000	\$ 10,315,794	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.01359%	\$ 205,000	\$ 2,506,598	8.18%	48.86%
Component Unit School Board (professional)					
2017	0.12337%	\$ 1,856,000	\$ 22,732,862	8.16%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2018

Date		Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government						
2018	\$	56,919	\$ 56,919	\$ -	\$ 10,937,899	0.52%
2017		53,642	53,642	-	10,315,794	0.52%
2016		47,274	47,274	-	9,807,506	0.48%
2015		45,134	45,134	-	9,358,646	0.48%
2014		42,637	42,637	-	8,879,202	0.48%
2013		40,800	40,800	-	8,495,455	0.48%
2012		23,253	23,253	-	8,266,952	0.28%
2011		22,568	22,568	-	8,031,743	0.28%
2010		16,404	16,404	-	8,070,374	0.20%
2009		21,977	21,977	-	8,083,631	0.27%
Component Unit School Board (nonprofessional)						
2018	\$	13,144	\$ 13,144	\$ -	\$ 2,517,680	0.52%
2017		13,034	13,034	-	2,506,598	0.52%
2016		10,309	10,309	-	2,147,788	0.48%
2015		10,412	10,412	-	2,154,275	0.48%
2014		10,724	10,724	-	2,229,985	0.48%
2013		10,828	10,828	-	2,255,782	0.48%
2012		6,478	6,478	-	2,312,724	0.28%
2011		6,180	6,180	-	2,199,918	0.28%
2010		4,412	4,412	-	2,168,339	0.20%
2009		6,025	6,025	-	2,231,554	0.27%
Component Unit School Board (professional)						
2018	\$	119,167	\$ 119,167	\$ -	\$ 22,830,526	0.52%
2017		118,335	118,335	-	22,732,862	0.52%
2016		97,351	97,351	-	20,262,800	0.48%
2015		92,565	92,565	-	19,261,608	0.48%
2014		90,634	90,634	-	18,852,417	0.48%
2013		88,723	88,723	-	18,172,779	0.49%
2012		52,387	52,387	-	18,353,867	0.29%
2011		50,380	50,380	-	17,971,590	0.28%
2010		36,519	36,519	-	18,007,603	0.20%
2009		48,118	48,118	-	17,825,856	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of King George School Board's Share of Net OPEB Liability
 Teacher Health Insurance Credit Program (HIC)
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.28805% \$	3,654,000 \$	22,732,862	16.07%	7.04%

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

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2018	\$ 280,815	\$ 280,815	\$ -	\$ 22,830,526		1.23%
2017	252,335	252,335	-	22,732,862		1.11%
2016	214,786	214,786	-	20,262,800		1.06%
2015	204,173	204,173	-	19,261,608		1.06%
2014	209,262	209,262	-	18,852,417		1.11%
2013	201,718	201,718	-	18,172,779		1.11%
2012	110,123	110,123	-	18,353,867		0.60%
2011	107,830	107,830	-	17,971,590		0.60%
2010	140,665	140,665	-	18,007,603		0.78%
2009	192,519	192,519	-	17,825,856		1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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

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

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

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

	2018
Total OPEB liability	
Service cost	\$ 142,484
Interest	56,198
Changes in assumptions	(45,256)
Benefit payments	(62,723)
Net change in total OPEB liability	\$ 90,703
Total OPEB liability - beginning	1,494,258
Total OPEB liability - ending	\$ 1,584,961
 Covered payroll	 \$ 25,156,700
 School Board's total OPEB liability (asset) as a percentage of covered payroll	 6.30%

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

Notes to Required Supplementary Information - Component Unit School Board Pay-As-You Go OPEB Plan
For the Year Ended June 30, 2018

Valuation Date: 1/1/2017
Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 8.90% in 2018 and gradually decreases to 4.20% over 80 years
Salary Increase Rates	2.50%
Retirement Age	50 years old with 10 years of service
Mortality Rates	The mortality rates are based on the RP-2000 Employee Mortality Tables.

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Financial 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, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,650,000	\$ 6,650,000	\$ 8,850,537	\$ 2,200,537
Revenue from use of money and property	50,000	73,461	295,033	221,572
Miscellaneous	300,000	300,000	69,978	(230,022)
Intergovernmental:				
Contribution from the School Board	-	112,781	112,781	-
Commonwealth	-	61,385	-	(61,385)
Federal	197,000	427,193	208,965	(218,228)
Total revenues	\$ 7,197,000	\$ 7,624,820	\$ 9,537,294	\$ 1,912,474
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 296,482	\$ 242,842	\$ 53,640
Total general government administration	\$ -	\$ 296,482	\$ 242,842	\$ 53,640
Public safety:				
Vehicle and equipment acquisition - EMS	\$ -	\$ 1,110,374	\$ 839,571	\$ 270,803
Equipment addition Fire	-	13,945	6,872	7,073
Equipment acquisition - Sheriff	-	812,012	811,431	581
Vehicle acquisition - Sheriff	-	2,441	-	2,441
Total public safety	\$ -	\$ 1,938,772	\$ 1,657,874	\$ 280,898
Education:				
Vehicle additions	\$ -	\$ 567,387	\$ 559,055	\$ 8,332
Total education	\$ -	\$ 567,387	\$ 559,055	\$ 8,332
Capital projects:				
General government administration:				
Construction program	\$ 1,069,019	\$ 92,368	\$ 11,645	\$ 80,723
Land purchase	-	4,000	4,000	-
County complex	-	15,117	-	15,117
Total general government administration	\$ 1,069,019	\$ 111,485	\$ 15,645	\$ 95,840
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 153,525	\$ 11,000	\$ 142,525
New courthouse	-	134,864	112,996	21,868
Courthouse improvements	-	3,215	-	3,215
Total judicial administration	\$ -	\$ 291,604	\$ 123,996	\$ 167,608
Public safety:				
PSAP project	\$ -	\$ 2,244	\$ -	\$ 2,244
Fire station replacement	-	572,343	74,406	497,937
Fire station renovation	-	3,964	-	3,964
Total public safety	\$ -	\$ 578,551	\$ 74,406	\$ 504,145
Public works:				
Rt 3/Rt 301 water extension	\$ -	\$ 231,112	\$ 145,896	\$ 85,216
Hopyard Oakland Park Purkins WWTP	-	8,123	-	8,123
Riverbank stabilization	-	306,924	-	306,924
Vehicle maintenance facility	-	1,634	-	1,634
Total public works	\$ -	\$ 547,793	\$ 145,896	\$ 401,897

Capital Projects Fund

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

Year Ended June 30, 2018 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Old middle school well	\$ -	\$ 2,896	\$ -	\$ 2,896
Middle school roof repair	-	46,884	-	46,884
Middle school track	-	1,688,300	1,626,042	62,258
Middle school expansion	-	20,426,970	327,321	20,099,649
Energy savings project	-	877,839	677,578	200,261
Fiber expansion	-	145,933	145,935	(2)
Potomac elementary school renovations	-	5,411	-	5,411
Potomac elementary modular	-	187,628	88,011	99,617
Ralph Bunche renovations	-	11,729	11,400	329
Total education	\$ -	\$ 23,393,590	\$ 2,876,287	\$ 20,517,303
Parks and recreation:				
Trailways	\$ -	\$ 25,000	\$ 25,000	\$ -
Sealston fields	-	83,597	6,255	77,342
Cedell Brooks Jr. Park (Shiloh park)	-	102,642	5,219	97,423
Parks and recreation - making a difference	-	75,000	53,240	21,760
Parks and recreation facility plan	-	798	-	798
Total parks and recreation	\$ -	\$ 287,037	\$ 89,714	\$ 197,323
Community development:				
Citizens center renovations	\$ -	\$ 188,104	\$ 111,071	\$ 77,033
Natural gas to the industrial park	-	2,684,722	-	2,684,722
Rail at industrial park	-	1,905	-	1,905
Miscellaneous	-	10,221	2,755	7,466
Total community development	\$ -	\$ 2,884,952	\$ 113,826	\$ 2,771,126
Debt service:				
Bond issuance costs	\$ -	\$ 413,030	\$ 569,330	\$ (156,300)
Total expenditures	\$ 1,069,019	\$ 31,310,683	\$ 6,468,871	\$ 24,841,812
Excess (deficiency) of revenues over (under) expenditures	\$ 6,127,981	\$ (23,685,863)	\$ 3,068,423	\$ 26,754,286
Other financing sources (uses):				
Transfers (out)	\$ (6,127,981)	\$ (3,626,881)	\$ (3,626,881)	\$ -
Capital lease proceeds	-	656,431	656,431	-
Issuance of long-term debt	-	20,840,000	20,840,000	-
Bond premium	-	-	738,503	738,503
Net changes in fund balance	\$ -	\$ (5,816,313)	\$ 21,676,476	\$ 27,492,789
Fund balance at beginning of year	-	5,816,313	16,349,979	10,533,666
Fund balance at end of year	\$ -	\$ -	\$ 38,026,455	\$ 38,026,455

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2018

	Special Welfare Fund	Payroll Taxes Fund	Landfill Escrow Fund	School Employee Benefit Fund	Totals
Assets:					
Cash and cash equivalents	\$ 40,995	\$ -	\$ 4,030,967	\$ 611	\$ 4,072,573
Accounts receivable	-	112,559	-	-	112,559
Total assets	<u>\$ 40,995</u>	<u>\$ 112,559</u>	<u>\$ 4,030,967</u>	<u>\$ 611</u>	<u>\$ 4,185,132</u>
Liabilities:					
Amounts held for others	\$ -	\$ 112,559	\$ -	\$ 611	\$ 113,170
Amounts held for landfill closure and postclosure costs	-	-	4,030,967	-	4,030,967
Amounts held for social services' clients	40,995	-	-	-	40,995
Total liabilities	<u>\$ 40,995</u>	<u>\$ 112,559</u>	<u>\$ 4,030,967</u>	<u>\$ 611</u>	<u>\$ 4,185,132</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 35,068	\$ 27,343	\$ 21,416	\$ 40,995
Liabilities:				
Amounts held for social services' clients	\$ 35,068	\$ 27,343	\$ 21,416	\$ 40,995
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,750,778	\$ 1,750,778	\$ -
Accounts receivable	89,833	112,559	89,833	112,559
Total assets	\$ 89,833	\$ 1,863,337	\$ 1,840,611	\$ 112,559
Liabilities:				
Amounts held for others	\$ 89,833	\$ 1,863,337	\$ 1,840,611	\$ 112,559
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,992,740	\$ 38,227	\$ -	\$ 4,030,967
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,992,740	\$ 38,227	\$ -	\$ 4,030,967
School Employee Benefit Fund:				
Assets:				
Cash and cash equivalents	\$ 652	\$ 329	\$ 370	\$ 611
Liabilities:				
Amounts held for others	\$ 652	\$ 329	\$ 370	\$ 611
Total liabilities	\$ 652	\$ 329	\$ 370	\$ 611
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 4,028,460	\$ 1,816,677	\$ 1,772,564	\$ 4,072,573
Accounts receivable	89,833	112,559	89,833	112,559
Total assets	\$ 4,118,293	\$ 1,929,236	\$ 1,862,397	\$ 4,185,132
Liabilities:				
Amounts held for social services' clients	\$ 35,068	\$ 27,343	\$ 21,416	\$ 40,995
Amounts held for landfill closure and postclosure costs	3,992,740	38,227	-	4,030,967
Amounts held for others	90,485	1,863,666	1,840,981	113,170
Total liabilities	\$ 4,118,293	\$ 1,929,236	\$ 1,862,397	\$ 4,185,132

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2018

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 76,370	\$ 193,569	\$ 269,939
Due from primary government	1,168,860	-	1,168,860
Due from other governmental units	<u>1,274,110</u>	<u>10,779</u>	<u>1,284,889</u>
Total assets	<u>\$ 2,519,340</u>	<u>\$ 204,348</u>	<u>\$ 2,723,688</u>
LIABILITIES			
Accounts payable	\$ 530,508	\$ 13,473	\$ 543,981
Accrued liabilities	<u>1,912,462</u>	<u>53,324</u>	<u>1,965,786</u>
Total liabilities	<u>\$ 2,442,970</u>	<u>\$ 66,797</u>	<u>\$ 2,509,767</u>
FUND BALANCES			
Committed - cafeteria	\$ -	\$ 137,551	\$ 137,551
Committed - flexible spending residual funds	74,370	-	74,370
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	<u>\$ 76,370</u>	<u>\$ 137,551</u>	<u>\$ 213,921</u>
Total liabilities and fund balances	<u>\$ 2,519,340</u>	<u>\$ 204,348</u>	<u>\$ 2,723,688</u>

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

Total fund balances, balance sheet, governmental funds \$ 213,921

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.

34,054,892

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

14,120

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

8,081,986

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.

(42,907,233)

Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.

(4,253,235)

Net position of Governmental Activities

\$ (4,795,549)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 34,535	\$ 822	\$ 35,357
Charges for services	43,900	641,462	685,362
Miscellaneous	224,413	6,720	231,133
Intergovernmental:			
County contribution to School Board	16,213,399	-	16,213,399
Commonwealth	24,921,395	34,944	24,956,339
Federal	<u>1,606,277</u>	<u>1,203,196</u>	<u>2,809,473</u>
Total revenues	<u>\$ 43,043,919</u>	<u>\$ 1,887,144</u>	<u>\$ 44,931,063</u>
Expenditures:			
Current:			
Education	\$ 42,856,768	\$ 1,876,432	\$ 44,733,200
Contribution to the primary government	<u>112,781</u>	<u>-</u>	<u>112,781</u>
Total expenditures	<u>\$ 42,969,549</u>	<u>\$ 1,876,432</u>	<u>\$ 44,845,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 74,370</u>	<u>\$ 10,712</u>	<u>\$ 85,082</u>
Net changes in fund balances	\$ 74,370	\$ 10,712	\$ 85,082
Fund balances at beginning of year	<u>2,000</u>	<u>126,839</u>	<u>128,839</u>
Fund balances at end of year	<u><u>\$ 76,370</u></u>	<u><u>\$ 137,551</u></u>	<u><u>\$ 213,921</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, 2018

		Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	85,082
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	\$ 945,262	
Depreciation expense	<u>(1,845,971)</u>	(900,709)
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:		
OPEB expense	\$ (103,531)	
Pension expense	387,327	
Change in compensated absences	<u>(50,439)</u>	233,357
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		<u>1,463,828</u>
Change in net position of governmental activities	\$	<u><u>881,558</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, 2018

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 34,535	\$ 9,535
Charges for services	65,000	65,000	43,900	(21,100)
Miscellaneous	140,000	140,000	224,413	84,413
Intergovernmental:				
County contribution to School Board	16,712,707	17,519,553	16,213,399	(1,306,154)
Commonwealth	24,180,447	24,180,447	24,921,395	740,948
Federal	1,604,858	2,233,364	1,606,277	(627,087)
Total revenues	<u>\$ 42,728,012</u>	<u>\$ 44,163,364</u>	<u>\$ 43,043,919</u>	<u>\$ (1,119,445)</u>
Expenditures:				
Current:				
Instruction	\$ 32,762,431	\$ 33,484,243	\$ 32,128,605	\$ 1,355,638
Administration, attendance and health	1,591,528	1,601,578	1,514,403	87,175
Pupil transportation	2,808,621	2,928,227	3,067,797	(139,570)
Operation and maintenance	3,758,292	3,852,704	4,048,835	(196,131)
School food service costs	-	-	-	-
Facilities	92,656	279,894	301,476	(21,582)
Technology	1,714,484	1,903,937	1,795,652	108,285
Total education	<u>\$ 42,728,012</u>	<u>\$ 44,050,583</u>	<u>\$ 42,856,768</u>	<u>\$ 1,193,815</u>
Contribution to primary government	<u>\$ -</u>	<u>\$ 112,781</u>	<u>\$ 112,781</u>	<u>\$ -</u>
Total expenditures	<u>\$ 42,728,012</u>	<u>\$ 44,163,364</u>	<u>\$ 42,969,549</u>	<u>\$ 1,193,815</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,370</u>	<u>\$ 74,370</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,370</u>	<u>\$ 74,370</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>\$ 76,370</u></u>	<u><u>\$ 76,370</u></u>

Exhibit 30

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 822	\$ 822
656,000	656,000	641,462	(14,538)
17,000	17,000	6,720	(10,280)
-	-	-	-
23,000	23,000	34,944	11,944
824,920	824,920	1,203,196	378,276
\$ 1,520,920	\$ 1,520,920	\$ 1,887,144	\$ 366,224
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,520,920	1,520,920	1,876,432	(355,512)
-	-	-	-
-	-	-	-
\$ 1,520,920	\$ 1,520,920	\$ 1,876,432	\$ (355,512)
\$ -	\$ -	\$ -	\$ -
\$ 1,520,920	\$ 1,520,920	\$ 1,876,432	\$ (355,512)
\$ -	\$ -	\$ 10,712	\$ 10,712
\$ -	\$ -	\$ 10,712	\$ 10,712
-	-	126,839	126,839
\$ -	\$ -	\$ 137,551	\$ 137,551

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 17,860,024	\$ 17,860,024	\$ 18,426,832	\$ 566,808
Public service taxes	1,705,000	1,705,000	1,767,733	62,733
Personal property taxes	5,590,000	5,590,000	6,120,053	530,053
Mobile home taxes	23,000	23,000	24,690	1,690
Machinery and tools taxes	165,000	165,000	169,515	4,515
Penalties	235,000	235,000	226,148	(8,852)
Interest	130,000	130,000	157,841	27,841
Total general property taxes	\$ 25,708,024	\$ 25,708,024	\$ 26,892,812	\$ 1,184,788
Other local taxes:				
Local sales and use taxes	\$ 2,310,000	\$ 2,310,000	\$ 2,425,177	\$ 115,177
Consumer utility taxes	245,000	245,000	265,170	20,170
Local consumption tax	72,000	72,000	82,959	10,959
Business license taxes	1,300,000	1,300,000	1,324,798	24,798
Motor vehicle licenses	570,000	570,000	615,229	45,229
Bank franchise taxes	90,000	90,000	236,762	146,762
Recordation taxes	275,000	275,000	307,833	32,833
Local tax from clerk	68,000	68,000	72,554	4,554
Interest on fines	4,700	4,700	4,393	(307)
Transient occupancy tax	200,000	200,000	255,024	55,024
Meals tax	990,000	990,000	1,300,514	310,514
Ambulance fees	585,000	585,000	484,403	(100,597)
Total other local taxes	\$ 6,709,700	\$ 6,709,700	\$ 7,374,816	\$ 665,116
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,400	\$ 6,400	\$ 4,881	\$ (1,519)
Building and related permits	210,600	210,600	268,159	57,559
Landfill inspection fees	210,000	210,000	214,075	4,075
Other permits and licenses	57,525	57,525	82,304	24,779
Total permits, privilege fees and regulatory licenses	\$ 484,525	\$ 484,525	\$ 569,419	\$ 84,894
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 193,500	\$ 193,500	\$ 218,030	\$ 24,530

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 99,000	\$ 99,000	\$ 154,713	\$ 55,713
Revenue from use of property	70,000	70,000	68,783	(1,217)
Total revenue from use of money and property	\$ 169,000	\$ 169,000	\$ 223,496	\$ 54,496
Charges for services:				
Local court appointed attorney fees	\$ 2,500	\$ 2,500	\$ 1,950	\$ (550)
Courthouse maintenance fees	30,000	30,000	33,646	3,646
Commonwealth attorney fees	3,500	3,500	3,119	(381)
Courthouse security personnel fee	52,000	52,000	59,859	7,859
Jail admission fee	3,300	3,300	2,851	(449)
Charges for parks and recreation	411,572	411,572	478,339	66,767
Other charges for services	-	-	5,716	5,716
Total charges for services	\$ 502,872	\$ 502,872	\$ 585,480	\$ 82,608
Miscellaneous:				
Miscellaneous	\$ 205,215	\$ 205,215	\$ 267,525	\$ 62,310
Insurance recoveries	50,000	50,000	112,720	62,720
Total miscellaneous	\$ 255,215	\$ 255,215	\$ 380,245	\$ 125,030
Recovered costs:				
Service authority cost allocation	\$ 130,000	\$ 130,000	-	(130,000)
Total revenue from local sources	\$ 34,152,836	\$ 34,152,836	\$ 36,244,298	\$ 2,091,462

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 4,000	\$ 4,000	\$ 3	\$ (3,997)
Mobile home titling taxes	11,000	11,000	15,441	4,441
Recordation tax	97,000	97,000	101,458	4,458
Auto rental tax	33,000	33,000	35,778	2,778
Communication tax	390,000	390,000	353,788	(36,212)
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,682,868	\$ 2,682,868	\$ 2,654,336	\$ (28,532)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 253,008	\$ 253,008	\$ 283,383	\$ 30,375
Sheriff	1,003,667	1,003,667	1,020,705	17,038
Commissioner of the Revenue	117,100	117,100	118,773	1,673
Treasurer	89,640	89,640	88,535	(1,105)
Registrar/electoral board	40,143	40,143	37,391	(2,752)
Clerk of the Circuit Court	220,080	220,080	219,003	(1,077)
Total shared expenses	\$ 1,723,638	\$ 1,723,638	\$ 1,767,790	\$ 44,152
Other categorical aid:				
Welfare administration and assistance	\$ 456,173	\$ 456,173	\$ 439,475	\$ (16,698)
Litter control	5,350	5,350	3,235	(2,115)
Health department	-	-	40,892	40,892
Children's services	1,512,000	1,512,000	1,463,885	(48,115)
VJCCCA grant	15,258	15,258	13,023	(2,235)
Rescue squad assistance	-	-	56,732	56,732
Fire programs	105,000	105,000	78,845	(26,155)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 59,739	\$ 59,739	\$ 14,935	\$ (44,804)
Library grant	99,854	99,854	99,903	49
Wireless grant	80,000	80,000	92,992	12,992
Other categorical aid	<u>35,654</u>	<u>45,654</u>	<u>50,410</u>	<u>4,756</u>
Total other categorical aid	\$ <u>2,369,028</u>	\$ <u>2,379,028</u>	\$ <u>2,354,327</u>	\$ <u>(24,701)</u>
Total categorical aid	\$ <u>4,092,666</u>	\$ <u>4,102,666</u>	\$ <u>4,122,117</u>	\$ <u>19,451</u>
Total revenue from the Commonwealth	\$ <u>6,775,534</u>	\$ <u>6,785,534</u>	\$ <u>6,776,453</u>	\$ <u>(9,081)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 831,990	\$ 831,990	\$ 981,932	\$ 149,942
Law enforcement grants	-	-	55,669	55,669
Fire and rescue grants	65,000	394,760	205,626	(189,134)
Other categorical aid	<u>42,820</u>	<u>42,820</u>	<u>51,717</u>	<u>8,897</u>
Total revenue from the federal government	\$ <u>939,810</u>	\$ <u>1,269,570</u>	\$ <u>1,294,944</u>	\$ <u>25,374</u>
Total General Fund	\$ <u><u>41,868,180</u></u>	\$ <u><u>42,207,940</u></u>	\$ <u><u>44,315,695</u></u>	\$ <u><u>2,107,755</u></u>
Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 8,109,356	\$ 1,709,356
Landfill fees - expansion	-	-	500,000	500,000
Landfill fees - beneficial use	<u>250,000</u>	<u>250,000</u>	<u>241,181</u>	<u>(8,819)</u>
Total permits, privilege fees and regulatory licenses	\$ <u>6,650,000</u>	\$ <u>6,650,000</u>	\$ <u>8,850,537</u>	\$ <u>2,200,537</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 73,461	\$ 295,033	\$ 221,572
Miscellaneous:				
Sale of gas	\$ 300,000	\$ 300,000	\$ 69,938	\$ (230,062)
Miscellaneous	-	-	40	40
Total miscellaneous	\$ 300,000	\$ 300,000	\$ 69,978	\$ (230,022)
Total revenue from local sources	\$ 7,000,000	\$ 7,023,461	\$ 9,215,548	\$ 2,192,087
Intergovernmental:				
Contribution from the School Board	\$ -	\$ 112,781	\$ 112,781	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VDEM grant	\$ -	\$ 61,385	\$ -	\$ (61,385)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ 197,000	\$ 197,000	\$ 198,475	\$ 1,475
FEMA grant	-	230,193	-	(230,193)
Assistance to firefighters	-	-	10,490	10,490
Total revenue from the federal government	\$ 197,000	\$ 427,193	\$ 208,965	\$ (218,228)
Total Capital Projects Fund	\$ 7,197,000	\$ 7,624,820	\$ 9,537,294	\$ 1,912,474
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ (29,153)	\$ (29,153)
Grand Total Revenues -- Primary Government	\$ 49,065,180	\$ 49,832,760	\$ 53,823,836	\$ 3,991,076
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	\$ 34,535	\$ 9,535
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 34,535	\$ 9,535
Charges for services:				
Charges for education	\$ 65,000	\$ 65,000	\$ 43,900	\$ (21,100)
Total charges for services	\$ 65,000	\$ 65,000	\$ 43,900	\$ (21,100)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 120,279	\$ 60,279
Other reimbursements and recoveries	80,000	80,000	104,134	24,134
Total miscellaneous	\$ 140,000	\$ 140,000	\$ 224,413	\$ 84,413
Total revenue from local sources	\$ 230,000	\$ 230,000	\$ 302,848	\$ 72,848
Intergovernmental:				
County contribution to School Board	\$ 16,712,707	\$ 17,519,553	\$ 16,213,399	\$ (1,306,154)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,782,610	\$ 4,782,610	\$ 4,539,060	\$ (243,550)
Basic school aid	12,467,037	12,467,037	12,984,241	517,204
Remedial education	342,245	342,245	353,838	11,593
Vocational education SOQ	114,973	114,973	118,867	3,894
Special education	1,336,896	1,336,896	1,382,179	45,283
Fringe benefits	2,382,349	2,382,349	2,463,043	80,694
Lottery	732,940	732,940	758,457	25,517
Technology grant	321,200	321,200	407,620	86,420
Gifted education	128,342	128,342	132,689	4,347
K-3 class size reduction	471,155	471,155	478,561	7,406
At risk	236,813	236,813	244,873	8,060
Other state funds	863,887	863,887	1,057,967	194,080
Total categorical aid	\$ 24,180,447	\$ 24,180,447	\$ 24,921,395	\$ 740,948
Total revenue from the Commonwealth	\$ 24,180,447	\$ 24,180,447	\$ 24,921,395	\$ 740,948
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 400,002	\$ 551,257	\$ 414,235	\$ (137,022)
Title VI - B	855,626	1,301,283	810,792	(490,491)
NJROTC	65,000	65,000	57,670	(7,330)
Title II - A	89,794	121,388	80,338	(41,050)
Other federal assistance	194,436	194,436	243,242	48,806
Total categorical aid	\$ 1,604,858	\$ 2,233,364	\$ 1,606,277	\$ (627,087)
Total revenue from the federal government	\$ 1,604,858	\$ 2,233,364	\$ 1,606,277	\$ (627,087)
Total School Operating Fund	\$ 42,728,012	\$ 44,163,364	\$ 43,043,919	\$ (1,119,445)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 822	\$ 822
Charges for services:				
Cafeteria sales	\$ 656,000	\$ 656,000	\$ 641,462	\$ (14,538)
Miscellaneous:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 6,720	\$ (10,280)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 23,000	\$ 23,000	\$ 34,944	\$ 11,944
Revenue from the federal government:				
Categorical aid:				
School food	\$ 824,920	\$ 824,920	\$ 1,203,196	\$ 378,276
Total School Cafeteria Fund	\$ 1,520,920	\$ 1,520,920	\$ 1,887,144	\$ 366,224
Total Revenues--Component Unit-School Board	\$ 44,248,932	\$ 45,684,284	\$ 44,931,063	\$ (753,221)

COUNTY OF KING GEORGE, VIRGINIA

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Description of Section	Table #
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
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Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
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Property Tax Levies and Collections	8
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Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
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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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 13,355,755	\$ 12,019,419	\$ 14,637,383	\$ 16,779,466
Restricted	3,354,693	3,350,043	3,789,880	3,565,698
Unrestricted	<u>38,353,717</u>	<u>42,461,130</u>	<u>38,269,130</u>	<u>37,307,424</u>
Total governmental activities net position	<u>\$ 55,064,165</u>	<u>\$ 57,830,592</u>	<u>\$ 56,696,393</u>	<u>\$ 57,652,588</u>
Business-type activities:				
Net investment in capital assets	\$ 22,511,998	\$ 20,397,371	\$ 18,425,062	\$ 18,858,535
Unrestricted	<u>835,327</u>	<u>2,084,383</u>	<u>2,839,009</u>	<u>1,684,339</u>
Total business-type net position	<u>\$ 23,347,325</u>	<u>\$ 22,481,754</u>	<u>\$ 21,264,071</u>	<u>\$ 20,542,874</u>
Primary government:				
Net investment in capital assets	\$ 35,867,753	\$ 32,416,790	\$ 33,062,445	\$ 35,638,001
Restricted	3,354,693	3,350,043	3,789,880	3,565,698
Unrestricted	<u>39,189,044</u>	<u>44,545,513</u>	<u>41,108,139</u>	<u>38,991,763</u>
Total primary government net position	<u>\$ 78,411,490</u>	<u>\$ 80,312,346</u>	<u>\$ 77,960,464</u>	<u>\$ 78,195,462</u>

Table 1

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 17,849,891	\$ 19,719,528	\$ 16,829,223	\$ 16,461,426	\$ 17,597,459	\$ 17,597,705
3,092,023	2,030,662	1,985,237	2,140,914	2,105,686	2,071,313
<u>34,966,854</u>	<u>34,114,995</u>	<u>35,933,245</u>	<u>39,669,052</u>	<u>40,065,362</u>	<u>42,786,710</u>
<u>\$ 55,908,768</u>	<u>\$ 55,865,185</u>	<u>\$ 54,747,705</u>	<u>\$ 58,271,392</u>	<u>\$ 59,768,507</u>	<u>\$ 62,455,728</u>
\$ 17,936,970	\$ 17,323,889	\$ 16,923,176	\$ 17,025,593	\$ 16,747,965	\$ 16,697,474
<u>1,963,895</u>	<u>2,225,648</u>	<u>4,178,802</u>	<u>3,658,555</u>	<u>3,241,519</u>	<u>3,027,848</u>
<u>\$ 19,900,865</u>	<u>\$ 19,549,537</u>	<u>\$ 21,101,978</u>	<u>\$ 20,684,148</u>	<u>\$ 19,989,484</u>	<u>\$ 19,725,322</u>
\$ 35,786,861	\$ 37,043,417	\$ 33,752,399	\$ 33,487,019	\$ 34,345,424	\$ 34,295,179
3,092,023	2,030,662	1,985,237	2,140,914	2,105,686	2,071,313
<u>36,930,749</u>	<u>36,340,643</u>	<u>40,112,047</u>	<u>43,327,607</u>	<u>43,306,881</u>	<u>45,814,558</u>
<u>\$ 75,809,633</u>	<u>\$ 75,414,722</u>	<u>\$ 75,849,683</u>	<u>\$ 78,955,540</u>	<u>\$ 79,757,991</u>	<u>\$ 82,181,050</u>

COUNTY OF KING GEORGE, VIRGINIA

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

Table 2
Page 1 of 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government administration	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379	\$ 2,409,601	\$ 2,989,454	\$ 3,122,953	\$ 2,976,450	\$ 3,334,593	\$ 3,479,254
Judicial administration	1,140,286	1,100,016	1,031,293	1,052,619	1,022,358	1,037,120	1,092,049	1,204,628	1,235,671	1,241,344
Public safety	8,468,031	7,934,875	8,013,107	8,534,911	10,010,928	10,880,109	10,277,269	10,398,790	12,216,443	12,688,175
Public works	1,328,152	1,238,734	1,348,751	1,550,883	1,419,964	1,619,383	1,594,488	1,802,161	2,000,179	2,244,369
Health and welfare	4,051,416	4,446,308	4,138,279	4,731,360	4,403,698	4,384,274	3,931,369	3,887,590	4,886,524	4,822,935
Education	13,146,962	13,519,775	16,939,617	14,860,879	17,550,953	16,931,948	16,958,203	17,939,282	21,082,678	19,431,861
Parks, recreation, and cultural	1,091,834	1,081,312	1,254,355	1,225,450	1,311,229	1,438,503	1,420,822	1,481,120	1,527,991	1,505,749
Community development	1,630,889	1,423,559	1,282,707	1,731,600	1,999,446	1,144,712	1,199,221	1,393,728	1,202,623	1,455,030
Interest and other fiscal charges	3,329,074	3,541,420	3,431,545	2,558,359	3,297,304	3,043,578	3,077,684	2,727,029	2,747,370	3,640,193
Total governmental activities expenses	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164	\$ 38,854,440	\$ 43,425,481	\$ 43,469,081	\$ 42,674,058	\$ 43,810,778	\$ 50,234,072	\$ 50,508,910
Business-type activities:										
Water and sewer	5,267,415	5,188,663	5,264,429	5,392,378	5,337,484	5,541,049	5,545,687	5,882,363	5,603,182	6,099,160
Total primary government expenses	\$ 42,438,954	\$ 41,842,664	\$ 45,292,593	\$ 44,246,818	\$ 48,762,965	\$ 49,010,130	\$ 48,219,745	\$ 49,693,141	\$ 55,837,254	\$ 56,608,070
Program revenues:										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487	\$ 296,622	\$ 250,002	\$ 222,789	\$ 247,336	\$ 234,977	\$ 262,200
Public safety	74,689	77,782	63,301	51,371	65,912	64,129	69,040	71,971	64,440	67,852
Public works	7,001,071	7,324,769	6,862,268	7,108,725	7,102,710	7,040,896	7,000,139	7,356,335	8,466,519	9,341,030
Parks, recreation, and cultural	326,969	355,557	412,729	387,063	409,151	401,596	396,245	417,284	484,834	478,339
Community development	100,864	94,038	81,273	73,746	79,095	74,831	118,764	95,955	61,463	82,304
Operating grants and contributions:										
General government administration	272,914	260,936	286,613	228,914	222,433	233,181	233,364	247,203	232,978	244,699
Judicial administration	514,220	491,009	467,991	459,857	465,607	448,561	472,578	490,694	523,024	528,027
Public safety	1,112,947	1,110,195	1,073,398	1,158,848	1,225,517	1,437,562	1,190,873	1,170,756	1,181,145	1,465,280
Public works	-	-	-	-	-	-	-	14,832	12,820	48,391
Health and welfare	2,294,602	2,467,269	2,250,300	2,576,554	2,186,413	2,394,102	1,983,478	2,170,194	2,745,042	2,926,184
Education	-	-	-	97,986	203,256	197,200	196,988	198,050	197,838	198,475
Parks, recreation, and cultural	107,412	104,949	96,862	110,692	82,122	146,155	97,321	98,736	116,083	103,229
Community development	24,851	30,179	-	-	-	-	-	-	-	-
Capital grants and contributions	46,177	138,345	-	138,945	466,102	670,318	287,303	439,720	643,391	103,482
Total governmental activities program revenues	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176	\$ 12,611,188	\$ 12,804,940	\$ 13,358,533	\$ 12,268,882	\$ 13,019,066	\$ 14,964,554	\$ 15,849,492
Business-type activities:										
Charges for services:										
Water and sewer	\$ 2,518,677	\$ 3,661,026	\$ 3,186,525	\$ 4,212,976	\$ 4,361,207	\$ 4,400,068	\$ 4,700,489	\$ 4,739,477	\$ 4,753,331	\$ 5,566,886
Operating grants and contributions	-	-	-	-	-	98,729	-	-	-	-
Capital grants and contributions	1,340,934	-	150,000	-	-	459,243	2,262,172	442,018	-	-
Total business-type activities program revenues	\$ 3,859,611	\$ 3,661,026	\$ 3,336,525	\$ 4,212,976	\$ 4,361,207	\$ 4,958,040	\$ 6,962,661	\$ 5,181,495	\$ 4,753,331	\$ 5,566,886
Total primary government program revenues	\$ 16,010,440	\$ 16,407,356	\$ 15,206,701	\$ 16,824,164	\$ 17,166,147	\$ 18,316,573	\$ 19,231,543	\$ 18,200,561	\$ 19,717,885	\$ 21,416,378
Net (expense) / revenue										
Governmental activities	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,243,252)	\$ (30,620,541)	\$ (30,110,548)	\$ (30,405,176)	\$ (30,791,712)	\$ (35,269,518)	\$ (34,659,418)
Business-type activities	(1,407,804)	(1,527,637)	(1,927,904)	(1,179,402)	(976,277)	(583,009)	1,416,974	(700,868)	(849,851)	(532,274)
Total primary government net expense	\$ (26,428,514)	\$ (25,435,308)	\$ (30,085,892)	\$ (27,422,654)	\$ (31,596,818)	\$ (30,693,557)	\$ (28,988,202)	\$ (31,492,580)	\$ (36,119,369)	\$ (35,191,692)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987	\$ 19,061,869	\$ 20,597,122	\$ 21,606,424	\$ 24,040,170	\$ 26,080,586	\$ 27,286,754
Local sales and use taxes	1,298,856	1,323,482	1,343,016	1,909,760	1,876,393	2,059,339	2,231,237	2,334,684	2,320,196	2,425,177
Communication sales taxes	403,435	-	-	-	-	-	-	-	-	-
Consumer utility taxes	238,428	245,177	246,993	226,865	259,123	242,082	253,970	255,829	257,642	265,170
Business license taxes	1,335,986	1,474,826	1,450,388	1,195,950	1,350,496	1,272,838	1,175,774	1,190,381	1,622,037	1,324,798
Motor vehicle licenses	522,202	509,925	552,436	520,137	559,806	569,615	524,061	604,314	605,266	615,229
Recordation taxes	290,079	275,511	231,589	232,533	312,579	276,551	262,143	284,799	323,727	307,833
Meals tax	752,391	769,662	793,459	878,555	953,393	957,493	999,806	987,644	1,156,890	1,300,514
E-911 taxes	-	-	-	-	-	-	-	-	-	-
Ambulance fees	490,866	518,275	454,554	660,964	658,904	600,452	567,335	589,142	559,000	484,403
Other local taxes	324,239	335,476	348,366	328,324	404,746	424,481	462,168	471,261	426,285	651,692
Grants and contributions not restricted to specific programs	2,337,588	2,718,175	2,682,408	2,676,883	2,690,859	2,670,462	2,669,229	2,706,247	2,672,786	2,654,336
Unrestricted revenues from use of money and property	1,515,653	802,389	469,926	406,925	209,155	312,891	279,479	462,501	235,816	489,376
Miscellaneous	899,705	405,413	202,740	321,788	236,125	418,029	691,546	473,465	353,731	450,223
Transfers	(455,885)	(365,507)	(328,214)	(172,595)	(85,401)	54,284	(85,038)	(85,038)	152,671	(85,038)
Total governmental activities	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076	\$ 28,488,047	\$ 30,455,639	\$ 31,638,134	\$ 34,315,399	\$ 36,766,633	\$ 38,170,467
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305	\$ 2,007	\$ 776	\$ 323	\$ -	\$ 67,768	\$ -
Miscellaneous	525,385	285,501	762,895	283,305	246,860	285,189	289,397	198,000	240,090	266,246
Transfers	455,885	365,507	328,214	172,595	85,401	(54,284)	85,038	85,038	(152,671)	85,038
Total business-type activities	\$ 1,002,174	\$ 662,066	\$ 1,095,177	\$ 458,205	\$ 334,268	\$ 231,681	\$ 374,758	\$ 283,038	\$ 155,187	\$ 351,284
Total primary government	\$ 28,466,517	\$ 27,336,164	\$ 28,118,966	\$ 28,509,281	\$ 28,822,315	\$ 30,687,320	\$ 32,012,892	\$ 34,598,437	\$ 36,921,820	\$ 38,521,751
Change in Net Position										
Governmental activities	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,807,824	\$ (2,132,494)	\$ 345,091	\$ 1,232,958	\$ 3,523,687	\$ 1,497,115	\$ 3,511,049
Business-type activities	(405,630)	(865,571)	(832,727)	(721,197)	(642,009)	(351,328)	1,791,732	(417,830)	(694,664)	(180,990)
Total primary government	\$ 2,038,003	\$ 1,900,856	\$ (1,966,926)	\$ 1,086,627	\$ (2,774,503)	\$ (6,237)	\$ 3,024,690	\$ 3,105,857	\$ 802,451	\$ 3,330,059

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Reserved	\$ 1,154,693	\$ 1,150,043	\$ -	\$ -
Unreserved	22,317,265	25,603,932	-	-
Nonspendable	-	-	-	-
Restricted	-	-	1,401,766	1,399,650
Committed	-	-	695,197	1,080,525
Assigned	-	-	6,050,000	4,324,700
Unassigned	-	-	17,189,811	17,721,849
Total General Fund	<u>\$ 23,471,958</u>	<u>\$ 26,753,975</u>	<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>
All other Governmental Funds				
Reserved for capital projects	\$ 18,379,524	\$ 13,737,529	\$ -	\$ -
Reserved for natatorium	2,200,000	2,200,000	-	-
Reserved for library operations	810,644	830,362	-	-
Reserved for wireless authority operations	265,008	239,552	-	-
Unreserved - capital projects fund	20,299,755	18,939,413	-	-
Nonspendable	-	-	700,000	700,000
Restricted	-	-	14,093,832	12,221,348
Committed	-	-	5,109,150	5,157,272
Assigned	-	-	10,202,302	10,163,107
Total all other governmental funds	<u>\$ 41,954,931</u>	<u>\$ 35,946,856</u>	<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>

Note: The County implemented GASB statement 54 beginning with fiscal year 2011. See the Financial Statements section of the report.

Table 3

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	2,127	14,779	14,880
1,433,451	1,424,234	1,428,993	1,459,068	1,698,443	1,887,450
992,924	2,815,849	3,253,861	5,602,256	7,737,205	5,292,710
184,969	-	-	-	-	-
17,623,960	16,490,673	18,023,587	19,261,326	17,635,875	19,830,613
<u>\$ 20,235,304</u>	<u>\$ 20,730,756</u>	<u>\$ 22,706,441</u>	<u>\$ 26,324,777</u>	<u>\$ 27,086,302</u>	<u>\$ 27,025,653</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
700,000	702,000	702,000	700,000	700,000	700,000
6,815,608	3,844,847	135,357	291,034	972,053	267,526
8,827,162	5,543,834	8,183,770	6,552,500	4,963,675	27,469,186
9,232,262	9,386,756	8,494,514	9,510,871	10,607,341	10,453,680
<u>\$ 25,575,032</u>	<u>\$ 19,477,437</u>	<u>\$ 17,515,641</u>	<u>\$ 17,054,405</u>	<u>\$ 17,243,069</u>	<u>\$ 38,890,392</u>

COUNTY OF KING GEORGE, VIRGINIA

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

	2009	2010	2011	2012
Revenues:				
General property taxes	\$ 17,381,006	\$ 17,776,623	\$ 18,354,709	\$ 18,847,313
Other local taxes	5,656,482	5,452,334	5,420,801	5,953,088
Permits, privilege fees and regulatory licenses	7,112,084	7,424,894	6,947,613	7,187,678
Fines and forfeitures	255,499	257,999	237,714	183,108
Revenue from use of money and property	1,515,653	802,389	469,926	406,925
Charges for services	410,123	460,555	509,685	468,606
Miscellaneous	899,705	405,413	202,740	321,788
Recovered costs	-	175,000	-	-
Intergovernmental:				
School Board	226,971	-	-	48,181
Commonwealth	5,740,816	6,231,998	5,878,173	6,190,762
Federal	969,895	1,089,059	979,399	1,257,917
Total revenues	\$ 40,168,234	\$ 40,076,264	\$ 39,000,760	\$ 40,865,366
Expenditures:				
General government administration	\$ 2,898,289	\$ 2,766,421	\$ 2,425,229	\$ 2,576,743
Judicial administration	1,127,473	1,087,706	1,027,700	1,059,200
Public safety	8,349,727	12,618,491	11,981,523	10,977,531
Public works	1,779,055	1,255,124	2,587,135	1,624,315
Health and welfare	4,001,766	4,382,789	4,100,525	4,707,097
Education	16,985,114	11,040,558	14,317,559	14,970,909
Parks, recreation, and cultural	1,717,251	1,265,906	1,369,021	4,585,275
Community development	1,666,723	1,414,185	1,284,213	1,723,671
Capital outlays and projects	-	-	-	-
Debt service:				
Principal retirement	2,685,742	3,054,211	2,713,288	2,712,585
Interest and other fiscal charges	3,195,197	3,551,424	3,500,026	3,881,378
Total expenditures	\$ 44,406,337	\$ 42,436,815	\$ 45,306,219	\$ 48,818,704
Excess (deficiency) of revenues over expenditures	\$ (4,238,103)	\$ (2,360,551)	\$ (6,305,459)	\$ (7,953,338)
Other financing sources (uses):				
Transfers in	\$ 5,763,828	\$ 6,636,320	\$ 5,792,544	\$ 4,063,486
Transfers (out)	(6,219,713)	(7,001,827)	(6,120,758)	(4,236,081)
Sale of property	-	-	-	-
Premium on bonds issued	181,528	-	-	5,153,199
Early retirement of indebtedness	-	-	(2,781,000)	-
Payment to refunded bond escrow agent	(4,465,250)	-	-	(33,345,873)
Long-term debt issued	21,778,118	-	2,155,900	33,645,000
Total other financing sources (uses)	\$ 17,038,511	\$ (365,507)	\$ (953,314)	\$ 5,279,731
Net changes in fund balances	\$ 12,800,408	\$ (2,726,058)	\$ (7,258,773)	\$ (2,673,607)
Debt service as a percentage of noncapital expenditures	15.89%	18.42%	15.92%	16.77%

Table 4

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 19,509,877	\$ 20,326,008	\$ 21,662,268	\$ 23,922,208	\$ 25,994,803	\$ 26,892,812
6,375,440	6,402,851	6,476,494	6,718,054	7,271,043	7,374,816
7,187,575	7,121,893	7,125,857	7,459,477	8,533,108	9,419,956
254,380	209,473	179,261	207,341	197,883	218,030
209,155	312,891	279,479	462,501	235,816	489,376
511,535	500,088	501,859	522,063	581,242	585,480
236,125	418,029	691,546	473,465	353,731	450,223
175,000	175,000	175,000	175,000	-	-
31,400	-	-	-	-	112,781
6,078,850	6,228,067	5,832,667	6,401,490	6,733,064	6,776,453
1,463,459	1,969,474	1,298,467	1,134,942	1,592,043	1,503,909
<u>\$ 42,032,796</u>	<u>\$ 43,663,774</u>	<u>\$ 44,222,898</u>	<u>\$ 47,476,541</u>	<u>\$ 51,492,733</u>	<u>\$ 53,823,836</u>
\$ 2,683,306	\$ 2,959,292	\$ 3,154,332	\$ 2,956,716	\$ 3,283,328	\$ 3,383,141
1,295,334	1,125,052	1,135,749	1,253,309	1,331,464	1,333,037
10,109,907	10,072,113	10,109,500	9,945,096	12,287,601	13,430,443
1,661,489	2,671,996	1,796,107	1,983,974	3,095,839	2,376,816
4,406,862	4,329,701	3,973,961	3,952,764	4,864,615	4,876,535
16,350,034	17,589,381	15,426,441	15,353,474	21,334,527	19,659,841
4,355,993	2,969,432	1,244,826	1,317,840	1,409,900	1,443,700
2,021,307	1,192,435	1,294,960	1,488,922	1,438,154	1,472,006
-	-	-	-	-	-
2,895,220	2,847,303	2,959,919	3,103,795	2,957,144	3,098,875
3,126,058	3,174,822	3,224,985	2,878,513	2,844,599	3,312,664
<u>\$ 48,905,510</u>	<u>\$ 48,931,527</u>	<u>\$ 44,320,780</u>	<u>\$ 44,234,403</u>	<u>\$ 54,847,171</u>	<u>\$ 54,387,058</u>
<u>\$ (6,872,714)</u>	<u>\$ (5,267,753)</u>	<u>\$ (97,882)</u>	<u>\$ 3,242,138</u>	<u>\$ (3,354,438)</u>	<u>\$ (563,222)</u>
\$ 2,197,886	\$ 6,710,277	\$ 6,454,819	\$ 6,276,978	\$ 5,312,586	\$ 3,541,843
(2,283,287)	(6,655,993)	(6,539,857)	(6,362,016)	(5,159,915)	(3,626,881)
-	-	-	-	-	-
-	-	2,605,177	-	-	738,503
-	-	-	-	-	-
-	-	(18,013,368)	-	-	-
-	-	15,605,000	-	4,151,956	21,496,431
<u>\$ (85,401)</u>	<u>\$ 54,284</u>	<u>\$ 111,771</u>	<u>\$ (85,038)</u>	<u>\$ 4,304,627</u>	<u>\$ 22,149,896</u>
<u>\$ (6,958,115)</u>	<u>\$ (5,213,469)</u>	<u>\$ 13,889</u>	<u>\$ 3,157,100</u>	<u>\$ 950,189</u>	<u>\$ 21,586,674</u>
<u>14.19%</u>	<u>14.18%</u>	<u>14.20%</u>	<u>13.71%</u>	<u>11.89%</u>	<u>11.83%</u>

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Tax Rate	Total
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
2015-16	2,569,591,444	0.68	238,119,069	3.50	6,899,594	272,805,018	0.90	3,087,415,125
2016-17	2,592,895,544	0.70	246,780,705	3.50	6,992,384	255,808,982	0.91	3,102,477,615
2017-18	2,750,266,316	0.70	255,488,035	3.50	6,733,900	252,026,595	0.92	3,264,514,846

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half	Total Direct Tax Rate
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
2015-16	0.61	0.68	3.50	2.50	0.61	0.68	0.90
2016-17	0.68	0.70	3.50	2.50	0.68	0.70	0.91
2017-18	0.70	0.70	3.50	2.50	0.70	0.70	0.92

(1) Per \$100 of assessed value.

Principal Taxpayers
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,100,037	\$ 157,148,118	6.07%	\$ 828,971	\$ 184,215,758	6.51%
Virginia Electric & Power Company	556,363	79,480,462	3.07%	87,952	19,544,784	0.69%
Horti-Group USA LLC	98,273	14,039,000	0.54%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	71,273	10,181,800	0.39%	N/A	N/A	N/A
Verizon South, Inc.	69,073	9,867,536	0.38%	58,084	12,907,533	0.46%
Northern Neck Electric Cooperative	67,633	9,661,850	0.37%	N/A	N/A	N/A
COPT Dahlgren LLC	56,996	8,142,300	0.31%	N/A	N/A	N/A
OMZ King George LLC	52,980	7,568,600	0.29%	N/A	N/A	N/A
King George Shopping Center	41,916	5,988,000	0.23%	N/A	N/A	N/A
Hilliard & Bartko	34,636	4,948,000	0.19%	N/A	N/A	N/A
Hilliard & Bartko	34,491	4,927,300	0.19%	N/A	N/A	N/A
CC & F Dahlgren Associates	34,292	4,898,800	0.19%	N/A	N/A	N/A
Payne Street, LLC	N/A	N/A	N/A	44,551	9,900,329	0.35%
Monmouth Woods Associates	N/A	N/A	N/A	43,616	9,692,502	0.34%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	27,336	6,074,604	0.21%
Dahlgren Office Building I, LP	N/A	N/A	N/A	29,446	6,543,502	0.23%
Robert S Gollahon	N/A	N/A	N/A	38,454	8,545,409	0.30%
Hilliard & Bartko	N/A	N/A	N/A	43,479	9,661,902	0.34%
Birchwood Power Partners, LLC	N/A	N/A	N/A	79,299	17,622,000	0.62%
TOTAL	\$ 2,217,962	\$ 316,851,766	12.24%	\$ 1,281,188	\$ 284,708,323	10.05%

Source - Commissioner of the Revenue.

COUNTY OF KING GEORGE, VIRGINIAProperty Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
2008-09	\$ 19,303,194	\$ 18,775,585	97.27%	\$ 527,805
2009-10	19,468,250	19,055,429	97.88%	408,095
2010-11	20,270,753	19,769,446	97.53%	501,086
2011-12	20,900,625	20,140,541	96.36%	388,498
2012-13	21,785,485	20,922,911	96.04%	496,351
2013-14	22,553,220	21,703,489	96.23%	512,359
2014-15	23,794,046	23,075,368	96.98%	681,479
2015-16	26,004,019	24,897,420	95.74%	525,006
2016-17	28,090,175	27,119,797	96.55%	438,949
2017-18	29,430,339	28,020,776	95.21%	-

(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
\$	19,303,390	100.00%	\$	1,798,362	9.32%
	19,463,524	99.98%		1,743,426	8.96%
	20,270,532	100.00%		1,691,138	8.34%
	20,529,039	98.22%		1,876,766	8.98%
	21,419,262	98.32%		1,916,121	8.80%
	22,215,848	98.50%		2,012,049	8.92%
	23,756,847	99.84%		2,177,637	9.15%
	25,422,426	97.76%		2,291,184	8.81%
	27,558,746	98.11%		2,364,737	8.42%
	28,020,776	95.21%		2,906,477	9.88%

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
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	-
2015-16	12,419,364	45,110,000	6,979,019	750,000	-
2016-17	11,367,220	43,455,000	6,603,620	500,000	4,151,956
2017-18	31,270,344	41,735,000	6,966,725	250,000	4,616,387

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	Revenue	Bond	Notes	Total	Per Capita	Percentage	Population	Per	
Loan	Bonds	Premium	Payable	Primary	Personal	of Personal	(1)	Capita	
				Government	Income (1)	Income			
\$ 194,775	\$ 24,311,125	\$ 91,521	\$ 590,749	\$ 102,395,392	\$ 33,778	13.08%	23,170	\$ 4,419	
66,215	25,260,320	736,338	545,932	100,725,959	33,690	12.51%	23,891	4,216	
-	26,139,891	1,881,862	501,115	99,261,939	33,690	12.49%	23,584	4,209	
-	25,992,952	1,792,886	456,298	104,026,871	33,690	13.23%	23,333	4,458	
-	25,798,086	1,703,910	411,481	100,563,383	33,690	12.47%	23,945	4,200	
-	27,647,500	1,614,934	366,664	99,192,092	41,791	9.52%	24,926	3,979	
-	29,754,714	1,796,599	349,997	100,638,887	47,244	8.40%	25,371	3,967	
-	28,844,857	1,696,332	333,330	96,132,902	47,244	7.97%	25,515	3,768	
-	25,969,253	1,596,065	316,664	93,959,778	47,244	7.79%	25,515	3,683	
-	24,745,665	1,495,798	299,997	111,379,916	47,244	9.24%	25,515	4,365	

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2015-16	25,515	3,087,415,125	13,169,364	1,149,880	12,019,484	0.39%	471
2016-17	25,515	3,102,477,615	11,867,220	1,149,880	10,717,340	0.35%	420
2017-18	25,515	3,264,514,846	31,520,344	1,149,880	30,370,464	0.93%	1,190

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, 2018

Direct: (1)

County of King George	\$	84,838,456	100%	\$	84,838,456
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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	
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
2015-16		4,937,477		3,252,410		1,685,067	949,054	1,120,226	0.81
2016-17		4,993,421		3,012,122		1,981,299	1,195,938	1,052,704	0.88
2017-18		5,833,132		3,567,327		2,265,805	1,240,255	1,011,045	1.01

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

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Total Personal Income	Student Enrollment
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
2015-16	25,515	4.20	47,244	1,205,430,660	4,386
2016-17	25,515	3.80	47,244	1,205,430,660	4,366
2017-18	25,515	3.30	47,244	1,205,430,660	4,532

Sources: www.fedstats.gov, Department of Education, Weldon Cooper Center for Public Service, VEC, US Census Bureau

Principal Employers
Current Year and Nine Years Prior

Employer	Fiscal Year 2018		Fiscal Year 2009	
	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 999	2	500 to 999	2
County of King George	250 to 499	3	250 to 499	5
Wal Mart	250 to 499	4	-	-
Northrop Grumman Corporation	249 and under	5	-	-
EG & G, Inc.	249 and under	6	250 to 499	4
Marconi Technology	249 and under	7	100 to 249	7
Integrated Microcomputer System, Lockheed Martin	249 and under	8	250 to 499	6
Solutions Development Corporation	249 and under	9	-	-
Tatitlek Training Services Inc.	249 and under	10	-	-
TRW Inc.	-	-	500 to 999	3
Chugach McKinley Inc.	-	-	100 to 249	8
Bowhead Information Tech Inc.	-	-	100 to 249	9
Anteon Corporation	-	-	100 to 249	10

Source: 50 Largest Employers of King George County

(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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	29	29	29	29	29	29	29	29	30	30
Judicial administration	12	12	12	12	12	12	12	13	15	15
Public safety										
Sheriffs department	43	43	43	43	43	45	49	49	54	52
Fire & rescue	25	25	25	28	28	34	34	38	40	40
Animal control	2	2	2	2	2	4	4	5	5	5
Public works										
General maintenance	9	9	11	11	11	11	13	15	16	16
Landfill	3	3	3	3	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	1	1	1
Health and welfare										
Department of social services	16	16	16	16	16	16	16	18	18	18
Culture and recreation										
Parks and recreation	4	4	4	4	4	4	4	5	5	5
Library	4	4	4	4	4	4	4	5	5	4
Community development										
Planning	11	11	11	11	11	11	11	11	9	9
Totals	160	160	162	165	165	175	181	192	201	198

Source: Individual county departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriffs department:										
Physical arrests	601	856	1,313	1,382	1,474	1,604	1,207	1,576	1,342	1,842
Traffic violations	3,172	3,847	2,724	3,713	3,575	3,137	3,166	4,139	3,824	3,716
Civil papers	7,800	8,146	8,051	7,441	8,110	7,172	7,045	6,802	6,703	7,065
Fire and rescue:										
Number of calls answered	3,005	2,782	2,921	3,354	3,380	3,219	3,406	3,311	4,180	3,449
Building inspections:										
Permits issued	78	83	64	75	85	104	100	105	103	131
Animal control:										
Number of calls answered	636	974	1039	903	650	750	850	843	850	1088
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	4	4	4	4	8	12	8
Component Unit - School Board										
Education:										
School age population	3,997	4,029	4,075	4,072	4,083	4,224	4,237	4,219	4,346	4,218
Number of teachers	279	282	283	290	291	295	290	356	296	304
Local expenditures per pupil	8,585	8,438	7,465	8,604	8,835	9,046	9,202	9,183	10,293	10,360

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	3	3	3
Public safety										
Sheriff's department:										
Patrol units	36	36	32	30	31	31	32	34	34	38
Other vehicles	7	8	8	8	8	8	8	8	8	8
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	3	3	3
Public works										
General maintenance:										
Trucks/vehicles	3	3	4	4	4	4	5	8	8	8
Landfill:										
Vehicles	2	2	2	1	4	4	4	4	3	3
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	6	6	6	5	5	5	6	6	6	5
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	6	6	6	6	6	6	6	6	6	6
Parks acreage	159.63	159.63	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	6	6	6	5	5	5	4	4	4	5
Component Unit - School Board										
Education:										
Schools	10	10	17	17	15	17	17	25	25	25
School buses	71	74	60	64	77	77	77	65	65	65

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 the County of King George, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County of King George, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

County of King George, Virginia's Response to Findings

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

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
November 29, 2018

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 the Uniform Guidance

**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 the County of King George, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of King George, Virginia's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County of King George, Virginia's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the County of King George, Virginia did not comply with requirements regarding CFDA 10.553/10.555/10.559 Child Nutrition Cluster as described in finding 2018-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County of King George, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the 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 Child Nutrition Cluster for the year ended June 30, 2018.

Other Matters

County of King George, Virginia's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of King George, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of King George, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002 to be material weaknesses.

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.

County of King George, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of King George, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Robinson, Farmer, Cox Associates

Robinson, Farmer, Cox Associates
November 29, 2018

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF THE INTERIOR:</u>			
<u>Direct payments:</u>			
National wildlife refuge fund	15.659	N/A	\$ 3,326
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
National priority safety programs	20.616	M60T-17-57193	\$ 3,217
		M60T-18-58074	
		SC-17-57222/	
		FSC-18-58070	6,258
State and community highway safety	20.600		
Total Highway Safety Cluster			9,475
Total Department of Transportation			\$ 9,475
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Assistance to firefighters grant	97.044	N/A	\$ 131,980
Staffing for adequate fire and emergency response (SAFER)	97.083	N/A	84,136
<u>Pass through payments:</u>			
Department of Emergency Services:			
Disaster grants public assistance (presidentially declared disasters)	97.036	DEM0016799	30,902
Emergency management performance grants	97.042	110273/112485	17,489
Total Department of Homeland Security			\$ 264,507
<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	0010117/0010118/ 0040118/0040117	\$ 224,982
Total Department of Agriculture			\$ 224,982
<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	0760118/0760117	\$ 20,844
Foster care-title IV-E	93.658	1100118/1100117	139,850
Adoption assistance	93.659	1120118/1120117	116,268
Promoting safe and stable families	93.556	0950117/0950118	14,514
Temporary assistance for needy families	93.558	0400118/0400117	127,055
Refugee and entrant assistance - state administered programs	93.566	0500118/0500117	199
Low-income home energy assistance	93.568	0600418/0600417	16,554
Social services block grant	93.667	1000118/1000117	80,545
Stephanie Tubbs Jones child welfare services program	93.645	0900117	408
Chafee foster care independence program	93.674	9150118/9150117	780
Children's health insurance program	93.767	0540118/0540117	9,392
Medical assistance program	93.778	1200118/1200117	230,540
Total Department of Health and Human Services			\$ 756,949

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2017 (Continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT: (Continued)			
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass through payments:</u>			
Virginia Department of Criminal Justice:			
Edward Byrne memorial justice assistance grant program	16.738	CJS7101608	\$ 1,390
Crime victim assistance	16.575	CJS86015/CJS601601	44,805
Total Department of Justice			\$ 46,195
Total Primary Government			\$ 1,305,434
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	201818N109941/ 201717N109941	\$ 126,300
Department of Education:			
National school lunch program	10.555	201818N109941/ 201717N109941	633,662
Total 10.555			\$ 759,962
Department of Agriculture and Consumer Services:			
Food distribution - Summer Food Service Program for Children	10.559	201818N109941/ 201717N109941	\$ 1,900
Summer food service program for children	10.559	201818N109941/ 201717N109941	61,905
Total 10.559			\$ 63,805
School breakfast program	10.553	201818N109941/ 201717N109941	\$ 253,720
Total Child Nutrition Cluster			\$ 1,077,487
Child and adult care food program	10.558	201817N202041/ 201818N109941	146,570
Total Department of Agriculture			\$ 1,224,057
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 57,670
Total Department of Defense			\$ 57,670
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid	84.041	N/A	\$ 147,261
<u>Pass through payments:</u>			
Virginia Tech:			
Competitive Grants for State Assessments	84.368	Not available	1,919
Department of Education:			
Title I grants to local educational agencies	84.010	S010A170046/ S010A160046	\$ 416,732
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A170107/ H027A160107	810,792
Special education - preschool grants	84.173	H173A160112	24,376
Total Special Education Cluster (IDEA)			\$ 835,168
Student support and academic enrichment program	84.424	APE60281	\$ 739
Supporting effective instruction state grant	84.367	S367A170044/ S367A160044	80,338
Career and technical education - basic grants to states	84.048	V048A160046	45,589
Total Department of Education			\$ 1,527,746
Total Component Unit School Board			\$ 2,809,473
Total Expenditures of Federal Awards			\$ 4,114,907

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, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of King George, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The County did not elect to use the 10% de minimus indirect cost rate.

(4) The County did not pass any federal awards through to sub-recipients during the year ended June 30, 2018.

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	\$ 1,294,944
Capital Projects Fund	<u>208,965</u>

Total primary government	<u>\$ 1,503,909</u>
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Component Unit School Board:

School Operating Fund	\$ 1,606,277
School Cafeteria Fund	<u>1,203,196</u>
Total component unit school board	<u>\$ 2,809,473</u>

Total federal expenditures per basic financial statements	<u>\$ 4,313,382</u>
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Less federal interest subsidy	<u>(198,475)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 4,114,907</u>
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COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes

Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a)? Yes

Identification of major .510 programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018 (continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2018-001 Material Weakness - Bank Reconciliation

Criteria: The reconciliation of material cash balances in the automated accounting system to a detailed bank statement is a critical internal control for the prevention of material misstatements in the financial statements.

Condition: During fiscal year 2018, bank reconciliations were prepared; however, for the June 30, 2018 reconciliation there was an unreconciled amount in the main County checking account. (The reconciling items were identified subsequent to FY18 audit fieldwork.)

Cause: Internal controls over the bank account reconciliation process were not operating effectively. The Treasurer's Office was reconciling to the balance reported on an internal cash log rather than to the balance reported in the automated accounting system.

Effect: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend the Treasurer's Office make improvements to the bank account reconciliation process to make the reconciliations as timely, efficient and accurate as possible. All reconciling items should be investigated and, if needed, any necessary adjustments posted in the automated accounting system. This entire process should be completed within 15 days of month end to ensure that all bank account balances are properly recorded in the automated accounting system.

Management Response:

Management concurs with this recommendation and will strengthen internal controls related to the bank reconciliation process to ensure that the balance in the bank account is reconciled to the balance in the automated accounting system in a timely and accurate manner.

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018 (continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2018-002 Federal Award Finding - Eligibility

Program: Child Nutrition Cluster (CFDA 10.553/10.555/10.559), Program Year 2017-2018, U.S. Department of Agriculture (USDA), 2017-2018 annual agreement.

Criteria: In accordance with the eligibility requirements of the Child Nutrition Cluster, King George County Public Schools is required to maintain sufficient documentation and approval support for the determination of compliance with the eligibility criteria for the individuals applying for free or reduced priced meals.

Condition: In a sample of 53 selections for eligibility, three instances were identified in which the household information was incorrectly input into the Horizon system, causing errors in the determination for free or reduced lunch.

Context: 3 of 53 applications that were tested had incorrect eligibility determinations.

Cause: The control over the application data input into the Horizon system was not operating effectively.

Effect: Incorrect eligibility was determined for the three instances in the sample of 53 selections. For two of the instances the applicant should have been denied eligibility but were approved for free lunch. For the other instance the applicant was qualified for reduced price lunch but was approved for free lunch.

Questioned Costs: Undeterminable.

Recommendation:

King George County Public Schools should implement a process to ensure that the data from all applications are accurately input into the Horizon system.

Views of Responsible Officials and Planned Corrective Action:

KGCS Nutrition Dept. has purchased for this school year a program for online application which the parents will fill out and the program will approve or deny the application. This program has been approved by the State.

SECTION IV - PRIOR AUDIT FINDINGS:

There were no prior year audit findings.