



# **County of King George, Virginia**

## **Comprehensive Annual Financial Report**



**Year Ended June 30, 2016**



**COUNTY OF KING GEORGE, VIRGINIA**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2016**

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**PREPARED BY:**

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Robyn Shugart, Director of Finance



# COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report  
Year Ended June 30, 2016

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**RUBY A. BRABO**  
At-Large Election District

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

**RICHARD R. GRANGER**  
James Madison Election District

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

**JOHN E. JENKINS, JR.**  
Dahlgren Election District

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

November 28, 2016

**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, 2016 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, 2016, were free of material misstatement. See official Independent Auditors' Report under the financial section of this report and the compliance section.

**PROFILE OF KING GEORGE COUNTY**

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

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

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

## THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

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

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

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

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

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2016 has been completed. The auditors' report on the internal control structure and compliance with laws and regulations, are contained in this report.

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

### **LOCAL ECONOMY**

King George County has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. NSF Dahlgren, a military installation, is the major economic driver and provides employment for 5,000 civilian and military personnel, and an additional 4,000 contract employees. NSF Dahlgren infuses over 1 billion dollars into the regional economy annually. During the latest BRAC (Base Realignment Committee) recommendation, the NSF Dahlgren had a net gain of ten (10%) percent in personnel. NSF Dahlgren is home to the Aegis Ballistic Missile Defense, Naval Surface Warfare Center Dahlgren Division, Center for Surface Combat Systems, Aegis Training and Readiness Center, Joint Warfare Analysis Center, and 20<sup>th</sup> Space Control Squadron-Detachment One. NSF Dahlgren has been instrumental in attracting a variety of high technology software engineering firms to the County. In addition to NSF Dahlgren, other industries and institutions include: light manufacturing, high technology, computer programming, retail, food service, education, and government. Agriculture also remains important in the County's economy. King George County is currently seeing a significant amount of retail growth near Dahlgren as well. As of June 30<sup>th</sup>, 2016 King George County had an estimated population of 25,515, an increase of 8.1% since 2010.

### **LONG TERM FINANCIAL PLANNING**

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

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

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

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

**King George Middle School Expansion Project:** In the spring of 2016 the Board of Supervisors approved a contract for design services associated with the addition of sixth grade classrooms at the current Middle School. The design will be completed in spring 2017.

**King George County Fire Stations:** In the summer of 2016 the Board of Supervisors approved a contract for design services associated with the construction of a new Fire Station in the Shiloh area of the County, and the construction of a replacement station in the Dahlgren area of the County. The design will be completed in summer 2017.

**Rt. 3/Rt. 301 Water Main Project:** In the spring of 2016 the Board of Supervisors approved a contract for design services associated with the construction of a water main extension to serve the Rt. 3/Rt. 301 corridor of the County. The design is completed and construction is anticipated to be completed in summer 2017. This extension will provide public water and fire protection to an area of the County with significant economic development prospects.

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

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

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

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

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

## OTHER INFORMATION

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

**Independent Audit:** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and 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, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



A. Travis Quesenberry, PE  
County Administrator



Robyn E Shugart  
Finance Director

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Government Finance Officers Association

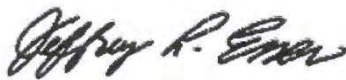
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**King George County  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



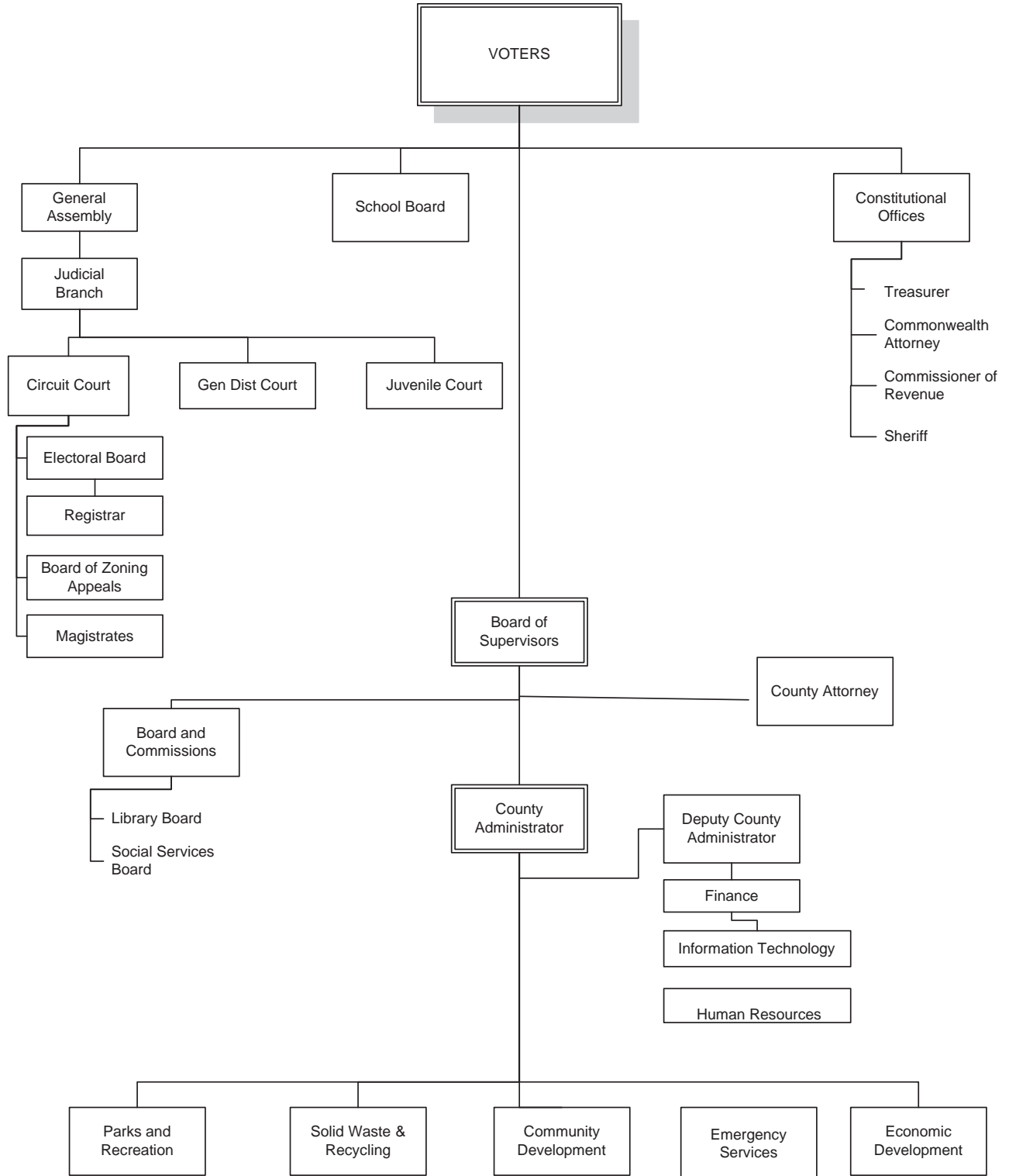
Executive Director/CEO

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# KING GEORGE COUNTY ORGANIZATIONAL CHART



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**COUNTY OF KING GEORGE, VIRGINIA**

June 30, 2016

**Board of Supervisors**

Ruby A. Brabo, Chairman  
John E. Jenkins, Vice Chairman  
Cedell Brooks, Jr.  
Richard R. Granger  
James B. Howard

**County School Board**

T. C. Collins, Chairman  
Kristin Tolliver, Vice-Chairman  
Gayle Hock  
Tammy Indseth  
Michael Rose

**Board of Social Services**

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

**Smoot Memorial Library Board of Trustees**

Joseph McGettigan, Chairperson  
Linda Kramer, Vice-Chairperson

Stephen Eckel  
Carey Nicholson  
Nancy Haenlein  
Tracy Travers

Kris Parker  
David Simms  
Christine Steppe  
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 ..... Nancy L. Tierney  
Sheriff ..... Steve Dempsey  
Superintendent of Schools ..... Robert Benson  
Director of Social Services ..... David Coman  
County Administrator ..... A. Travis Quesenberry

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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**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, 2016 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, 2016, 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 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. 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, 95-99, and 100-105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King George, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 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 28, 2016, on our consideration of the County of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of King George, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
November 28, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. 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 2016 by \$58.3 million (net position). This represents an increase of \$3.5 million compared to the prior fiscal year.
- Of the total net position \$2.14 million is restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$43.4 million, an increase over the previous fiscal year.
- Approximately forty-five percent (45%) of this total amount or \$19.3 million is General Fund unassigned fund balance and available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County.
- The County's net long-term obligations of governmental activities decreased by \$3.3 million during the current fiscal year in comparison to the prior fiscal year mainly due to repayment of principal thru debt service payments.

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

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- A. Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.
1. Statement of Net Position - Presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Refer to Exhibit 1 for Statement of Net Position.
  2. Statement of Activities - Presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that causes the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Refer to Exhibit 2 for Statement of Activities.

## Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58.3 million at the close of fiscal year 2016.

The County's net investment in capital assets such as land, buildings and equipment totals \$16.5 million at June 30, 2016, a slight decrease of \$367,797 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, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 57,322,988	\$ 53,577,966	\$ 4,884,912	\$ 5,177,316	\$ 62,207,900	\$ 58,755,282
Capital assets	<u>76,774,940</u>	<u>80,349,673</u>	<u>44,093,638</u>	<u>44,789,110</u>	<u>120,868,578</u>	<u>125,138,783</u>
Total assets	\$ 134,097,928	\$ 133,927,639	\$ 48,978,550	\$ 49,966,426	\$ 183,076,478	\$ 183,894,065
Deferred outflows of resources	<u>\$ 5,760,814</u>	<u>\$ 5,976,802</u>	<u>\$ 2,189,622</u>	<u>\$ 2,333,550</u>	<u>\$ 7,950,436</u>	<u>\$ 8,310,352</u>
Long-term liabilities outstanding	\$ 64,066,076	\$ 67,187,030	\$ 28,092,458	\$ 29,367,717	\$ 92,158,534	\$ 96,554,747
Current liabilities	<u>7,770,902</u>	<u>8,542,316</u>	<u>2,313,301</u>	<u>1,677,684</u>	<u>10,084,203</u>	<u>10,220,000</u>
Total liabilities	\$ 71,836,978	\$ 75,729,346	\$ 30,405,759	\$ 31,045,401	\$ 102,242,737	\$ 106,774,747
Deferred inflows of resources	<u>\$ 9,750,372</u>	<u>\$ 9,427,390</u>	<u>\$ 78,265</u>	<u>\$ 152,597</u>	<u>\$ 9,828,637</u>	<u>\$ 9,579,987</u>
Net position:						
Net investment in capital assets	\$ 16,461,426	\$ 16,829,223	\$ 17,025,593	\$ 16,923,176	\$ 33,487,019	\$ 33,752,399
Restricted	2,140,914	1,985,237	-	-	2,140,914	1,985,237
Unrestricted	<u>39,669,052</u>	<u>35,933,245</u>	<u>3,658,555</u>	<u>4,178,802</u>	<u>43,327,607</u>	<u>40,112,047</u>
Total net position	<u>\$ 58,271,392</u>	<u>\$ 54,747,705</u>	<u>\$ 20,684,148</u>	<u>\$ 21,101,978</u>	<u>\$ 78,955,540</u>	<u>\$ 75,849,683</u>

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 four percent (4%) of total net position.

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

Governmental and business-type activities reflect changes in net position of an increase of \$3,523,687 and a decrease of \$417,830 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, 2016 and 2015**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,188,881	\$ 7,806,977	\$ 4,739,477	\$ 4,700,489	\$ 12,928,358	\$ 12,507,466
Operating grants and contributions	4,390,465	4,174,602	-	-	4,390,465	4,174,602
Capital grants and contributions	439,720	287,303	442,018	2,262,172	881,738	2,549,475
<b>General revenues:</b>						
General property taxes	24,040,170	21,606,424	-	-	24,040,170	21,606,424
Other local taxes	6,718,054	6,476,494	-	-	6,718,054	6,476,494
Use of money and property	462,501	279,479	-	323	462,501	279,802
C/VA non-categorical aid	2,706,247	2,669,229	-	-	2,706,247	2,669,229
Other general revenues	473,465	691,546	198,000	289,397	671,465	980,943
<b>Total revenues</b>	<b>\$ 47,419,503</b>	<b>\$ 43,992,054</b>	<b>\$ 5,379,495</b>	<b>\$ 7,252,381</b>	<b>\$ 52,798,998</b>	<b>\$ 51,244,435</b>
<b>Expenses:</b>						
<b>General government administration</b>						
General government administration	\$ 2,976,450	\$ 3,122,953	\$ -	\$ -	\$ 2,976,450	\$ 3,122,953
Judicial administration	1,204,628	1,092,049	-	-	1,204,628	1,092,049
Public safety	10,398,790	10,277,269	-	-	10,398,790	10,277,269
Public works	1,802,161	1,594,488	-	-	1,802,161	1,594,488
Health and welfare	3,887,590	3,931,369	-	-	3,887,590	3,931,369
Education	17,939,282	16,958,203	-	-	17,939,282	16,958,203
Parks, recreation, and cultural	1,481,120	1,420,822	-	-	1,481,120	1,420,822
Community development	1,393,728	1,199,221	-	-	1,393,728	1,199,221
Interest and other fiscal charges	2,727,029	3,077,684	-	-	2,727,029	3,077,684
Water and sewer	-	-	5,882,363	5,545,687	5,882,363	5,545,687
<b>Total expenses</b>	<b>\$ 43,810,778</b>	<b>\$ 42,674,058</b>	<b>\$ 5,882,363</b>	<b>\$ 5,545,687</b>	<b>\$ 49,693,141</b>	<b>\$ 48,219,745</b>
Increase (decrease) in net position before transfers	\$ 3,608,725	\$ 1,317,996	\$ (502,868)	\$ 1,706,694	\$ 3,105,857	\$ 3,024,690
Transfers	(85,038)	(85,038)	85,038	85,038	-	-
<b>Change in net position</b>	<b>\$ 3,523,687</b>	<b>\$ 1,232,958</b>	<b>\$ (417,830)</b>	<b>\$ 1,791,732</b>	<b>\$ 3,105,857</b>	<b>\$ 3,024,690</b>
Net position, July 1	54,747,705	53,514,747	21,101,978	19,310,246	75,849,683	72,824,993
<b>Net position, June 30</b>	<b>\$ 58,271,392</b>	<b>\$ 54,747,705</b>	<b>\$ 20,684,148</b>	<b>\$ 21,101,978</b>	<b>\$ 78,955,540</b>	<b>\$ 75,849,683</b>

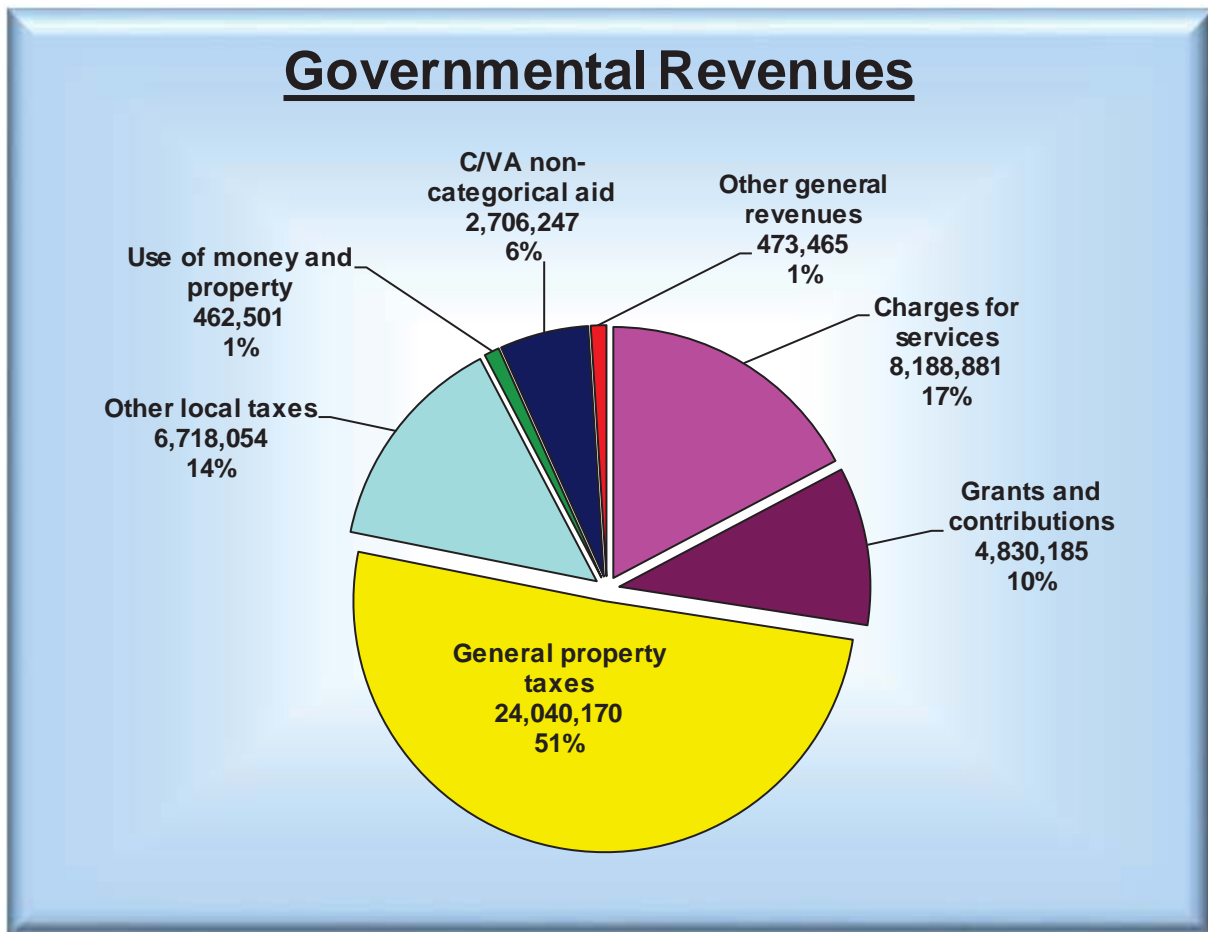
**Government-wide Financial Analysis: (Continued)**

Governmental Activities – Program and general revenues for governmental activities totaled \$47.4 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$24.0 million
- Charges for services totaled \$8.2 million (This includes \$6.97 million of landfill revenues)
- Other local taxes totaled \$6.7 million.
- Operating grants and contributions totaled \$4.4 million

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

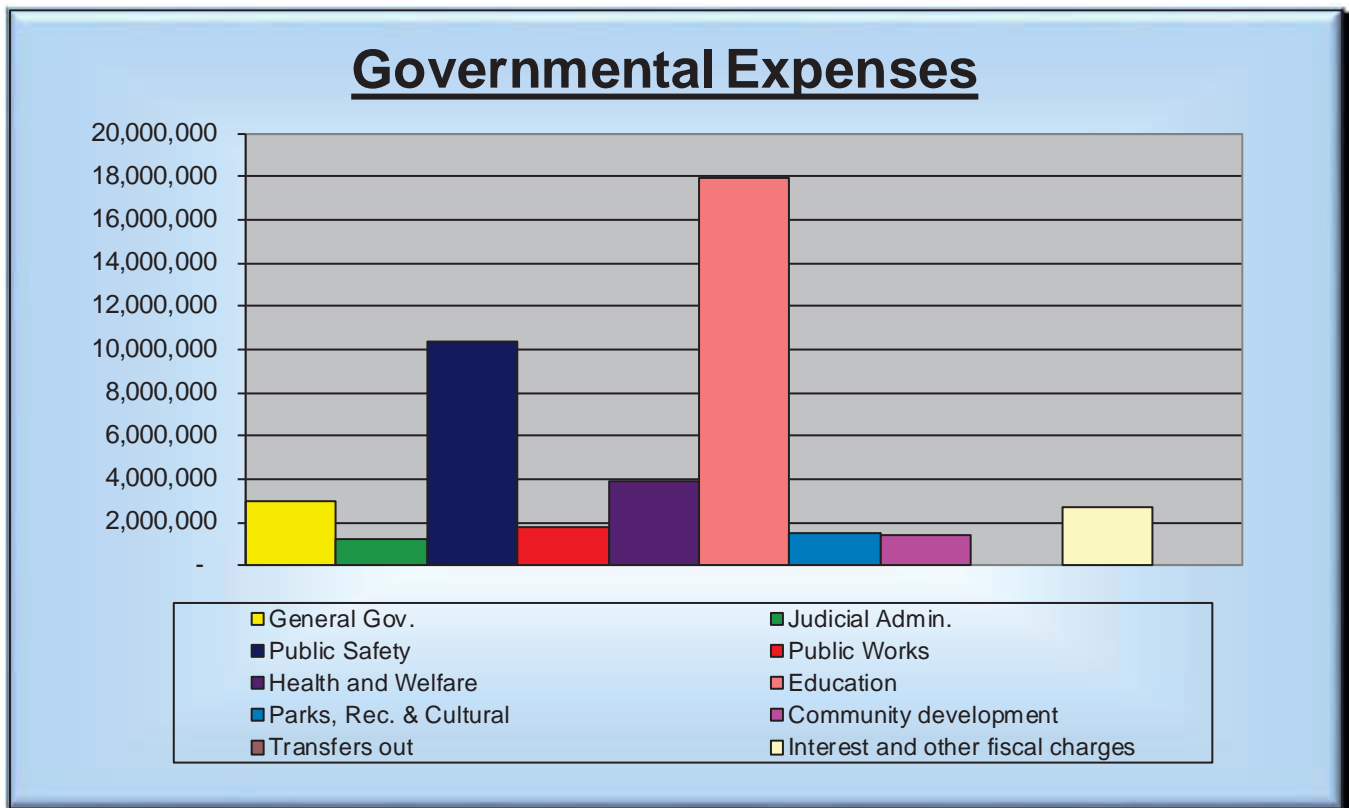


## Government-wide Financial Analysis: (Continued)

Expenses for governmental activities totaled \$43.8 million for the fiscal year. Major categories were as follows:

- Education totaled \$17.9 million
- Public Safety totaled \$10.4 million
- Health and Welfare totaled \$3.9 million
- Interest/Other Charges totaled \$2.7 million

The graph below denotes expenses by major categories.



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

- General property taxes increased \$2,433,746 compared to prior year; this increase is due to additional revenue received from a second half increase in both the real estate and personal property rates along with additional assessments in the County.
- Educational expenses had an increase of \$981,079 in comparison to the prior fiscal year.
- Public Safety expenses increased by \$121,521 mainly due to increased staffing in those departments.
- Health and Welfare expenses decreased slightly by \$43,779 due to lower costs for 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 slightly by \$417,830 in the current year.

Major reasons are as follows:

- Operating revenues decreased slightly by \$52,409 during the year. This is mainly due to a slight decrease in availability fees along with a one-time revenue being received in the previous fiscal year.
- Operating expenses increased during the year by \$551,979. This is mainly due to expenses associated with contractual services, personnel costs, and increased debt service payments.
- Operating income in FY16 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 \$43.4 million, an increase of \$3.2 million in comparison with the prior year. Approximately forty-five percent (45%) of this amount \$19.3 million constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County. In accordance with GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$702,127), restricted by an outside sources (\$1.8 million), committed (\$12.2 million) and not available for spending and assigned (\$9.5 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 \$19.3 million, while the total fund balance was \$26.3 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-six (46%) of total general fund expenditures, while total general fund balance represents sixty-three percent (63%) of that same amount.

**General Fund:** The fund balance of the County's general fund increased by \$3.6 million during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$1.95 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 \$2.1 million dollars. This was due to an increase in the calendar year 2016 real estate tax rate of seven cents per hundred and an increase in the personal property tax rate of twenty –five cents per hundred along with growth in the tax base.

The total General Fund expenditures were under budget by \$3.5 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 \$16.1 million of which \$120,563 is restricted, \$6.5 million is committed and \$9.5 million is assigned. See Note 1-U for details. The fund balance of the County's capital projects fund decreased slightly from the previous fiscal year, the factors that contributed to this are as follows:

- Funds spent of public safety vehicles and equipment totaled \$169,676, \$679,709 was spent on school buses and equipment for King George County Schools, and \$868,109 was spent on school related capital projects to include a middle school roof repair.
- Landfill fees collected in fiscal year 2016 totaling \$6.3 million were used to fund debt service. The amount of landfill revenue collected did exceed the budget by \$424,316 which is favorable and contributes to a smaller decrease in fund balance.

**Permanent Fund:** At the end of the current fiscal year the fund balance for the County's permanent fund was \$870,471 of which \$700,000 is non-spendable and \$170,471 is restricted for library operations. The fund balance of the County's permanent fund increased by \$35,990.

**Wireless Authority Fund:** The Wireless Authority project fund balance was \$39,927 at the end of the current fiscal year, which is a decrease over the prior fiscal year due to transfers in the fund.

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

## **General Fund Budgetary Highlights**

Differences between the original expenditures budget and the final amended budget were \$1.3 million dollars or a three percent (3%) increase in appropriations. Significant budget variances are summarized as follows:

- County's contribution to the School Board increased by \$639,035 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 \$2,027,284, reference Exhibit 10.

Actual expenditures were \$3.5 million less than the amended budget. Major contributors were as follows:

- One factor in reduction in spending is because of the economic challenges that were ahead, the County Administrator maintains a spending freeze with special consideration on discretionary spending for the entire year.
- Health and welfare had remaining budgeted funds totaling \$642,698 mainly due to lower costs for the Children's Services Act program, social services administration and public service.
- Education expenditures were less than the amended budget by \$1,301,943 due to School Board expenditures being kept under budget at June 30, 2016 although these funds will be carried over into FY2017 for prior year encumbrances that were obligated at June 30, 2016 but not yet spent.
- Public safety also had a favorable expenditure variance of \$1,127,512 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.



## **Capital Asset and Debt Administration**

**Capital assets** - The County's investment in capital assets for its governmental activities as of June 30, 2016 totaled \$76.8 million (net of accumulated depreciation). Major highlights of governmental capital assets include:

During Fiscal Year 2016, the County worked on projects that include: Courthouse HVAC improvements, making parks and recreation related park improvements, middle school roof repair, and various school and emergency service related equipment purchases.

**Business Type Capital Assets** - The Authority's investment in capital assets as of June 30, 2016 totaled \$44.1 million (net of accumulated depreciation). Investment in capital assets decreased slightly in the amount of \$695,472. This slight decrease is due to the King George Service Authority not having a significant amount of capital projects being constructed during the fiscal year.

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 \$67.5 million and the King George Service Authority has outstanding obligations of \$29.4 million.

Of the County's debt, \$12.4 million comprises debt backed by the full faith and credit of the County and \$45.1 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations decreased during the current fiscal year by a net of \$3.3 million. The County issued a small refunding bond in fiscal year 2016 which refunded various obligations of the King George County Service Authority, see Note 22 for details.

The King George Service Authority decreased its long-term obligations by \$905,755 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 2015.

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 4.2% at June 30, 2016. The local unemployment rate compares favorably to the June 30, 2016 national rate of 4.9%. The County's favorable employment conditions are supported by the continued growth of jobs over the last nine years. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenues for the fiscal year ending June 30, 2016 totaled \$39.5 million which is a \$2.9 million increase over the prior year. There was growth in both property taxes and other local taxes for FY2016. The increase in revenue for property taxes was mainly due to the increase in the real estate and personal property tax rates, along with growth in the tax base.

## **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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 39,571,796	\$ 4,140,793	\$ 43,712,589	\$ 211,492	\$ 201,160
Receivables (net of allowance for uncollectibles):					
Property taxes	10,126,794	-	10,126,794	-	-
Accounts receivable	2,094,162	744,119	2,838,281	57,293	-
Notes receivable	1,333,330	-	1,333,330	-	-
Due from other governments	2,224,336	-	2,224,336	1,511,546	-
Inventory	-	-	-	-	3,322,400
Prepaid items	2,127	-	2,127	-	-
Restricted cash	1,970,443	-	1,970,443	-	-
Due from primary government	-	-	-	2,489,716	-
Total Current Assets	\$ 57,322,988	\$ 4,884,912	\$ 62,207,900	\$ 4,270,047	\$ 3,523,560
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134	\$ -
Infrastructure	-	41,622,892	41,622,892	-	-
Buildings and improvements	29,516,472	-	29,516,472	11,684,925	-
Equipment	3,146,889	146,772	3,293,661	2,567,722	-
Jointly owned assets	36,061,053	-	36,061,053	16,564,696	-
Construction in progress	1,999,720	61,620	2,061,340	856,349	-
Total capital assets	\$ 76,774,940	\$ 44,093,638	\$ 120,868,578	\$ 31,846,826	\$ -
Total Assets	\$ 134,097,928	\$ 48,978,550	\$ 183,076,478	\$ 36,116,873	\$ 3,523,560
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to the measurement date					
	\$ 815,945	\$ 79,480	\$ 895,425	\$ 3,354,422	\$ -
Items related to the measurement of the net pension liability					
	-	-	-	217,000	-
Deferred charge on refunding	4,944,869	2,110,142	7,055,011	-	-
Total deferred outflows of resources	\$ 5,760,814	\$ 2,189,622	\$ 7,950,436	\$ 3,571,422	\$ -
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 1,109,578	\$ 74,740	\$ 1,184,318	\$ 535,267	\$ -
Retainage payable	-	-	-	-	-
Customer deposits	-	204,955	204,955	-	-
Accrued liabilities	-	-	-	3,613,129	-
Due to component unit - School Board	2,489,716	-	2,489,716	-	-
Unearned revenue	-	469,883	469,883	-	-
Accrued interest payable	759,326	256,513	1,015,839	-	-
Long-term obligations - current portion	3,412,282	1,307,210	4,719,492	38,294	1,000,000
Total Current Liabilities	\$ 7,770,902	\$ 2,313,301	\$ 10,084,203	\$ 4,186,690	\$ 1,000,000
Noncurrent Liabilities					
Long-term obligations - noncurrent portion	64,066,076	28,092,458	92,158,534	33,736,471	-
Total Liabilities	\$ 71,836,978	\$ 30,405,759	\$ 102,242,737	\$ 37,923,161	\$ 1,000,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Items related to the measurement of the net pension liability					
	\$ 776,642	\$ 78,265	\$ 854,907	\$ 2,737,266	\$ -
Deferred revenue - property taxes	8,973,730	-	8,973,730	-	-
Total deferred inflows of resources	\$ 9,750,372	\$ 78,265	\$ 9,828,637	\$ 2,737,266	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 16,461,426	\$ 17,025,593	\$ 33,487,019	\$ 31,846,826	\$ -
Restricted:					
Debt service	1,149,880	-	1,149,880	-	-
Smoot library:					
Nonexpendable	700,000	-	700,000	-	-
Temporarily restricted	170,471	-	170,471	-	-
Natatorium	120,563	-	120,563	-	-
Unrestricted assets	39,669,052	3,658,555	43,327,607	(32,818,958)	2,523,560
Total Net Position	\$ 58,271,392	\$ 20,684,148	\$ 78,955,540	\$ (972,132)	\$ 2,523,560

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 2,976,450	\$ -	\$ 247,203	\$ -
Judicial administration	1,204,628	247,336	490,694	-
Public safety	10,398,790	71,971	1,170,756	73,491
Public works	1,802,161	7,356,335	14,832	-
Health and welfare	3,887,590	-	2,170,194	-
Education	17,939,282	-	198,050	93,600
Parks, recreation, and cultural	1,481,120	417,284	98,736	176,656
Community development	1,393,728	95,955	-	95,973
Interest on long-term debt	2,727,029	-	-	-
Total governmental activities	\$ 43,810,778	\$ 8,188,881	\$ 4,390,465	\$ 439,720
Business-type activities:				
Water and sewer	\$ 5,882,363	\$ 4,739,477	\$ -	\$ 442,018
	\$ 49,693,141	\$ 12,928,358	\$ 4,390,465	\$ 881,738
<b>COMPONENT UNITS:</b>				
School Board	\$ 39,421,015	\$ 648,358	\$ 24,499,616	\$ -
Economic Development Authority	17,431	24,863	-	-
Total component units	\$ 39,438,446	\$ 673,221	\$ 24,499,616	\$ -
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				
Net position - ending				

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



<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>Economic Development Authority</b>
\$ (2,729,247)	\$ -	\$ (2,729,247)	\$ -	\$ -
(466,598)	-	(466,598)	-	-
(9,082,572)	-	(9,082,572)	-	-
5,569,006	-	5,569,006	-	-
(1,717,396)	-	(1,717,396)	-	-
(17,647,632)	-	(17,647,632)	-	-
(788,444)	-	(788,444)	-	-
(1,201,800)	-	(1,201,800)	-	-
<u>(2,727,029)</u>	<u>-</u>	<u>(2,727,029)</u>	<u>-</u>	<u>-</u>
\$ <u>(30,791,712)</u>	\$ <u>-</u>	\$ <u>(30,791,712)</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>(700,868)</u>	\$ <u>(700,868)</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>(700,868)</u>	\$ <u>(31,492,580)</u>	\$ <u>-</u>	\$ <u>-</u>
			\$ (14,273,041)	\$ -
			<u>-</u>	<u>7,432</u>
			\$ <u>(14,273,041)</u>	\$ <u>7,432</u>
\$ 24,040,170	\$ -	\$ 24,040,170	\$ -	\$ -
2,334,684	-	2,334,684	-	-
255,829	-	255,829	-	-
1,190,381	-	1,190,381	-	-
604,314	-	604,314	-	-
284,799	-	284,799	-	-
987,644	-	987,644	-	-
589,142	-	589,142	-	-
471,261	-	471,261	-	-
2,706,247	-	2,706,247	-	-
462,501	-	462,501	15,487	(99,206)
-	-	-	16,680,364	-
473,465	198,000	671,465	265,659	7,000
(85,038)	85,038	-	-	-
\$ <u>34,315,399</u>	\$ <u>283,038</u>	\$ <u>34,598,437</u>	\$ <u>16,961,510</u>	\$ <u>(92,206)</u>
\$ <u>3,523,687</u>	\$ <u>(417,830)</u>	\$ <u>3,105,857</u>	\$ <u>2,688,469</u>	\$ <u>(84,774)</u>
\$ <u>54,747,705</u>	\$ <u>21,101,978</u>	\$ <u>75,849,683</u>	\$ <u>(3,660,601)</u>	\$ <u>2,608,334</u>
\$ <u>58,271,392</u>	\$ <u>20,684,148</u>	\$ <u>78,955,540</u>	\$ <u>(972,132)</u>	\$ <u>2,523,560</u>

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## Fund Financial Statements

Balance Sheet - Governmental Funds  
At June 30, 2016

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,868,418	\$ 13,492,980	\$ 170,471	\$ 39,927	\$ 39,571,796
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	10,126,794	-	-	-	10,126,794
Accounts	231,426	1,862,736	-	-	2,094,162
Note receivable	1,333,330	-	-	-	1,333,330
Restricted cash	1,149,880	120,563	700,000	-	1,970,443
Due from other governmental units	1,224,336	1,000,000	-	-	2,224,336
Prepaid items	2,127	-	-	-	2,127
Total assets	<u>\$ 39,936,311</u>	<u>\$ 16,476,279</u>	<u>\$ 870,471</u>	<u>\$ 39,927</u>	<u>\$ 57,322,988</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 777,306	\$ 332,272	\$ -	\$ -	\$ 1,109,578
Due to component unit - School Board	2,489,716	-	-	-	2,489,716
Total liabilities	<u>\$ 3,267,022</u>	<u>\$ 332,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,599,294</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 10,344,512	\$ -	\$ -	\$ -	\$ 10,344,512
<b>FUND BALANCES</b>					
Nonspendable	\$ 2,127	\$ -	\$ 700,000	\$ -	\$ 702,127
Restricted	1,459,068	120,563	170,471	-	1,750,102
Committed	5,602,256	6,512,573	-	39,927	12,154,756
Assigned	-	9,510,871	-	-	9,510,871
Unassigned	19,261,326	-	-	-	19,261,326
Total fund balances	<u>\$ 26,324,777</u>	<u>\$ 16,144,007</u>	<u>\$ 870,471</u>	<u>\$ 39,927</u>	<u>\$ 43,379,182</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,936,311</u>	<u>\$ 16,476,279</u>	<u>\$ 870,471</u>	<u>\$ 39,927</u>	<u>\$ 57,322,988</u>

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

Total fund balances, balance sheet, governmental funds	\$ 43,379,182
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the position of the County as a whole.	76,774,940
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	(776,642)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.	1,370,782
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	815,945
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(759,326)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(62,533,489)
Net position of governmental activities	<u>\$ 58,271,392</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, 2016

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
<b>Revenues:</b>					
General property taxes	\$ 23,922,208	\$ -	\$ -	\$ -	\$ 23,922,208
Other local taxes	6,718,054	-	-	-	6,718,054
Permits, privilege fees and regulatory licenses	485,161	6,974,316	-	-	7,459,477
Fines and forfeitures	207,341	-	-	-	207,341
Revenue from use of money and property	255,066	171,445	35,990	-	462,501
Charges for services	522,063	-	-	-	522,063
Miscellaneous	211,633	259,335	-	2,497	473,465
Recovered costs	175,000	-	-	-	175,000
<b>Intergovernmental:</b>					
Commonwealth	6,057,743	343,747	-	-	6,401,490
Federal	936,892	198,050	-	-	1,134,942
<b>Total revenues</b>	<b>\$ 39,491,161</b>	<b>\$ 7,946,893</b>	<b>\$ 35,990</b>	<b>\$ 2,497</b>	<b>\$ 47,476,541</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government administration	\$ 2,845,913	\$ 110,803	\$ -	\$ -	\$ 2,956,716
Judicial administration	1,128,143	125,166	-	-	1,253,309
Public safety	9,767,873	177,223	-	-	9,945,096
Public works	1,929,078	54,896	-	-	1,983,974
Health and welfare	3,952,764	-	-	-	3,952,764
Education	13,805,656	1,547,818	-	-	15,353,474
Parks, recreation, and cultural	1,292,655	25,185	-	-	1,317,840
Community development	1,224,484	264,438	-	-	1,488,922
<b>Debt service:</b>					
Principal retirement	3,103,795	-	-	-	3,103,795
Interest and other fiscal charges	2,878,513	-	-	-	2,878,513
<b>Total expenditures</b>	<b>\$ 41,928,874</b>	<b>\$ 2,305,529</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,234,403</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (2,437,713)	\$ 5,641,364	\$ 35,990	\$ 2,497	\$ 3,242,138
<b>Other financing sources (uses):</b>					
Transfers in	\$ 6,061,049	\$ 210,929	\$ -	\$ 5,000	\$ 6,276,978
Transfers out	(5,000)	(6,146,087)	-	(210,929)	(6,362,016)
<b>Total other financing sources (uses)</b>	<b>\$ 6,056,049</b>	<b>\$ (5,935,158)</b>	<b>\$ -</b>	<b>\$ (205,929)</b>	<b>\$ (85,038)</b>
<b>Net changes in fund balances</b>	<b>\$ 3,618,336</b>	<b>\$ (293,794)</b>	<b>\$ 35,990</b>	<b>\$ (203,432)</b>	<b>\$ 3,157,100</b>
Fund balances at beginning of year	22,706,441	16,437,801	834,481	243,359	40,222,082
<b>Fund balances at end of year</b>	<b>\$ 26,324,777</b>	<b>\$ 16,144,007</b>	<b>\$ 870,471</b>	<b>\$ 39,927</b>	<b>\$ 43,379,182</b>

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, 2016

		<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	\$	3,157,100
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	\$ 600,528	
Depreciation expense	<u>(2,652,755)</u>	(2,052,227)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,522,506)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	117,962	
Change in deferred inflows related to the measurement of the net pension liability	<u>722,245</u>	840,207
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:		
Amortization of bond premium	\$ 375,399	
Amortization of deferred amount on refunding	(272,258)	
Principal retired on general obligation and lease revenue bonds	2,853,795	
Principal retired on state literary fund loans	<u>250,000</u>	3,206,936
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ 11,531	
Change in net pension liability	(221,967)	
Change in deferred outflows related to pension contributions subsequent to the measurement date	56,270	
Change in accrued interest payable	<u>48,343</u>	(105,823)
Change in net position of governmental activities	\$	<u><u>3,523,687</u></u>

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

Statement of Net Position - Proprietary Fund  
 At June 30, 2016

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 4,140,793
Receivables (net of allowance for uncollectibles):	
Accounts receivable	744,119
Total Current Assets	<u>\$ 4,884,912</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	58,793,002
Equipment	900,862
Construction in progress	61,620
Accumulated depreciation	(17,924,200)
Total Capital Assets	<u>\$ 44,093,638</u>
Total Assets	<u>\$ 48,978,550</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension contributions subsequent to the measurement date	\$ 79,480
Deferred charge on refunding	2,110,142
Total deferred outflows of resources	<u>\$ 2,189,622</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 74,740
Customer deposits	204,955
Unearned revenue	469,883
Accrued interest payable	256,513
Long-term obligations - current portion	1,307,210
Total Current Liabilities	<u>\$ 2,313,301</u>
Noncurrent Liabilities	
Long-term obligations - noncurrent portion	<u>28,092,458</u>
Total Liabilities	<u>\$ 30,405,759</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Items related to the measurement of the net pension liability	<u>\$ 78,265</u>
<b>NET POSITION</b>	
Net Investment in capital assets	\$ 17,025,593
Unrestricted assets	<u>3,658,555</u>
Total Net Position	<u>\$ 20,684,148</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, 2016

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 1,179,985
Sewer revenues	1,758,645
Availability fees	393,703
Debt fees	1,407,144
Other revenues	<u>198,000</u>
Total operating revenues	\$ <u>4,937,477</u>
Operating expenses:	
Personnel services	\$ 1,059,881
Fringe benefits	383,136
Contractual services	588,167
Depreciation	1,509,264
Other operating expenses	<u>1,221,226</u>
Total operating expenses	\$ <u>4,761,674</u>
Net income (loss) from operations	\$ <u>175,803</u>
Nonoperating revenues (expenses):	
Interest expense	\$ <u>(1,120,689)</u>
Net income (loss) before capital contributions	\$ <u>(944,886)</u>
Capital contributions:	
Capital contributions - developer	\$ 372,000
State and local grant funds	70,018
Capital contributions - County of King George, Virginia	<u>85,038</u>
Total capital contributions	\$ <u>527,056</u>
Change in net position	\$ (417,830)
Net position, beginning of year	<u>21,101,978</u>
Net position, end of year	<u>\$ 20,684,148</u>

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



Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2016

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 5,353,781
Payments to employees (including fringe benefits)	(1,481,291)
Payments for operating activities	<u>(1,853,214)</u>
Net cash provided by operating activities	<u>\$ 2,019,276</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (540,792)
Proceeds from long term indebtedness issued	117,797
Proceeds from issuance of refunding debt	280,000
Capital grants and contributions	326,541
Payment to refunded bonds escrow agent	(275,000)
Retirement of indebtedness	(949,054)
Interest expense	<u>(1,089,216)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,129,724)</u>
Net increase (decrease) in cash and cash equivalents	\$ (110,448)
Cash and cash equivalents at beginning of year	<u>4,251,241</u>
Cash and cash equivalents at end of year	<u>\$ 4,140,793</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 175,803
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,509,264
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	10,471
(Increase) deferred outflows - pension contributions subsequent to the measurement date	15,289
Increase (decrease) in accounts payable	(43,821)
Increase (decrease) in unearned revenue	347,241
Increase (decrease) in customer deposits	58,592
Increase (decrease) in net pension liability	25,886
Increase (decrease) in deferred inflows - items related to measurement of net pension liability	(74,332)
Increase (decrease) in compensated absences	<u>(5,117)</u>
Net cash provided by operating activities	<u>\$ 2,019,276</u>
Noncash investing and financing activities:	
Noncash capital contributions	<u>\$ 372,000</u>

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

Statement of Fiduciary Net Position - Fiduciary Funds  
 At June 30, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,105,236
Accounts receivable	<u>4,723</u>
Total assets	<u>\$ 4,109,959</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 57,293
Amounts held for others	31,677
Amounts held for landfill closure and postclosure costs	3,975,123
Amounts held for social services' clients	<u>45,866</u>
Total liabilities	<u>\$ 4,109,959</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, 2016

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## Note 1–Summary of Significant Accounting Policies:

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

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

### Financial Statement Presentation

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

### Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

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

#### **A. Financial Reporting Entity:**

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

#### **B. Individual Component Unit Disclosures:**

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

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

##### Discretely Presented Component Units

###### School Board

The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements.

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

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

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

###### Other Related Organizations

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

None

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements; however, the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

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

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

#### 1. Governmental Funds

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

##### a. General Fund

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

1. Governmental Funds: (Continued)

b. Capital Projects Fund

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

c. Permanent Fund

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

d. Special Revenue Fund

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

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

Enterprise Funds

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

The County reports the following major enterprise fund:

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



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare Fund, Payroll Taxes Fund, 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 \$1,571,106 in the General Fund at June 30, 2016.



# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

### **H. Investments:**

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 \$692,951 at June 30, 2016 and is comprised of the following:

Property taxes	\$ 506,053
Water & sewer accounts	<u>186,898</u>
Total	<u>\$ 692,951</u>

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

### **J. Capital Assets:**

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

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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### J. Capital Assets: (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2016.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

### K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Another item is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. Lastly the County reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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

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

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

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

#### **M. Pensions**

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### **N. Long-term Obligations:**

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

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

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

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

#### **P. Use of Estimates:**

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

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

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

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

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

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

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

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

#### U. Fund Equity

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

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

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

**U. Fund Equity: (Continued)**

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

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

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

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Wireless Authority Fund</u>	<u>Total</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Prepays	2,127	-	-	-	2,127
<b>Total Nonspendable Fund Balance</b>	<u>\$ 2,127</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 702,127</u>
<b>Restricted:</b>					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Natorium	-	120,563	-	-	120,563
Library	39,001	-	170,471	-	209,472
Grants	270,187	-	-	-	270,187
<b>Total Restricted Fund Balance</b>	<u>\$ 1,459,068</u>	<u>\$ 120,563</u>	<u>\$ 170,471</u>	<u>\$ -</u>	<u>\$ 1,750,102</u>
<b>Committed:</b>					
Education	\$ 1,301,929	\$ -	\$ -	\$ -	\$ 1,301,929
Wireless project	-	-	-	39,927	39,927
Stabilization funds	1,872,093	-	-	-	1,872,093
2017 budget	654,200	-	-	-	654,200
Capital projects	934,003	6,512,573	-	-	7,446,576
Tourism	348,276	-	-	-	348,276
Recreation	162,255	-	-	-	162,255
Other purposes	329,500	-	-	-	329,500
<b>Total Committed Fund Balance</b>	<u>\$ 5,602,256</u>	<u>\$ 6,512,573</u>	<u>\$ -</u>	<u>\$ 39,927</u>	<u>\$ 12,154,756</u>
<b>Assigned:</b>					
Turf resurfacing	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital projects	-	9,110,871	-	-	9,110,871
<b>Total Assigned Fund Balance</b>	<u>\$ -</u>	<u>\$ 9,510,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,510,871</u>
<b>Unassigned</b>					
<b>Total Fund Balances</b>	<u>\$ 19,261,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,261,326</u>
	<u>\$ 26,324,777</u>	<u>\$ 16,144,007</u>	<u>\$ 870,471</u>	<u>\$ 39,927</u>	<u>\$ 43,379,182</u>



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### **V. Adoption of Accounting Principles**

##### Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 3.

##### Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

##### Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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, 2016 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-	A-1
U.S. Agencies	\$ -	\$ -	\$ 11,590,324	\$ -	\$ -
Local Government Investment Pool	5,890,948	-	-	-	-
Money Market	36,254				
Corporate Notes	-	592,647	879,870	1,576,818	-
Commercial Paper	-	-	-	-	691,425
Repurchase Agreements - Underlying: U.S. Agency Securities	-	-	19,008,404	-	-
Total	<u>\$ 5,927,202</u>	<u>\$ 592,647</u>	<u>\$ 31,478,598</u>	<u>\$ 1,576,818</u>	<u>\$ 691,425</u>



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### Interest Rate Risk

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

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>5-9 Years</u>	<u>Greater Than 10 Years</u>
Repurchase Agreements	\$ 19,008,404	\$ -	\$ 1,703,303	\$ 34,526	\$ 17,270,575
Corporate Notes	3,049,334	-	3,049,334	-	-
Commercial Paper	691,425	691,425	-	-	-
U.S. Agencies	11,140,322	-	10,723,513	-	416,809
U.S. Treasuries	<u>3,604,417</u>	<u>-</u>	<u>3,604,417</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 37,493,902</u>	<u>\$ 691,425</u>	<u>\$ 19,080,567</u>	<u>\$ 34,526</u>	<u>\$ 17,687,384</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 is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is 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:

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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, 2016 (Continued)

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## Note 3–Fair Value Measurements: (Continued)

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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, 2016:

<u>Investment</u>	<u>June 30, 2016</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Repurchase Agreements \$	19,008,404 \$	19,008,404
Corporate Notes	3,049,334	3,049,334
Commercial Paper	691,425	691,425
U.S. Agencies	11,140,322	11,140,322
U.S. Treasuries	3,604,417	3,604,417
Total	\$ <u>37,493,902</u> \$	<u>37,493,902</u>

## Note 4–Due From Other Governments:

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At June 30, 2016, 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	\$ -	\$ 831,831
PPTRA	1,088,066	-
Local sales taxes	409,636	-
Communications tax	61,157	-
Public assistance	40,088	-
Shared expenses	143,450	-
CSA	311,404	-
Other	86,297	-
Federal Government:		
School funds	-	679,715
Public assistance	84,238	-
Totals	\$ <u>2,224,336</u> \$	<u>1,511,546</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 2,489,716	\$ -
School Board	-	2,489,716
Totals	<u>\$ 2,489,716</u>	<u>\$ 2,489,716</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:**

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Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 6,061,049	\$ 5,000
Service Authority	85,038	-
Wireless Project Fund	5,000	210,929
Capital Improvements Fund	210,929	6,146,087
Total	<u>\$ 6,362,016</u>	<u>\$ 6,362,016</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, 2016 (Continued)

**Note 7—Capital Assets:**

The following is a summary of capital asset activity for the year ended June 30, 2016:

**Primary Government:**

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	\$ -	\$ -	\$ 6,050,806
Construction in progress	<u>1,982,566</u>	<u>164,910</u>	<u>147,756</u>	<u>1,999,720</u>
Total capital assets not being depreciated	<u>\$ 8,033,372</u>	<u>\$ 164,910</u>	<u>\$ 147,756</u>	<u>\$ 8,050,526</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 36,829,551	\$ -	\$ -	\$ 36,829,551
Equipment	10,221,265	583,374	109,270	10,695,369
Jointly owned assets	<u>44,915,259</u>	<u>-</u>	<u>2,276,895</u>	<u>42,638,364</u>
Total capital assets being depreciated	<u>\$ 91,966,075</u>	<u>\$ 583,374</u>	<u>\$ 2,386,165</u>	<u>\$ 90,163,284</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,446,089	\$ 866,990	\$ -	\$ 7,313,079
Equipment	6,937,944	719,806	109,270	7,548,480
Jointly owned assets	<u>6,265,741</u>	<u>1,065,959</u>	<u>754,389</u>	<u>6,577,311</u>
Total accumulated depreciation	<u>\$ 19,649,774</u>	<u>\$ 2,652,755</u>	<u>\$ 863,659</u>	<u>\$ 21,438,870</u>
Total capital assets being depreciated, net	<u>\$ 72,316,301</u>	<u>\$ (2,069,381)</u>	<u>\$ 1,522,506</u>	<u>\$ 68,724,414</u>
Governmental activities capital assets, net	<u>\$ 80,349,673</u>	<u>\$ (1,904,471)</u>	<u>\$ 1,670,262</u>	<u>\$ 76,774,940</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 7–Capital Assets: (Continued)**

**Primary Government: (Continued)**

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
<b><u>Business-type activities-KGSA:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>4,912,422</u>	<u>421,183</u>	<u>5,271,985</u>	<u>61,620</u>
Total capital assets not being depreciated	<u>\$ 7,174,776</u>	<u>\$ 421,183</u>	<u>\$ 5,271,985</u>	<u>\$ 2,323,974</u>
Capital assets being depreciated:				
Infrastructure	\$ 53,149,017	\$ 5,643,985	\$ -	\$ 58,793,002
Equipment	<u>880,253</u>	<u>20,609</u>	<u>-</u>	<u>900,862</u>
Total capital assets being depreciated	<u>\$ 54,029,270</u>	<u>\$ 5,664,594</u>	<u>\$ -</u>	<u>\$ 59,693,864</u>
Accumulated depreciation:				
Infrastructure	\$ 15,698,464	\$ 1,471,646	\$ -	\$ 17,170,110
Equipment	<u>716,472</u>	<u>37,618</u>	<u>-</u>	<u>754,090</u>
Total accumulated depreciation	<u>\$ 16,414,936</u>	<u>\$ 1,509,264</u>	<u>\$ -</u>	<u>\$ 17,924,200</u>
Total capital assets being depreciated, net	<u>\$ 37,614,334</u>	<u>\$ 4,155,330</u>	<u>\$ -</u>	<u>\$ 41,769,664</u>
Business-type activities capital assets, net	<u>\$ 44,789,110</u>	<u>\$ 4,576,513</u>	<u>\$ 5,271,985</u>	<u>\$ 44,093,638</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 7—Capital Assets: (Continued)**

**Discretely Presented Component Unit—School Board:**

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
Capital assets not being depreciated:				
Land	\$ 173,134	\$ -	\$ -	\$ 173,134
Construction in progress	<u>148,589</u>	<u>865,362</u>	<u>157,602</u>	<u>856,349</u>
Total capital assets not being depreciated	<u>\$ 321,723</u>	<u>\$ 865,362</u>	<u>\$ 157,602</u>	<u>\$ 1,029,483</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 27,236,049	\$ 157,602	\$ -	\$ 27,393,651
Equipment	6,741,707	586,266	39,597	7,288,376
Jointly owned assets	<u>20,096,531</u>	<u>2,276,895</u>	<u>-</u>	<u>22,373,426</u>
Total capital assets being depreciated	<u>\$ 54,074,287</u>	<u>\$ 3,020,763</u>	<u>\$ 39,597</u>	<u>\$ 57,055,453</u>
Accumulated depreciation:				
Buildings and improvements	\$ 14,547,976	\$ 1,160,750	\$ -	\$ 15,708,726
Equipment	4,312,097	448,154	39,597	4,720,654
Jointly owned assets	<u>5,054,341</u>	<u>754,389</u>	<u>-</u>	<u>5,808,730</u>
Total accumulated depreciation	<u>\$ 23,914,414</u>	<u>\$ 2,363,293</u>	<u>\$ 39,597</u>	<u>\$ 26,238,110</u>
Total capital assets being depreciated, net	<u>\$ 30,159,873</u>	<u>\$ 657,470</u>	<u>\$ -</u>	<u>\$ 30,817,343</u>
School Board capital assets, net	<u>\$ 30,481,596</u>	<u>\$ 1,522,832</u>	<u>\$ 157,602</u>	<u>\$ 31,846,826</u>

Reconciliation of primary government net investment in capital assets:

Net capital assets	<u>\$ 76,774,940</u>
Long-term debt applicable to capital assets at June 30, 2016	\$ 65,258,383
Deferred charge on refunding	4,944,869
Net investment in capital assets	<u>\$ 16,461,426</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 7—Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 102,173
Judicial administration	34,279
Public safety	1,113,803
Public works	56,198
Health and Welfare	35,068
Education	1,065,959
Parks, recreation and cultural	233,608
Community development	<u>11,667</u>
Total	\$ <u>2,652,755</u>
Component Unit-School Board	\$ <u>1,608,904</u> (1)
King George Service Authority	\$ <u>1,509,264</u>
(1) Depreciation expense	\$ 1,608,904
Accumulated depreciation on Joint tenancy asset transfer	<u>754,389</u>
Total increase in accumulated depreciation, page 50	\$ <u>2,363,293</u>

### Note 8—Restricted Assets:

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Restricted assets at June 30, 2016 consist of the following:

Permanent fund corpus	\$ 700,000
Natatorium donation	120,563
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>1,970,443</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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%	\$ 333,330
\$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>\$ 1,333,330</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, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b><u>Governmental Funds</u></b>					
General Obligation Bonds	\$ 13,067,259	\$ -	\$ 647,895	\$ 12,419,364	\$ 1,052,144
Revenue Bonds	47,315,900	-	2,205,900	45,110,000	1,655,000
State Literary Fund Loans	1,000,000	-	250,000	750,000	250,000
Compensated Absences	808,918	69,361	80,892	797,387	79,739
Net Pension Liability	1,200,621	2,774,838	2,552,871	1,422,588	-
Premium on bonds	<u>7,354,418</u>	<u>-</u>	<u>375,399</u>	<u>6,979,019</u>	<u>375,399</u>
Total	<u>\$ 70,747,116</u>	<u>\$ 2,844,199</u>	<u>\$ 6,112,957</u>	<u>\$ 67,478,358</u>	<u>\$ 3,412,282</u>

The general fund revenues are used to liquidate compensated absences.



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2017	\$ 2,707,144	\$ 2,730,321	\$ 250,000	\$ 22,500
2018	2,656,876	2,615,731	250,000	15,000
2019	2,777,117	2,499,145	250,000	7,500
2020	2,907,896	2,378,692	-	-
2021	3,044,237	2,251,016	-	-
2022	3,171,173	2,124,259	-	-
2023	3,037,431	1,993,314	-	-
2024	3,143,354	1,853,118	-	-
2025	3,240,681	1,705,156	-	-
2026	3,343,623	1,552,096	-	-
2027	3,093,672	1,408,179	-	-
2028	3,196,160	1,273,143	-	-
2029	2,925,000	1,142,909	-	-
2030	3,030,000	1,021,012	-	-
2031	3,135,000	783,059	-	-
2032	2,980,000	531,038	-	-
2033	2,700,000	389,062	-	-
2034	2,835,000	253,151	-	-
2035	1,755,000	139,784	-	-
2036	1,850,000	47,406	-	-
Total	\$ <u>57,529,364</u>	\$ <u>28,691,591</u>	\$ <u>750,000</u>	\$ <u>45,000</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**Note 10—Long-Term Obligations: (Continued)**

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**Governmental Activities: (Continued)**

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<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)	\$ 1,670,000	\$ 530,000
\$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)	570,000	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%	27,270,000	930,000
\$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>15,600,000</u>	<u>5,000</u>
Total Revenue Bonds	\$ <u>45,110,000</u>	\$ <u>1,655,000</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%	\$ 4,925,000	\$ 425,000
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	3,447,176	318,773
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>4,047,188</u>	<u>308,371</u>
Total General Obligation Bonds	\$ <u>12,419,364</u>	\$ <u>1,052,144</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>57,529,364</u>	\$ <u>2,707,144</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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%	\$ 750,000	\$ 250,000
Compensated Absences	\$ 797,387	\$ 79,739
Premium on bonds	\$ 6,979,019	\$ 375,399
Net Pension Liability	\$ 1,422,588	\$ -
Total long-term obligations	<u>\$ 67,478,358</u>	<u>\$ 3,412,282</u>

**King George County Service Authority:**

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2016:

<u>Proprietary Funds</u>	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Note Payable	\$ 349,997	-	\$ 16,667	\$ 333,330	\$ 16,667
VRA Water and Sewer Revenue Bond:	3,649,115	117,797	123,387	3,643,525	154,272
VRA Water Revenue Bond	275,000	-	275,000	-	-
VRA Infrastructure Revenue Bonds	4,930,000	-	225,000	4,705,000	235,000
Compensated absences	78,480	6,655	11,772	73,363	11,004
Virginia Revenue Refunding Bond	4,755,000	-	-	4,755,000	330,000
Water and Sewer Refunding Bonds	14,349,000	280,000	584,000	14,045,000	460,000
Net pension liability	122,232	291,426	265,540	148,118	-
Premium on bonds	1,796,599	-	100,267	1,696,332	100,267
Total	<u>\$ 30,305,423</u>	<u>\$ 695,878</u>	<u>\$ 1,601,633</u>	<u>\$ 29,399,668</u>	<u>\$ 1,307,210</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**Note 10—Long-Term Obligations: (Continued)**

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

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

Year Ending June 30,	Virginia Revenue Refunding Bond		VRA Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 330,000	\$ 212,180	\$ 154,272	\$ 102,258
2018	345,000	197,274	158,588	97,942
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	\$ <u>4,755,000</u>	\$ <u>1,556,731</u>	\$ <u>3,643,525</u>	\$ <u>1,072,361</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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
2017	\$ 16,667	\$ -	\$ 460,000	\$ 517,843	\$ 235,000	\$ 220,423
2018	16,667	-	480,000	500,370	240,000	208,249
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	16,657	-	-	-	-	-
Total	\$ <u>333,330</u>	\$ <u>-</u>	\$ <u>14,045,000</u>	\$ <u>5,017,678</u>	\$ <u>4,705,000</u>	\$ <u>2,003,555</u>

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%	\$ 333,330	\$ 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%	2,905,000	65,000
\$5,905,000, Water and Sewer Revenue Refunding bond issued October 23, 2010, payable in various principal annual installments through October 1, 2031, interest payable semiannually at rates ranging from 4.100% to 5.100%	5,365,000	230,000

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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%	4,755,000	330,000
\$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%	505,000	165,000
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2018, interest payable semiannually at rates ranging from 3.125% to 5.375%	220,000	70,000
\$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%	670,000	160,000
\$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%	4,825,000	5,000
\$2,500,000 VRA Revenue Bonds Series 2014, payable in various annual installments through December 1, 2034, interest payable semiannually at 2.46%	2,331,658	99,247
\$1,340,270 VRA Revenue Bonds Series 2014, payable in various annual installments through March 1, 2035, interest payable semiannually at 2.25%	<u>1,311,867</u>	<u>55,025</u>
Total long-term debt	\$ 27,481,855	\$ 1,195,939
Compensated absences	\$ 73,363	\$ 11,004
Premium on bonds	\$ 1,696,332	\$ 100,267
Net Pension Liability	\$ 148,118	\$ -
Total long-term obligations	<u>\$ 29,399,668</u>	<u>\$ 1,307,210</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**Note 10—Long-Term Obligations: (Continued)**

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**Component Unit School Board:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Net OPEB obligation	\$ 584,304	\$ 160,400	\$ 46,600	\$ 698,104	\$ -
Net pension liability	31,302,609	7,961,232	6,570,124	32,693,717	-
Compensated absences payable	<u>418,638</u>	<u>6,170</u>	<u>41,864</u>	<u>382,944</u>	<u>38,294</u>
Total	<u>\$ 32,305,551</u>	<u>\$ 8,127,802</u>	<u>\$ 6,658,588</u>	<u>\$ 33,774,765</u>	<u>\$ 38,294</u>

Details of long-term obligations are as follows:

	<u>Amount</u> <u>Outstanding</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ <u>382,944</u>	\$ <u>38,294</u>
Net OPEB obligation	\$ <u>698,104</u>	\$ -
Net Pension Liability	\$ <u>32,693,717</u>	\$ -
Total	\$ <u>33,774,765</u>	\$ <u>38,294</u>

**Note 11—Compensated Absences:**

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

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

Primary Government	\$ <u>797,387</u>
King George Service Authority	\$ <u>73,363</u>
Component Unit School Board	\$ <u>382,944</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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:

	<u>Government-wide Statements</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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.	\$ 8,341,663	\$ -
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	632,067	-
Unearned revenue - prepaid connections	<u>-</u>	<u>469,883</u>
Total	<u>\$ 8,973,730</u>	<u>\$ 469,883</u>
	<u>Balance Sheet</u>	
	<u>Governmental Funds</u>	
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.	\$ 9,712,445	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>632,067</u>	
Total	<u>\$ 10,344,512</u>	

**Note 13–Litigation:**

The County has been named as a defendant in various matters. It is not known what liability, if any, the County faces.



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan:**

***Plan Description***

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

All full-time, salaried permanent employees of the County and (nonprofessional) employees of 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:

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

**Plan Description: (Continued)**

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### *Employees Covered by Benefit Terms*

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	71	39
Inactive members:		
Vested inactive members	27	6
Non-vested inactive members	65	34
Inactive members active elsewhere in VRS	<u>72</u>	<u>18</u>
Total inactive members	164	58
Active members	<u>197</u>	<u>97</u>
Total covered employees	<u><u>432</u></u>	<u><u>194</u></u>

#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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, 2016 was 9.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$895,425 and \$851,848 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 8.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 14–Pension Plan: (Continued)

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#### **Contributions (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$174,615 and \$174,305 for the years ended June 30, 2016 and June 30, 2015, respectively.

#### **Net Pension Liability**

The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

#### **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, 2014, 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, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 14–Pension Plan: (Continued)

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

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

The total pension liability for Public Safety employees in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 14–Pension Plan: (Continued)

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

***Long-Term Expected Rate of Return***

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

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

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



**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability***

	<b>Primary Government</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 28,604,099	\$ 27,281,246	\$ 1,322,853
Changes for the year:			
Service cost	\$ 1,070,656	\$ -	\$ 1,070,656
Interest	1,976,220	-	1,976,220
Differences between expected and actual experience	(184,301)	-	(184,301)
Contributions - employer	-	851,848	(851,848)
Contributions - employee	-	502,982	(502,982)
Net investment income	-	1,276,766	(1,276,766)
Benefit payments, including refunds of employee contributions	(744,759)	(744,759)	-
Administrative expenses	-	(16,602)	16,602
Other changes	-	(272)	272
Net changes	<u>\$ 2,117,816</u>	<u>\$ 1,869,963</u>	<u>\$ 247,853</u>
Balances at June 30, 2015	<u>\$ 30,721,915</u>	<u>\$ 29,151,209</u>	<u>\$ 1,570,706</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 14–Pension Plan: (Continued)**

***Changes in Net Pension Liability***

	<b>Component School Board (nonprofessional)</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 6,230,494	\$ 6,080,885	\$ 149,609
Changes for the year:			
Service cost	\$ 253,174	\$ -	\$ 253,174
Interest	429,269	-	429,269
Differences between expected and actual experience	(186,758)	-	(186,758)
Contributions - employer	-	174,305	(174,305)
Contributions - employee	-	106,877	(106,877)
Net investment income	-	282,184	(282,184)
Benefit payments, including refunds of employee contributions	(196,170)	(196,170)	-
Administrative expenses	-	(3,726)	3,726
Other changes	-	(63)	63
Net changes	<u>\$ 299,515</u>	<u>\$ 363,407</u>	<u>\$ (63,892)</u>
Balances at June 30, 2015	<u>\$ 6,530,009</u>	<u>\$ 6,444,292</u>	<u>\$ 85,717</u>

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

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

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
County Net Pension Liability (Asset)	\$ 5,900,528	\$ 1,570,706	\$ (1,997,340)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 892,655	\$ 85,717	\$ (591,209)

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$303,124 and \$34,498, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>		<b>Component Unit School Board (Nonprofessional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 139,240	\$ -	\$ 132,937
Net difference between projected and actual earnings on pension plan investments	-	715,667	-	158,329
Employer contributions subsequent to the measurement date	<u>895,425</u>	<u>-</u>	<u>174,615</u>	<u>-</u>
Total	<u>\$ 895,425</u>	<u>\$ 854,907</u>	<u>\$ 174,615</u>	<u>\$ 291,266</u>

\$895,425 and \$174,615 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, 2017. 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:

<b>Year ended June 30</b>	<b>Primary Government</b>	<b>Component Unit School Board (Nonprofessional)</b>
2017	\$ (327,195)	\$ (116,352)
2018	(327,195)	(116,352)
2019	(327,195)	(87,827)
2020	126,678	29,265

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### **Note 14–Pension Plan: (Continued)**

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

##### ***Plan Description***

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

##### ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$3,179,807 and \$2,792,933 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$32,608,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .25907% as compared to .25779% at June 30, 2014.

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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)***

For the year ended June 30, 2016, the school division recognized pension expense of \$2,435,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, 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	\$ -	\$ 449,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,997,000
Employer contributions subsequent to the measurement date	<u>3,179,807</u>	<u>-</u>
Total	<u>\$ 3,396,807</u>	<u>\$ 2,446,000</u>

\$3,179,807 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, 2017. 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>	
2017	\$ (837,000)
2018	(837,000)
2019	(837,000)
2020	317,000
2021	(35,000)

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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## 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, 2014, 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, 2015.

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

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

#### Mortality rates:

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (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>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
<b>Total</b>	<b><u>100.00%</u></b>		<b><u>5.83%</u></b>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<b><u>8.33%</u></b>

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



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 14–Pension Plan: (Continued)

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

##### **Discount Rate**

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

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

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

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 47,717,917	\$ 32,608,000	\$ 20,168,346

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

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015annual-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:

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

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



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### **Note 15–Risk Management: (Continued)**

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

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

### **Note 16–Landfill Closure and Postclosure Care Cost:**

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The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2016 the County has set aside escrow funds in the amount of \$3,975,123 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:**

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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.

### **Note 18–Expenditures Over Appropriations:**

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At June 30, 2016 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Recreation programs and events	\$ 435,718	\$ 437,239	\$ (1,521)
Capital Projects Fund:			
Land purchase	4,000	6,000	(2,000)

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**Note 19–Surety Bond:**

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Charles V. Mason, Clerk of the Circuit Court	\$ 25,000
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–Other Postemployment Benefits–Health Insurance:**

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**School Board:**

**A. Plan Description:**

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

**B. Funding Policy:**

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

**School Board: (Continued)**

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

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

Annual required contribution	\$	161,500
Interest on net OPEB obligation		20,500
Adjustment to annual required contribution		(21,600)
Annual OPEB cost (expense)	\$	<u>160,400</u>
Contributions made		(46,600)
Increase in net OPEB obligation	\$	<u>113,800</u>
Net OPEB obligation-beginning of year		584,304
Net OPEB obligation-end of year	\$	<u><u>698,104</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 160,400	\$ 29.05%	\$ 698,104
June 30, 2015	153,000	35.23%	584,304
June 30, 2014	164,300	29.15%	485,204

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### **D. Funded Status and Funding Progress**

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

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

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

#### **E. Actuarial Methods and Assumptions**

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

##### Cost Method

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

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

Cost Method: (Continued)

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

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

Interest Assumptions

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

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

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

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$242,315, \$117,871, and \$112,439 respectively and equaled the required contributions for each year.

### **Note 22—Debt Refunding:**

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On May 11, 2106 the County of King George, Virginia issued \$280,000 in Water and Sewer Revenue Refunding Bonds with an effective interest rate of 3.839%. The bonds were issued to refund \$275,000 of Revenue Bonds. The bonds will be repaid in one installment on October 1, 2032. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$2,151. The advance refunding reduced the total debt service payments over the next 17 years by \$56,767 and resulted in an economic gain of \$46,926. At June 30, 2016, the defeased bonds had balances outstanding of \$275,000.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2016

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 21,777,520	\$ 21,777,520	\$ 23,922,208	\$ 2,144,688
Other local taxes	6,672,800	6,672,800	6,718,054	45,254
Permits, privilege fees and regulatory licenses	428,700	428,700	485,161	56,461
Fines and forfeitures	187,500	187,500	207,341	19,841
Revenue from use of money and property	140,175	140,175	255,066	114,891
Charges for services	486,018	486,018	522,063	36,045
Miscellaneous	292,498	291,385	211,633	(79,752)
Recovered costs	175,000	175,000	175,000	-
Intergovernmental:				
Commonwealth	6,463,856	6,476,676	6,057,743	(418,933)
Federal	839,810	828,103	936,892	108,789
Total revenues	\$ 37,463,877	\$ 37,463,877	\$ 39,491,161	\$ 2,027,284
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 69,292	\$ 76,748	\$ 76,748	\$ -
General and financial administration:				
County administration	\$ 323,667	\$ 335,588	\$ 335,588	\$ -
Legal services	223,370	247,763	247,762	1
Human resources	126,498	159,003	143,177	15,826
Commissioner of the Revenue	398,811	403,653	385,395	18,258
Reassessment	-	42	41	1
Treasurer	304,354	307,813	307,813	-
Information technology	326,264	334,142	326,262	7,880
Department of finance	825,763	843,754	817,153	26,601
Total general and financial administration	\$ 2,528,727	\$ 2,631,758	\$ 2,563,191	\$ 68,567
Board of Elections:				
Electoral board and officials	\$ 75,872	\$ 75,872	\$ 55,291	\$ 20,581
Registrar	172,325	174,214	150,683	23,531
Total board of elections	\$ 248,197	\$ 250,086	\$ 205,974	\$ 44,112
Total general government administration	\$ 2,846,216	\$ 2,958,592	\$ 2,845,913	\$ 112,679

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2016 (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	\$ 72,611	\$ 73,418	\$ 68,918	\$ 4,500
Combined courts	22,275	26,855	18,625	8,230
Magistrates	3,650	3,726	1,512	2,214
Clerk of the circuit court	447,934	457,576	441,246	16,330
Law library	4,200	4,200	163	4,037
Victim assistance program	22,838	29,546	29,545	1
Total courts	\$ 573,508	\$ 595,321	\$ 560,009	\$ 35,312
Commonwealth's attorney:				
Commonwealth's attorney	\$ 575,410	\$ 580,252	\$ 568,134	\$ 12,118
Total judicial administration	\$ 1,148,918	\$ 1,175,573	\$ 1,128,143	\$ 47,430
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,757,135	\$ 3,863,536	\$ 3,669,290	\$ 194,246
VJCCCA / CHINS	61,585	62,392	60,010	2,382
E-911	717,037	725,107	654,824	70,283
Other law enforcement	30,765	30,765	6,824	23,941
Public safety grants	24,728	28,586	26,853	1,733
Total law enforcement and traffic control	\$ 4,591,250	\$ 4,710,386	\$ 4,417,801	\$ 292,585
Fire and rescue services:				
Emergency services	\$ 3,527,302	\$ 3,596,367	\$ 3,194,086	\$ 402,281
Ambulance services	42,793	42,793	34,645	8,148
Fire and rescue grants	174,820	349,385	143,220	206,165
King George fire and rescue	438,781	481,603	430,208	51,395
Total fire and rescue services	\$ 4,183,696	\$ 4,470,148	\$ 3,802,159	\$ 667,989
Correction and detention:				
Juvenile detention	\$ 295,465	\$ 448,030	\$ 448,030	\$ -
Regional jail	961,808	961,808	801,810	159,998
Total correction and detention	\$ 1,257,273	\$ 1,409,838	\$ 1,249,840	\$ 159,998

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2016 (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	\$ 300,818	\$ 304,853	\$ 297,913	\$ 6,940
Medical examiner	-	160	160	-
Total other protection	\$ 300,818	\$ 305,013	\$ 298,073	\$ 6,940
Total public safety	\$ 10,333,037	\$ 10,895,385	\$ 9,767,873	\$ 1,127,512
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 103,373	\$ 108,103	\$ 98,524	\$ 9,579
Sanitation and waste removal:				
Landfill	\$ 222,098	\$ 224,967	\$ 216,980	\$ 7,987
Maintenance of general buildings and grounds:				
General properties	\$ 1,549,133	\$ 1,559,885	\$ 1,466,416	\$ 93,469
Miscellaneous	93,500	142,044	109,890	32,154
Citizen's center	44,735	44,735	37,268	7,467
Total maintenance of general buildings and grounds	\$ 1,687,368	\$ 1,746,664	\$ 1,613,574	\$ 133,090
Total public works	\$ 2,012,839	\$ 2,079,734	\$ 1,929,078	\$ 150,656
Health and welfare:				
Health:				
Local health department	\$ 308,415	\$ 308,415	\$ 308,415	\$ -
Mental health and mental retardation:				
Community services board	\$ 82,611	\$ 82,611	\$ 82,611	\$ -
Welfare:				
Administration and public assistance	\$ 2,232,023	\$ 2,247,356	\$ 1,914,816	\$ 332,540
Childrens services	2,109,645	1,957,080	1,646,922	310,158
Total welfare	\$ 4,341,668	\$ 4,204,436	\$ 3,561,738	\$ 642,698
Total health and welfare	\$ 4,732,694	\$ 4,595,462	\$ 3,952,764	\$ 642,698

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2016 (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	\$ 5,385	\$ 10,785	\$ 10,770	\$ 15
Contribution to Component Unit School Board	14,457,779	15,096,814	13,794,886	1,301,928
Total education	\$ 14,463,164	\$ 15,107,599	\$ 13,805,656	\$ 1,301,943
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 338,055	\$ 342,090	\$ 335,690	\$ 6,400
Recreation programs and events	435,718	435,718	437,239	(1,521)
Total parks and recreation	\$ 773,773	\$ 777,808	\$ 772,929	\$ 4,879
Library:				
Library	\$ 521,268	\$ 525,303	\$ 519,726	\$ 5,577
Total parks, recreation and cultural	\$ 1,295,041	\$ 1,303,111	\$ 1,292,655	\$ 10,456
Community development:				
Planning and community development:				
Community development	\$ 748,573	\$ 761,601	\$ 756,101	\$ 5,500
Economic development	154,669	154,878	151,569	3,309
Tourism	79,600	87,936	25,716	62,220
Planning / community zoning boards	20,849	20,849	8,479	12,370
Community organizations	135,743	137,744	137,743	1
Total planning and community development	\$ 1,139,434	\$ 1,163,008	\$ 1,079,608	\$ 83,400
Environmental management:				
Litter control	\$ 5,350	\$ 5,350	\$ 4,357	\$ 993
Soil and water conservation district	35,473	35,473	35,473	-
Total environmental management	\$ 40,823	\$ 40,823	\$ 39,830	\$ 993

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2016 (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	\$ 129,179	\$ 129,179	\$ 105,046	\$ 24,133
Total community development	\$ 1,309,436	\$ 1,333,010	\$ 1,224,484	\$ 108,526
Debt service:				
Principal retirement	\$ 3,103,795	\$ 3,103,795	\$ 3,103,795	\$ -
Interest and fiscal charges	2,919,551	2,919,551	2,878,513	41,038
Total debt service	\$ 6,023,346	\$ 6,023,346	\$ 5,982,308	\$ 41,038
Total expenditures	\$ 44,164,691	\$ 45,471,812	\$ 41,928,874	\$ 3,542,938
Excess (deficiency) of revenues over (under) expenditures	\$ (6,700,814)	\$ (8,007,935)	\$ (2,437,713)	\$ 5,570,222
Other financing sources (uses):				
Operating transfers in	\$ 6,289,564	\$ 6,061,049	\$ 6,061,049	\$ -
Operating transfers (out)	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	\$ 6,284,564	\$ 6,056,049	\$ 6,056,049	\$ -
Net changes in fund balance	\$ (416,250)	\$ (1,951,886)	\$ 3,618,336	\$ 5,570,222
Fund balance at beginning of year	416,250	1,951,886	22,706,441	20,754,555
Fund balance at end of year	\$ -	\$ -	\$ 26,324,777	\$ 26,324,777

Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 1,070,656	\$ 1,024,811
Interest	1,976,220	1,828,464
Changes of benefit terms	-	-
Differences between expected and actual experience	(184,301)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(744,759)</u>	<u>(740,189)</u>
<b>Net change in total pension liability</b>	<b>\$ 2,117,816</b>	<b>\$ 2,113,086</b>
<b>Total pension liability - beginning</b>	<b>28,604,099</b>	<b>26,491,013</b>
<b>Total pension liability - ending (a)</b>	<b>\$ <u>30,721,915</u></b>	<b>\$ <u>28,604,099</u></b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 851,848	\$ 906,696
Contributions - employee	502,982	444,462
Net investment income	1,276,766	3,694,695
Benefit payments, including refunds of employee contributions	(744,759)	(740,189)
Administrative expense	(16,602)	(19,201)
Other	<u>(272)</u>	<u>195</u>
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,869,963</b>	<b>\$ 4,286,658</b>
<b>Plan fiduciary net position - beginning</b>	<b>27,281,246</b>	<b>22,994,588</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ <u>29,151,209</u></b>	<b>\$ <u>27,281,246</u></b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 1,570,706</b>	<b>\$ 1,322,853</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.89%</b>	<b>95.38%</b>
<b>Covered payroll</b>	<b>\$ 9,358,646</b>	<b>\$ 8,879,202</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>16.78%</b>	<b>14.90%</b>

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 Components of and Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 253,174	\$ 259,885
Interest	429,269	397,313
Changes of benefit terms	-	-
Differences between expected and actual experience	(186,758)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(196,170)	(205,213)
<b>Net change in total pension liability</b>	<b>\$ 299,515</b>	<b>\$ 451,985</b>
<b>Total pension liability - beginning</b>	<b>6,230,494</b>	<b>5,778,509</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,530,009</b>	<b>\$ 6,230,494</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 174,305	\$ 196,649
Contributions - employee	106,877	111,465
Net investment income	282,184	823,538
Benefit payments, including refunds of employee contributions	(196,170)	(205,213)
Administrative expense	(3,726)	(4,309)
Other	(63)	44
<b>Net change in plan fiduciary net position</b>	<b>\$ 363,407</b>	<b>\$ 922,174</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,080,885</b>	<b>5,158,711</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,444,292</b>	<b>\$ 6,080,885</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 85,717</b>	<b>\$ 149,609</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>98.69%</b>	<b>97.60%</b>
<b>Covered payroll</b>	<b>\$ 2,154,275</b>	<b>\$ 2,229,985</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>3.98%</b>	<b>6.71%</b>

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  
 Year Ended June 30, 2016\*

	<u>2015</u>		<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.25907%		0.25779%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 32,608,000	\$	31,153,000
Employer's Covered-Employee Payroll	20,354,901		19,645,222
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	160.20%		158.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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  
 Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
<b>Primary Government</b>					
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%
2008	652,587	652,587	-	7,997,389	8.16%
2007	384,376	384,376	-	7,307,530	5.26%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2008	111,537	111,537	-	2,161,565	5.16%
2007	109,550	109,550	-	2123066	5.16%
<b>Component Unit School Board (professional) (1)</b>					
2016	\$ 3,179,807	\$ 3,179,807	-	\$ 20,354,901	15.62%
2015	2,848,557	2,848,557	-	19,645,222	14.50%

(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  
Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

**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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

**Largest 10 – Non-LEOS:**

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

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

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

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

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

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

**Component Unit School Board - Professional Employees**

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

Schedule of OPEB Funding Progress  
Last Three Fiscal Years

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

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

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**OTHER SUPPLEMENTARY INFORMATION**

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**Combining and Individual Fund 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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,550,000	\$ 6,550,000	\$ 6,974,316	\$ 424,316
Revenue from use of money and property	100,000	100,000	171,445	71,445
Miscellaneous	225,000	225,000	259,335	34,335
Intergovernmental:				
Commonwealth	-	93,600	343,747	250,147
Federal	197,000	197,000	198,050	1,050
Total revenues	<u>\$ 7,072,000</u>	<u>\$ 7,165,600</u>	<u>\$ 7,946,893</u>	<u>\$ 781,293</u>
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 97,354	\$ 96,303	\$ 1,051
Total general government administration	<u>\$ -</u>	<u>\$ 97,354</u>	<u>\$ 96,303</u>	<u>\$ 1,051</u>
Public safety:				
Vehicle and equipment acquisition - EMS	\$ -	\$ 240,108	\$ 169,676	\$ 70,432
Equipment acquisition - Sheriff	-	155,646	-	155,646
Vehicle acquisition - Sheriff	-	2,441	-	2,441
Total public safety	<u>\$ -</u>	<u>\$ 398,195</u>	<u>\$ 169,676</u>	<u>\$ 228,519</u>
Education:				
Equipment additions	\$ -	\$ 226,600	\$ 182,099	\$ 44,501
Vehicle additions	-	537,441	497,610	39,831
Total education	<u>\$ -</u>	<u>\$ 764,041</u>	<u>\$ 679,709</u>	<u>\$ 84,332</u>
Capital projects:				
General government administration:				
Construction program	\$ 697,398	\$ 220,564	\$ -	\$ 220,564
Land purchase	-	4,000	6,000	(2,000)
County complex	-	200,605	8,500	192,105
Total general government administration	<u>\$ 697,398</u>	<u>\$ 425,169</u>	<u>\$ 14,500</u>	<u>\$ 410,669</u>
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 118,416	\$ 114,891	\$ 3,525
Courthouse improvements	-	13,490	10,275	3,215
Total judicial administration	<u>\$ -</u>	<u>\$ 131,906</u>	<u>\$ 125,166</u>	<u>\$ 6,740</u>
Public safety:				
PSAP project	\$ -	\$ 9,744	\$ 7,500	\$ 2,244
Fire station replacement	-	700,000	47	699,953
Fire station renovation	-	3,964	-	3,964
Total public safety	<u>\$ -</u>	<u>\$ 713,708</u>	<u>\$ 7,547</u>	<u>\$ 706,161</u>
Public works:				
Rt 3/Rt 301 water extension	\$ -	\$ 73,515	\$ 41,132	\$ 32,383
Hopyard Oakland Park Purkins WWTP	-	43,000	13,764	29,236
Vehicle maintenance facility	-	1,635	-	1,635
Total public works	<u>\$ -</u>	<u>\$ 118,150</u>	<u>\$ 54,896</u>	<u>\$ 63,254</u>

Capital Projects Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
 Year Ended June 30, 2016 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Old middle school well	\$ -	\$ 21,296	\$ 18,400	\$ 2,896
KGMS and PES access control system	-	278,862	117,370	161,492
Middle school roof repair	-	645,588	598,704	46,884
Middle school expansion and track	-	550,000	130,889	419,111
Potomac elementary school renovations	-	5,502	90	5,412
Ralph Bunche renovations	-	68,067	2,656	65,411
Total education	\$ -	\$ 1,569,315	\$ 868,109	\$ 701,206
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 17,793	\$ -	\$ 17,793
Shiloh park old landfill site	-	117,561	13,303	104,258
Parks and recreation facility plan	-	50,000	11,882	38,118
Total parks and recreation	\$ -	\$ 185,354	\$ 25,185	\$ 160,169
Community development:				
Citizens center renovations	\$ -	\$ 3,471	\$ 175	\$ 3,296
Natural gas to the industrial park	-	4,300,000	195,638	4,104,362
Industrial park projects	-	8,543	4,407	4,136
Miscellaneous	-	81,400	64,218	17,182
Total community development	\$ -	\$ 4,393,414	\$ 264,438	\$ 4,128,976
Total expenditures	\$ 697,398	\$ 8,796,606	\$ 2,305,529	\$ 6,491,077
Excess (deficiency) of revenues over (under) expenditures	\$ 6,374,602	\$ (1,631,006)	\$ 5,641,364	\$ 7,272,370
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 210,929	\$ 210,929
Transfers (out)	(6,374,602)	(6,146,087)	(6,146,087)	-
Net changes in fund balance	\$ -	\$ (7,777,093)	\$ (293,794)	\$ 7,483,299
Fund balance at beginning of year	-	7,777,093	16,437,801	8,660,708
Fund balance at end of year	\$ -	\$ -	\$ 16,144,007	\$ 16,144,007

Combining Statement of Fiduciary Net Position -  
 Agency Funds  
 At June 30, 2016

	<b>Special Welfare Fund</b>	<b>Payroll Taxes Fund</b>	<b>Landfill Escrow Fund</b>	<b>School Employee Benefit Fund</b>	<b>Totals</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 41,143	\$ 30,899	\$ 3,975,123	\$ 58,071	\$ 4,105,236
Accounts receivable	<u>4,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,723</u>
 Total assets	 <u>\$ 45,866</u>	 <u>\$ 30,899</u>	 <u>\$ 3,975,123</u>	 <u>\$ 58,071</u>	 <u>\$ 4,109,959</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 57,293	\$ 57,293
Amounts held for others	-	30,899	-	778	31,677
Amounts held for landfill closure and postclosure costs	-	-	3,975,123	-	3,975,123
Amounts held for social services' clients	<u>45,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,866</u>
 Total liabilities	 <u>\$ 45,866</u>	 <u>\$ 30,899</u>	 <u>\$ 3,975,123</u>	 <u>\$ 58,071</u>	 <u>\$ 4,109,959</u>

Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2016

	<b>Balance Beginning of Year As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
<b>Special Welfare Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 47,834	\$ 25,668	\$ 32,359	\$ 41,143
Accounts receivable	-	4,723	-	4,723
	<u>\$ 47,834</u>	<u>\$ 30,391</u>	<u>\$ 32,359</u>	<u>\$ 45,866</u>
<b>Liabilities:</b>				
Amounts held for social services' clients	\$ 47,834	\$ 30,391	\$ 32,359	\$ 45,866
<b>Payroll Taxes Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 1,646,754	\$ 1,615,855	\$ 30,899
Accounts receivable	56,283	-	56,283	-
	<u>\$ 56,283</u>	<u>\$ 1,646,754</u>	<u>\$ 1,672,138</u>	<u>\$ 30,899</u>
<b>Liabilities:</b>				
Amounts held for others	\$ 56,283	\$ 1,646,754	\$ 1,672,138	\$ 30,899
<b>Landfill Escrow Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,966,665	\$ 8,458	\$ -	\$ 3,975,123
<b>Liabilities:</b>				
Amounts held for landfill closure and postclosure costs	\$ 3,966,665	\$ 8,458	\$ -	\$ 3,975,123
<b>School Employee Benefit Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 835	\$ 57,451	\$ 215	\$ 58,071
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 57,293	\$ -	\$ 57,293
Amounts held for others	835	158	215	778
	<u>\$ 835</u>	<u>\$ 57,451</u>	<u>\$ 215</u>	<u>\$ 58,071</u>
<b>Totals -- All agency funds</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,015,334	\$ 1,738,331	\$ 1,648,429	\$ 4,105,236
Accounts receivable	56,283	4,723	56,283	4,723
	<u>\$ 4,071,617</u>	<u>\$ 1,743,054</u>	<u>\$ 1,704,712</u>	<u>\$ 4,109,959</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 57,293	\$ -	\$ 57,293
Amounts held for social services' clients	47,834	30,391	32,359	45,866
Amounts held for landfill closure and postclosure costs	3,966,665	8,458	-	3,975,123
Amounts held for others	57,118	1,646,912	1,672,353	31,677
	<u>\$ 4,071,617</u>	<u>\$ 1,743,054</u>	<u>\$ 1,704,712</u>	<u>\$ 4,109,959</u>

Balance Sheet - Discretely Presented Component Unit - School Board  
 At June 30, 2016

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,000	\$ 209,492	\$ 211,492
Receivables (Net of allowance for uncollectibles):			
Accounts	57,293	-	57,293
Due from primary government	2,489,716	-	2,489,716
Due from other governmental units	<u>1,500,626</u>	<u>10,920</u>	<u>1,511,546</u>
Total assets	<u>\$ 4,049,635</u>	<u>\$ 220,412</u>	<u>\$ 4,270,047</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 528,937	\$ 6,330	\$ 535,267
Accrued liabilities	<u>3,518,698</u>	<u>94,431</u>	<u>3,613,129</u>
Total liabilities	<u>\$ 4,047,635</u>	<u>\$ 100,761</u>	<u>\$ 4,148,396</u>
<b>FUND BALANCES</b>			
Committed - cafeteria	\$ -	\$ 119,651	\$ 119,651
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 119,651</u>	<u>\$ 121,651</u>
Total liabilities and fund balances	<u>\$ 4,049,635</u>	<u>\$ 220,412</u>	<u>\$ 4,270,047</u>

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

Total fund balances, balance sheet, governmental funds	\$ 121,651
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.	31,846,826
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	(2,737,266)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	3,354,422
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.	<u>(33,557,765)</u>
Net position of Governmental Activities	<u>\$ (972,132)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2016

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 15,240	\$ 247	\$ 15,487
Charges for services	39,226	609,132	648,358
Miscellaneous	255,314	10,345	265,659
Intergovernmental:			
County contribution to School Board	13,794,886	-	13,794,886
Commonwealth	21,618,480	23,895	21,642,375
Federal	<u>1,467,053</u>	<u>890,188</u>	<u>2,357,241</u>
 Total revenues	 <u>\$ 37,190,199</u>	 <u>\$ 1,533,807</u>	 <u>\$ 38,724,006</u>
Expenditures:			
Current:			
Education	<u>\$ 37,190,199</u>	<u>\$ 1,449,991</u>	<u>\$ 38,640,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 83,816</u>	<u>\$ 83,816</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 83,816</u>	<u>\$ 83,816</u>
Fund balances at beginning of year	<u>2,000</u>	<u>35,835</u>	<u>37,835</u>
Fund balances at end of year	<u><u>\$ 2,000</u></u>	<u><u>\$ 119,651</u></u>	<u><u>\$ 121,651</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, 2016

	<u>Component Unit School Board</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 83,816
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	\$ 1,451,628
Depreciation expense	<u>(1,608,904)</u> (157,276)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred inflows related to the measurement of the net pension liability	2,252,915
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of the items supporting this adjustment:	
Change in net OPEB obligation	\$ (113,800)
Change in net pension liability	(1,391,108)
Change in deferred outflows related to the measurement of the net pension liability	125,000
Change in deferred outflows related to pension contributions subsequent to the measurement date	330,722
Change in compensated absences	<u>35,694</u> (1,013,492)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	<u>1,522,506</u>
Change in net position of governmental activities	<u>\$ 2,688,469</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, 2016

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 15,240	\$ (9,760)
Charges for services	65,000	65,000	39,226	(25,774)
Miscellaneous	155,000	155,000	255,314	100,314
<b>Intergovernmental:</b>				
County contribution to School Board	14,457,779	15,096,814	13,794,886	(1,301,928)
Commonwealth	21,803,708	21,803,708	21,618,480	(185,228)
Federal	1,502,554	2,052,864	1,467,053	(585,811)
<b>Total revenues</b>	<b>\$ 38,009,041</b>	<b>\$ 39,198,386</b>	<b>\$ 37,190,199</b>	<b>\$ (2,008,187)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 28,840,453	\$ 29,694,777	\$ 28,298,378	\$ 1,396,399
Administration, attendance and health	1,256,654	1,257,233	1,190,386	66,847
Pupil transportation	2,487,601	2,519,093	2,414,099	104,994
Operation and maintenance	3,762,889	3,859,211	3,779,866	79,345
School food service costs	-	-	-	-
Facilities	78,705	178,485	188,723	(10,238)
Technology	1,582,739	1,689,587	1,318,747	370,840
<b>Total education</b>	<b>\$ 38,009,041</b>	<b>\$ 39,198,386</b>	<b>\$ 37,190,199</b>	<b>\$ 2,008,187</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net changes in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances at beginning of year</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>

Exhibit 23

<b>School Cafeteria Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
\$ -	\$ -	\$ 247	\$ 247
695,829	695,829	609,132	(86,697)
17,000	17,000	10,345	(6,655)
-	-	-	-
21,000	21,000	23,895	2,895
750,000	750,000	890,188	140,188
<u>\$ 1,483,829</u>	<u>\$ 1,483,829</u>	<u>\$ 1,533,807</u>	<u>\$ 49,978</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,483,829	1,483,829	1,449,991	33,838
-	-	-	-
-	-	-	-
<u>\$ 1,483,829</u>	<u>\$ 1,483,829</u>	<u>\$ 1,449,991</u>	<u>\$ 33,838</u>
\$ -	\$ -	\$ 83,816	\$ 83,816
\$ -	\$ -	\$ 83,816	\$ 83,816
-	-	35,835	35,835
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,651</u>	<u>\$ 119,651</u>

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## Supporting Schedules

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Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2016

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	\$ 15,330,370	\$ 15,330,370	\$ 16,277,575	\$ 947,205
Public service taxes	1,489,300	1,489,300	1,668,757	179,457
Personal property taxes	4,417,240	4,417,240	5,360,090	942,850
Mobile home taxes	25,610	25,610	24,845	(765)
Machinery and tools taxes	170,000	170,000	180,050	10,050
Penalties	225,000	225,000	249,580	24,580
Interest	120,000	120,000	161,311	41,311
<b>Total general property taxes</b>	<b>\$ 21,777,520</b>	<b>\$ 21,777,520</b>	<b>\$ 23,922,208</b>	<b>\$ 2,144,688</b>
Other local taxes:				
Local sales and use taxes	\$ 2,290,000	\$ 2,290,000	\$ 2,334,684	\$ 44,684
Consumer utility taxes	245,000	245,000	255,829	10,829
Local consumption tax	70,000	70,000	76,398	6,398
Business license taxes	1,300,000	1,300,000	1,190,381	(109,619)
Motor vehicle licenses	560,000	560,000	604,314	44,314
Bank franchise taxes	75,000	75,000	108,724	33,724
Recordation taxes	265,000	265,000	284,799	19,799
Local tax from clerk	60,000	60,000	69,915	9,915
Interest on fines	4,200	4,200	7,143	2,943
Transient occupancy tax	133,600	133,600	209,081	75,481
Meals tax	990,000	990,000	987,644	(2,356)
Ambulance fees	680,000	680,000	589,142	(90,858)
<b>Total other local taxes</b>	<b>\$ 6,672,800</b>	<b>\$ 6,672,800</b>	<b>\$ 6,718,054</b>	<b>\$ 45,254</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,000	\$ 6,000	\$ 7,187	\$ 1,187
Building and related permits	162,800	162,800	174,886	12,086
Landfill inspection fees	202,000	202,000	207,133	5,133
Other permits and licenses	57,900	57,900	95,955	38,055
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 428,700</b>	<b>\$ 428,700</b>	<b>\$ 485,161</b>	<b>\$ 56,461</b>
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 187,500	\$ 187,500	\$ 207,341	\$ 19,841

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2016 (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	\$ 75,000	\$ 75,000	\$ 183,125	\$ 108,125
Revenue from use of property	65,175	65,175	71,941	6,766
Total revenue from use of money and property	<u>\$ 140,175</u>	<u>\$ 140,175</u>	<u>\$ 255,066</u>	<u>\$ 114,891</u>
Charges for services:				
Law library fees	\$ 4,000	\$ 4,000	\$ 170	\$ (3,830)
Local court appointed attorney fees	2,500	2,500	3,310	810
Courthouse maintenance fees	27,000	27,000	32,577	5,577
Commonwealth attorney fees	3,000	3,000	3,675	675
Courthouse security personnel fee	47,000	47,000	61,353	14,353
Jail admission fee	3,300	3,300	3,431	131
Charges for parks and recreation	399,218	399,218	417,284	18,066
Other charges for services	-	-	263	263
Total charges for services	<u>\$ 486,018</u>	<u>\$ 486,018</u>	<u>\$ 522,063</u>	<u>\$ 36,045</u>
Miscellaneous:				
Miscellaneous	\$ 172,498	\$ 171,385	\$ 167,037	\$ (4,348)
Wireless board	70,000	70,000	-	(70,000)
Insurance recoveries	50,000	50,000	44,596	(5,404)
Total miscellaneous	<u>\$ 292,498</u>	<u>\$ 291,385</u>	<u>\$ 211,633</u>	<u>\$ (79,752)</u>
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenue from local sources	<u>\$ 30,160,211</u>	<u>\$ 30,159,098</u>	<u>\$ 32,496,526</u>	<u>\$ 2,337,428</u>



Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2016 (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	\$ 4,200	\$ 4,200	\$ 7,526	\$ 3,326
Mobile home titling taxes	7,000	7,000	11,132	4,132
Recordation tax	95,000	95,000	97,173	2,173
Auto rental tax	33,000	33,000	37,318	4,318
Communication tax	396,000	396,000	405,230	9,230
PPTRA	<u>2,147,868</u>	<u>2,147,868</u>	<u>2,147,868</u>	<u>-</u>
 Total noncategorical aid	 <u>\$ 2,683,068</u>	 <u>\$ 2,683,068</u>	 <u>\$ 2,706,247</u>	 <u>\$ 23,179</u>
 Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 280,555	\$ 280,555	\$ 241,349	\$ (39,206)
Sheriff	998,811	998,811	988,423	(10,388)
Commissioner of the Revenue	115,949	115,949	113,423	(2,526)
Treasurer	90,471	90,471	85,307	(5,164)
Registrar/electoral board	42,310	42,310	44,973	2,663
Clerk of the Circuit Court	<u>222,767</u>	<u>222,767</u>	<u>213,789</u>	<u>(8,978)</u>
 Total shared expenses	 <u>\$ 1,750,863</u>	 <u>\$ 1,750,863</u>	 <u>\$ 1,687,264</u>	 <u>\$ (63,599)</u>
 Other categorical aid:				
Welfare administration and assistance	\$ 456,173	\$ 456,173	\$ 352,218	\$ (103,955)
Litter control	5,350	5,350	6,427	1,077
PSAP grant	-	-	95,973	95,973
Children's services	1,244,000	1,244,000	924,878	(319,122)
VJCCCA grant	15,258	15,258	15,258	-
Rescue squad assistance	60,000	60,000	35,177	(24,823)
Fire programs	72,000	72,000	74,747	2,747

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2016 (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	\$ 19,896	\$ 19,896	\$ 26,134	\$ 6,238
Library grant	95,020	95,020	95,131	111
Other categorical aid	<u>62,228</u>	<u>75,048</u>	<u>38,289</u>	<u>(36,759)</u>
Total other categorical aid	<u>\$ 2,029,925</u>	<u>\$ 2,042,745</u>	<u>\$ 1,664,232</u>	<u>\$ (378,513)</u>
Total categorical aid	<u>\$ 3,780,788</u>	<u>\$ 3,793,608</u>	<u>\$ 3,351,496</u>	<u>\$ (442,112)</u>
Total revenue from the Commonwealth	<u>\$ 6,463,856</u>	<u>\$ 6,476,676</u>	<u>\$ 6,057,743</u>	<u>\$ (418,933)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 826,990	\$ 826,990	\$ 893,098	\$ 66,108
Law enforcement grants	-	-	21,857	21,857
Other categorical aid	<u>12,820</u>	<u>1,113</u>	<u>21,937</u>	<u>20,824</u>
Total revenue from the federal government	<u>\$ 839,810</u>	<u>\$ 828,103</u>	<u>\$ 936,892</u>	<u>\$ 108,789</u>
Total General Fund	<u>\$ 37,463,877</u>	<u>\$ 37,463,877</u>	<u>\$ 39,491,161</u>	<u>\$ 2,027,284</u>
Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,788,957	\$ 388,957
Landfill fees - beneficial use	<u>150,000</u>	<u>150,000</u>	<u>185,359</u>	<u>35,359</u>
Total permits, privilege fees and regulatory licenses	<u>\$ 6,550,000</u>	<u>\$ 6,550,000</u>	<u>\$ 6,974,316</u>	<u>\$ 424,316</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2016 (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	\$ 100,000	\$ 100,000	\$ 171,445	\$ 71,445
Miscellaneous:				
Sale of gas	\$ 225,000	\$ 225,000	\$ 211,346	\$ (13,654)
Miscellaneous	-	-	47,989	47,989
Total miscellaneous	\$ 225,000	\$ 225,000	\$ 259,335	\$ 34,335
Total revenue from local sources	\$ 6,875,000	\$ 6,875,000	\$ 7,405,096	\$ 530,096
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ -	\$ -	\$ 73,491	\$ 73,491
State recreation access funds	-	-	176,656	176,656
Access control system grant	-	93,600	93,600	-
Total revenue from the Commonwealth	\$ -	\$ 93,600	\$ 343,747	\$ 250,147
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ 197,000	\$ 197,000	\$ 198,050	\$ 1,050
Total Capital Projects Fund	\$ 7,072,000	\$ 7,165,600	\$ 7,946,893	\$ 781,293
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 35,990	\$ 35,990
Wireless Authority Fund:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 2,497	\$ 2,497
Grand Total Revenues -- Primary Government	\$ 44,535,877	\$ 44,629,477	\$ 47,476,541	\$ 2,847,064
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	\$ 15,240	\$ (9,760)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 15,240	\$ (9,760)
Charges for services:				
Charges for education	\$ 65,000	\$ 65,000	\$ 39,226	\$ (25,774)
Total charges for services	\$ 65,000	\$ 65,000	\$ 39,226	\$ (25,774)

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2016 (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	\$ 130,075	\$ 70,075
Other reimbursements and recoveries	95,000	95,000	125,239	30,239
Total miscellaneous	<u>\$ 155,000</u>	<u>\$ 155,000</u>	<u>\$ 255,314</u>	<u>\$ 100,314</u>
Total revenue from local sources	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 309,780</u>	<u>\$ 64,780</u>
Intergovernmental:				
County contribution to School Board	<u>\$ 14,457,779</u>	<u>\$ 15,096,814</u>	<u>\$ 13,794,886</u>	<u>\$ (1,301,928)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,598,257	\$ 4,598,257	\$ 4,628,766	\$ 30,509
Basic school aid	11,730,072	11,730,072	11,670,795	(59,277)
Remedial education	256,063	256,063	254,818	(1,245)
Vocational education SOQ	126,712	126,712	126,095	(617)
Special education	1,354,230	1,354,230	1,347,644	(6,586)
Fringe benefits	2,066,982	2,066,982	2,056,930	(10,052)
Technology grant	180,000	180,000	180,000	-
Gifted education	124,072	124,072	123,468	(604)
At risk	179,699	179,699	178,759	(940)
Other state funds	1,187,621	1,187,621	1,051,205	(136,416)
Total categorical aid	<u>\$ 21,803,708</u>	<u>\$ 21,803,708</u>	<u>\$ 21,618,480</u>	<u>\$ (185,228)</u>
Total revenue from the Commonwealth	<u>\$ 21,803,708</u>	<u>\$ 21,803,708</u>	<u>\$ 21,618,480</u>	<u>\$ (185,228)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 364,238	\$ 516,594	\$ 372,171	\$ (144,423)
Title VI - B	820,487	1,168,917	785,715	(383,202)
NJROTC	65,000	65,000	73,295	8,295
Title II - A	91,432	91,432	122,775	31,343
Other federal assistance	161,397	210,921	113,097	(97,824)
Total categorical aid	<u>\$ 1,502,554</u>	<u>\$ 2,052,864</u>	<u>\$ 1,467,053</u>	<u>\$ (585,811)</u>
Total revenue from the federal government	<u>\$ 1,502,554</u>	<u>\$ 2,052,864</u>	<u>\$ 1,467,053</u>	<u>\$ (585,811)</u>
Total School Operating Fund	<u>\$ 38,009,041</u>	<u>\$ 39,198,386</u>	<u>\$ 37,190,199</u>	<u>\$ (2,008,187)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2016 (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	\$ -	\$ -	\$ 247	\$ 247
Charges for services:				
Cafeteria sales	\$ 695,829	\$ 695,829	\$ 609,132	\$ (86,697)
Miscellaneous:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 10,345	\$ (6,655)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 21,000	\$ 21,000	\$ 23,895	\$ 2,895
Revenue from the federal government:				
Categorical aid:				
School food	\$ 750,000	\$ 750,000	\$ 890,188	\$ 140,188
Total School Cafeteria Fund	<u>\$ 1,483,829</u>	<u>\$ 1,483,829</u>	<u>\$ 1,533,807</u>	<u>\$ 49,978</u>
Total Revenues--Component Unit-School Board	<u>\$ 39,492,870</u>	<u>\$ 40,682,215</u>	<u>\$ 38,724,006</u>	<u>\$ (1,958,209)</u>

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COUNTY OF KING GEORGE, VIRGINIA

Statistical Table of Contents

Description of Section	Table #
<b>Financial Trends</b>	
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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<b>Revenue Capacity</b>	
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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Computation of Direct and Overlapping Bonded Debt	11
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This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
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<b>Operating Information</b>	
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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<b>Sources:</b>	
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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 14,446,035	\$ 14,166,206	\$ 13,355,755	\$ 12,019,419
Restricted	1,113,229	3,335,777	3,354,693	3,350,043
Unrestricted	<u>34,057,246</u>	<u>35,118,549</u>	<u>38,353,717</u>	<u>42,461,130</u>
Total governmental activities net position	<u>\$ 49,616,510</u>	<u>\$ 52,620,532</u>	<u>\$ 55,064,165</u>	<u>\$ 57,830,592</u>
Business-type activities:				
Net investment in capital assets	\$ 22,729,620	\$ 22,943,726	\$ 22,511,998	\$ 20,397,371
Unrestricted	<u>1,047,467</u>	<u>809,229</u>	<u>835,327</u>	<u>2,084,383</u>
Total business-type net position	<u>\$ 23,777,087</u>	<u>\$ 23,752,955</u>	<u>\$ 23,347,325</u>	<u>\$ 22,481,754</u>
Primary government:				
Net investment in capital assets	\$ 37,175,655	\$ 37,109,932	\$ 35,867,753	\$ 32,416,790
Restricted	1,113,229	3,335,777	3,354,693	3,350,043
Unrestricted	<u>35,104,713</u>	<u>35,927,778</u>	<u>39,189,044</u>	<u>44,545,513</u>
Total primary government net position	<u>\$ 73,393,597</u>	<u>\$ 76,373,487</u>	<u>\$ 78,411,490</u>	<u>\$ 80,312,346</u>



Table 1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	14,637,383	\$ 16,779,466	\$ 17,849,891	\$ 19,719,528	\$ 16,829,223	\$ 16,461,426
	3,789,880	3,565,698	3,092,023	2,030,662	1,985,237	2,140,914
	<u>38,269,130</u>	<u>37,307,424</u>	<u>34,966,854</u>	<u>34,114,995</u>	<u>35,933,245</u>	<u>39,669,052</u>
\$	<u><u>56,696,393</u></u>	<u><u>57,652,588</u></u>	<u><u>55,908,768</u></u>	<u><u>55,865,185</u></u>	<u><u>54,747,705</u></u>	<u><u>58,271,392</u></u>
\$	18,425,062	\$ 18,858,535	\$ 17,936,970	\$ 17,323,889	\$ 16,923,176	\$ 17,025,593
	2,839,009	1,684,339	1,963,895	2,225,648	4,178,802	3,658,555
\$	<u>21,264,071</u>	<u>20,542,874</u>	<u>19,900,865</u>	<u>19,549,537</u>	<u>21,101,978</u>	<u>20,684,148</u>
\$	33,062,445	\$ 35,638,001	\$ 35,786,861	\$ 37,043,417	\$ 33,752,399	\$ 33,487,019
	3,789,880	3,565,698	3,092,023	2,030,662	1,985,237	2,140,914
	<u>41,108,139</u>	<u>38,991,763</u>	<u>36,930,749</u>	<u>36,340,643</u>	<u>40,112,047</u>	<u>43,327,607</u>
\$	<u><u>77,960,464</u></u>	<u><u>78,195,462</u></u>	<u><u>75,809,633</u></u>	<u><u>75,414,722</u></u>	<u><u>75,849,683</u></u>	<u><u>78,955,540</u></u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379	\$ 2,409,601	\$ 2,989,454	\$ 3,122,953	\$ 2,976,450
Judicial administration	1,029,314	759,823	1,140,286	1,100,016	1,031,293	1,052,619	1,022,358	1,037,120	1,092,049	1,204,628
Public safety	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107	8,534,911	10,010,928	10,880,109	10,277,269	10,398,790
Public works	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751	1,550,883	1,419,964	1,619,383	1,594,488	1,802,161
Health and welfare	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279	4,731,360	4,403,698	4,384,274	3,931,369	3,887,590
Education	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617	14,860,879	17,550,953	16,931,948	16,958,203	17,939,282
Parks, recreation, and cultural	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355	1,225,450	1,311,229	1,438,503	1,420,822	1,481,120
Community development	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707	1,731,600	1,999,446	1,144,712	1,199,221	1,393,728
Interest and other fiscal charges	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545	2,558,359	3,297,304	3,043,578	3,077,684	2,727,029
<b>Total governmental activities expenses</b>	<b>\$ 35,320,670</b>	<b>\$ 40,459,317</b>	<b>\$ 37,171,539</b>	<b>\$ 36,654,001</b>	<b>\$ 40,028,164</b>	<b>\$ 38,854,440</b>	<b>\$ 43,425,481</b>	<b>\$ 43,469,081</b>	<b>\$ 42,674,058</b>	<b>\$ 43,810,778</b>
Business-type activities:										
Water and sewer	4,873,141	5,415,119	5,267,415	5,188,663	5,264,429	5,392,378	5,337,484	5,541,049	5,545,687	5,882,363
<b>Total primary government expenses</b>	<b>\$ 40,193,811</b>	<b>\$ 45,874,436</b>	<b>\$ 42,438,954</b>	<b>\$ 41,842,664</b>	<b>\$ 45,292,593</b>	<b>\$ 44,246,818</b>	<b>\$ 48,762,965</b>	<b>\$ 49,010,130</b>	<b>\$ 48,219,745</b>	<b>\$ 49,693,141</b>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487	\$ 296,622	\$ 250,002	\$ 222,789	\$ 247,336
Public safety	399,206	302,013	74,689	77,782	63,301	51,371	65,912	64,129	69,040	71,971
Public works	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268	7,108,725	7,102,710	7,040,896	7,000,139	7,356,335
Parks, recreation, and cultural	329,970	364,795	326,969	355,557	412,729	387,063	409,151	401,596	396,245	417,284
Community development	305,066	90,253	100,864	94,038	81,273	73,746	79,095	74,831	118,764	95,955
Operating grants and contributions:										
General government administration	266,564	296,199	272,914	260,936	286,613	228,914	222,433	233,181	233,364	247,203
Judicial administration	611,895	551,648	514,220	491,009	467,991	459,857	465,607	448,561	472,578	490,694
Public safety	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398	1,158,848	1,225,517	1,437,562	1,190,873	1,170,756
Public works	-	-	-	-	-	-	-	-	-	14,832
Health and welfare	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300	2,576,554	2,186,413	2,394,102	1,983,478	2,170,194
Education	-	-	-	-	-	97,986	203,256	197,200	196,988	198,050
Parks, recreation, and cultural	103,747	96,339	107,412	104,949	96,862	110,692	82,122	146,155	97,321	98,736
Community development	-	20,728	24,851	30,179	-	-	-	-	-	-
Capital grants and contributions	396,834	798,438	46,177	138,345	-	138,945	466,102	670,318	287,303	439,720
<b>Total governmental activities program revenues</b>	<b>\$ 12,678,801</b>	<b>\$ 13,696,485</b>	<b>\$ 12,150,829</b>	<b>\$ 12,746,330</b>	<b>\$ 11,870,176</b>	<b>\$ 12,611,188</b>	<b>\$ 12,804,940</b>	<b>\$ 13,358,533</b>	<b>\$ 12,268,882</b>	<b>\$ 13,019,066</b>
Business-type activities:										
Charges for services:										
Water and sewer	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,186,525	\$ 4,212,976	\$ 4,361,207	\$ 4,400,068	\$ 4,700,489	\$ 4,739,477
Operating grants and contributions	12,093	10,650	-	-	-	-	-	98,729	-	-
Capital grants and contributions	3,286,792	-	1,340,934	-	150,000	-	-	459,243	2,262,172	442,018
<b>Total business-type activities program revenues</b>	<b>\$ 6,407,697</b>	<b>\$ 3,263,486</b>	<b>\$ 3,859,611</b>	<b>\$ 3,661,026</b>	<b>\$ 3,336,525</b>	<b>\$ 4,212,976</b>	<b>\$ 4,361,207</b>	<b>\$ 4,958,040</b>	<b>\$ 6,962,661</b>	<b>\$ 5,181,495</b>
<b>Total primary government program revenues</b>	<b>\$ 19,086,498</b>	<b>\$ 16,959,971</b>	<b>\$ 16,010,440</b>	<b>\$ 16,407,356</b>	<b>\$ 15,206,701</b>	<b>\$ 16,824,164</b>	<b>\$ 17,166,147</b>	<b>\$ 18,316,573</b>	<b>\$ 19,231,543</b>	<b>\$ 18,200,561</b>
Net (expense) / revenue										
Governmental activities	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,243,252)	\$ (30,620,541)	\$ (30,110,548)	\$ (30,405,176)	\$ (30,791,712)
Business-type activities	1,534,556	(2,151,633)	(1,407,804)	(1,527,637)	(1,927,904)	(1,179,402)	(976,277)	(583,009)	1,416,974	(700,868)
<b>Total primary government net expense</b>	<b>\$ (21,107,313)</b>	<b>\$ (28,914,465)</b>	<b>\$ (26,428,514)</b>	<b>\$ (25,435,308)</b>	<b>\$ (30,085,892)</b>	<b>\$ (27,422,654)</b>	<b>\$ (31,596,818)</b>	<b>\$ (30,693,557)</b>	<b>\$ (28,988,202)</b>	<b>\$ (31,492,580)</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
General property taxes	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987	\$ 19,061,869	\$ 20,597,122	\$ 21,606,424	\$ 24,040,170
Local sales and use taxes	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016	1,909,760	1,876,393	2,059,339	2,231,237	2,334,684
Communication sales taxes	-	450,124	403,435	-	-	-	-	-	-	-
Consumer utility taxes	301,276	229,585	238,428	245,177	246,993	226,865	259,123	242,082	253,970	255,829
Business license taxes	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388	1,195,950	1,350,496	1,272,838	1,175,774	1,190,381
Motor vehicle licenses	446,312	493,466	522,202	509,925	552,436	520,137	559,806	569,615	524,061	604,314
Recordation taxes	607,113	434,099	290,079	275,511	231,589	232,533	312,579	276,551	262,143	284,799
Meals tax	674,535	702,153	752,391	769,662	793,459	878,555	953,393	957,493	999,806	987,644
E-911 taxes	200,141	-	-	-	-	-	-	-	-	-
Ambulance fees	-	-	490,866	518,275	454,554	660,964	658,904	600,452	567,335	589,142
Other local taxes	522,896	575,123	324,239	335,476	348,366	328,324	404,746	424,481	462,168	471,261
Grants and contributions not restricted to specific programs	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408	2,676,883	2,690,859	2,670,462	2,669,229	2,706,247
Unrestricted revenues from use of money and property	3,980,793	3,160,698	1,515,653	802,389	469,926	406,925	209,155	312,891	279,479	462,501
Miscellaneous	557,181	2,470,865	899,705	405,413	202,740	321,788	236,125	418,029	691,546	473,465
Transfers	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)	(172,595)	(85,401)	54,284	(85,038)	(85,038)
Total governmental activities	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076	\$ 28,488,047	\$ 30,455,639	\$ 31,638,134	\$ 34,315,399
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305	\$ 2,007	\$ 776	\$ 323	\$ -
Miscellaneous	1,318,584	1,424,469	525,385	285,501	762,895	283,305	246,860	285,189	289,397	198,000
Transfers	1,108,173	569,857	455,885	365,507	328,214	172,595	85,401	(54,284)	85,038	85,038
Total business-type activities	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 1,095,177	\$ 458,205	\$ 334,268	\$ 231,681	\$ 374,758	\$ 283,038
Total primary government	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 28,118,966	\$ 28,509,281	\$ 28,822,315	\$ 30,687,320	\$ 32,012,892	\$ 34,598,437
<b>Change in Net Position</b>										
Governmental activities	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,807,824	\$ (2,132,494)	\$ 345,091	\$ 1,232,958	\$ 3,523,687
Business-type activities	4,171,537	(24,132)	(405,630)	(865,571)	(832,727)	(721,197)	(642,009)	(351,328)	1,791,732	(417,830)
Total primary government	\$ 8,012,605	\$ 2,979,890	\$ 2,038,003	\$ 1,900,856	\$ (1,966,926)	\$ 1,086,627	\$ (2,774,503)	\$ (6,237)	\$ 3,024,690	\$ 3,105,857

**COUNTY OF KING GEORGE, VIRGINIA**

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

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

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

Table 3

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	2,127
1,401,766	1,399,650	1,433,451	1,424,234	1,428,993	1,459,068
695,197	1,080,525	992,924	2,815,849	3,253,861	5,602,256
6,050,000	4,324,700	184,969	-	-	-
17,189,811	17,721,849	17,623,960	16,490,673	18,023,587	19,261,326
<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>	<u>\$ 20,235,304</u>	<u>\$ 20,730,756</u>	<u>\$ 22,706,441</u>	<u>\$ 26,324,777</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
700,000	700,000	700,000	702,000	702,000	700,000
14,093,832	12,221,348	6,815,608	3,844,847	135,357	291,034
5,109,150	5,157,272	8,827,162	5,543,834	8,183,770	6,552,500
10,202,302	10,163,107	9,232,262	9,386,756	8,494,514	9,510,871
<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>	<u>\$ 25,575,032</u>	<u>\$ 19,477,437</u>	<u>\$ 17,515,641</u>	<u>\$ 17,054,405</u>

**COUNTY OF KING GEORGE, VIRGINIA**

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

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

Table 4

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	18,354,709	\$ 18,847,313	\$ 19,509,877	\$ 20,326,008	\$ 21,662,268	\$ 23,922,208
	5,420,801	5,953,088	6,375,440	6,402,851	6,476,494	6,718,054
	6,947,613	7,187,678	7,187,575	7,121,893	7,125,857	7,459,477
	237,714	183,108	254,380	209,473	179,261	207,341
	469,926	406,925	209,155	312,891	279,479	462,501
	509,685	468,606	511,535	500,088	501,859	522,063
	202,740	321,788	236,125	418,029	691,546	473,465
	-	-	175,000	175,000	175,000	175,000
	-	48,181	31,400	-	-	-
	5,878,173	6,190,762	6,078,850	6,228,067	5,832,667	6,401,490
	979,399	1,257,917	1,463,459	1,969,474	1,298,467	1,134,942
\$	<u>39,000,760</u>	<u>40,865,366</u>	<u>42,032,796</u>	<u>43,663,774</u>	<u>44,222,898</u>	<u>47,476,541</u>
\$	2,425,229	\$ 2,576,743	\$ 2,683,306	\$ 2,959,292	\$ 3,154,332	\$ 2,956,716
	1,027,700	1,059,200	1,295,334	1,125,052	1,135,749	1,253,309
	11,981,523	10,977,531	10,109,907	10,072,113	10,109,500	9,945,096
	2,587,135	1,624,315	1,661,489	2,671,996	1,796,107	1,983,974
	4,100,525	4,707,097	4,406,862	4,329,701	3,973,961	3,952,764
	14,317,559	14,970,909	16,350,034	17,589,381	15,426,441	15,353,474
	1,369,021	4,585,275	4,355,993	2,969,432	1,244,826	1,317,840
	1,284,213	1,723,671	2,021,307	1,192,435	1,294,960	1,488,922
	-	-	-	-	-	-
	2,713,288	2,712,585	2,895,220	2,847,303	2,959,919	3,103,795
	3,500,026	3,881,378	3,126,058	3,174,822	3,224,985	2,878,513
\$	<u>45,306,219</u>	<u>48,818,704</u>	<u>48,905,510</u>	<u>48,931,527</u>	<u>44,320,780</u>	<u>44,234,403</u>
\$	<u>(6,305,459)</u>	<u>(7,953,338)</u>	<u>(6,872,714)</u>	<u>(5,267,753)</u>	<u>(97,882)</u>	<u>3,242,138</u>
\$	5,792,544	\$ 4,063,486	\$ 2,197,886	\$ 6,710,277	\$ 6,454,819	\$ 6,276,978
	(6,120,758)	(4,236,081)	(2,283,287)	(6,655,993)	(6,539,857)	(6,362,016)
	-	-	-	-	-	-
	-	5,153,199	-	-	2,605,177	-
	(2,781,000)	-	-	-	-	-
	-	(33,345,873)	-	-	(18,013,368)	-
	2,155,900	33,645,000	-	-	15,605,000	-
\$	<u>(953,314)</u>	<u>5,279,731</u>	<u>(85,401)</u>	<u>54,284</u>	<u>111,771</u>	<u>(85,038)</u>
\$	<u>(7,258,773)</u>	<u>(2,673,607)</u>	<u>(6,958,115)</u>	<u>(5,213,469)</u>	<u>13,889</u>	<u>3,157,100</u>
	<u>15.92%</u>	<u>16.77%</u>	<u>14.19%</u>	<u>14.18%</u>	<u>14.20%</u>	<u>13.71%</u>

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

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

(1) 100% fair market value.

Property Tax Rates (1)  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Real Estate First Half</b>	<b>Real Estate Second Half</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Mobile Homes First Half</b>	<b>Mobile Homes Second Half</b>	<b>Total Direct Tax Rate</b>
2006-07	\$ 0.40	\$ 0.44	\$ 3.20	\$ 2.50	\$ 0.40	\$ 0.44	\$ 0.62
2007-08	0.44	0.45	3.20	2.50	0.44	0.45	0.63
2008-09	0.45	0.45	3.20	2.50	0.45	0.45	0.62
2009-10	0.45	0.50	3.20	2.50	0.45	0.50	0.69
2010-11	0.50	0.50	3.20	2.50	0.50	0.50	0.70
2011-12	0.50	0.53	3.20	2.50	0.50	0.53	0.71
2012-13	0.53	0.53	3.20	2.50	0.53	0.53	0.72
2013-14	0.53	0.59	3.25	2.50	0.53	0.59	0.78
2014-15	0.59	0.61	3.25	2.50	0.59	0.61	0.80
2015-16	0.61	0.68	3.50	2.50	0.61	0.68	0.90

(1) Per \$100 of assessed value.

Principal Taxpayers  
 Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2016			Fiscal Year 2007		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,088,433	\$ 160,103,909	6.24%	\$ 906,094	\$ 205,930,477	16.61%
Virginia Electric & Power Company	439,790	64,675,071	2.52%	N/A	N/A	N/A
Horti-Group USA LLC	94,417	13,884,800	0.54%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	69,243	10,182,800	0.40%	N/A	N/A	N/A
Verizon South, Inc.	66,571	9,793,767	0.38%	76,521	17,391,218	1.40%
Northern Neck Electric Cooperative	57,893	8,606,714	0.34%	N/A	N/A	N/A
OMZ King George LLC	53,754	7,869,300	0.31%	N/A	N/A	N/A
Monmouth Woods Associates	49,184	6,995,852	0.27%	42,647	9,692,500	0.78%
Dahlgren Office Building, LLC	48,861	6,949,911	0.27%	N/A	N/A	N/A
King George Shopping Center	40,654	5,978,600	0.23%	N/A	N/A	N/A
Dahlgren Office Building, LLC	40,635	5,975,800	0.23%	N/A	N/A	N/A
Cellco Partnership	24,465	3,597,728	0.14%	N/A	N/A	N/A
Virginia Dominion Power	N/A	N/A	N/A	83,528	18,983,732	1.53%
Hopyard Land, LLC	N/A	N/A	N/A	77,609	17,638,491	1.42%
Birchwood Power Partners, LLC	N/A	N/A	N/A	77,537	17,622,000	1.42%
Robert S Gollahon	N/A	N/A	N/A	30,236	6,871,773	0.55%
Dahlgren, LLC	N/A	N/A	N/A	28,791	6,543,500	0.53%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	26,728	6,074,600	0.49%
Hilliard & Bartko	N/A	N/A	N/A	25,567	5,810,600	0.47%
<b>TOTAL</b>	<b>\$ 2,073,900</b>	<b>\$ 304,614,252</b>	<b>11.87%</b>	<b>\$ 1,375,258</b>	<b>\$ 312,558,891</b>	<b>25.20%</b>

Source - Commissioner of the Revenue.

**COUNTY OF KING GEORGE, VIRGINIA**

Property Tax Levies and Collections  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1)(4) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>
2006-07	\$ 17,388,433	\$ 16,720,812	96.16%	\$ 390,275
2007-08	19,108,607	18,539,554	97.02%	569,053
2008-09	19,303,194	18,775,585	97.27%	527,609
2009-10	19,468,250	19,055,429	97.88%	407,737
2010-11	20,270,753	19,769,446	97.53%	500,599
2011-12	20,900,625	20,140,541	96.36%	383,415
2012-13	21,785,485	20,922,911	96.04%	465,913
2013-14	22,553,220	21,703,489	96.23%	444,198
2014-15	23,794,046	23,075,368	96.98%	516,998
2015-16	26,004,019	24,897,420	95.74%	-

(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

	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes (1)(3)</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
\$	17,111,087	98.40%	\$ 1,611,078	9.27%
	19,108,607	100.00%	1,737,848	9.09%
	19,303,194	100.00%	1,798,362	9.32%
	19,463,166	99.97%	1,743,426	8.96%
	20,270,045	100.00%	1,691,138	8.34%
	20,523,956	98.20%	1,876,766	8.98%
	21,388,824	98.18%	1,916,121	8.80%
	22,147,687	98.20%	2,012,049	8.92%
	23,592,366	99.15%	2,177,637	9.15%
	24,897,420	95.74%	2,291,184	8.81%

**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
2006-07	\$ 7,108,853	\$ 46,249,000	\$ 429,265	\$ 3,044,800	\$ 7,730,141
2007-08	13,663,640	44,769,000	749,220	2,750,000	153,427
2008-09	12,830,612	60,901,118	898,779	2,500,000	76,713
2009-10	12,001,764	59,002,468	862,922	2,250,000	-
2010-11	10,505,973	57,409,871	823,227	2,000,000	-
2011-12	14,917,875	53,535,384	5,581,476	1,750,000	-
2012-13	14,322,865	51,485,174	5,341,867	1,500,000	-
2013-14	13,701,366	49,509,370	5,102,258	1,250,000	-
2014-15	13,067,259	47,315,900	7,354,418	1,000,000	-
2015-16	12,419,364	45,110,000	6,979,019	750,000	-

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

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

Table 9

<b>Business-Type Activities</b>							
<b>Virginia Water Facilities Loan</b>	<b>Revenue Bonds</b>	<b>Notes Payable</b>	<b>Total Primary Government</b>	<b>Per Capita Personal Income (1)</b>	<b>Percentage of Personal Income</b>	<b>Population (1)</b>	<b>Per Capita</b>
\$ 437,112	\$ 23,203,178	\$ 680,381	\$ 88,882,730	\$ 33,778	12.08%	21,780	\$ 4,081
318,343	22,569,525	635,564	85,608,719	33,778	11.41%	22,205	3,855
194,775	24,311,125	590,749	102,303,871	33,778	13.07%	23,170	4,415
66,215	25,260,320	545,932	99,989,621	33,690	12.42%	23,891	4,185
-	26,139,891	501,115	97,380,077	33,690	12.26%	23,584	4,129
-	25,992,952	456,298	102,233,985	33,690	13.01%	23,333	4,382
-	25,798,086	411,481	98,859,473	33,690	12.25%	23,945	4,129
-	27,647,500	366,664	97,577,158	41,791	9.37%	24,926	3,915
-	29,754,714	349,997	98,842,288	47,244	8.25%	25,371	3,896
-	28,844,857	333,330	94,436,570	47,244	7.83%	25,515	3,701

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less: Amounts Reserved for Debt Service</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2006-07	21,780	\$ 2,941,002,174	\$ 10,153,653	\$ 1,113,229	\$ 9,040,424	0.31%	\$ 415
2007-08	22,205	3,074,677,546	16,413,640	1,135,777	15,277,863	0.50%	688
2008-09	23,170	3,133,234,239	15,330,612	1,154,693	14,175,919	0.45%	612
2009-10	23,891	2,959,203,992	14,251,764	1,150,043	13,101,721	0.44%	548
2010-11	23,584	3,036,965,841	12,505,973	1,149,880	11,356,093	0.37%	482
2011-12	23,333	3,048,023,457	16,667,875	1,149,880	15,517,995	0.51%	665
2012-13	23,945	3,072,503,484	15,822,865	1,149,880	14,672,985	0.48%	613
2013-14	24,926	2,969,737,789	14,951,366	1,149,880	13,801,486	0.46%	554
2014-15	25,371	3,018,266,083	14,067,259	1,149,880	12,917,379	0.43%	509
2015-16	25,515	3,087,415,125	13,169,364	1,149,880	12,019,484	0.39%	471

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, 2016

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Direct: (1)

County of King George	\$	65,258,383	100%	\$	65,258,383
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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	
2006-07	\$ 4,416,131	\$ 3,539,727	\$ 876,404	\$ 613,170	\$ 1,065,683	0.52
2007-08	4,821,130	3,039,040	1,782,090	797,239	1,135,260	0.92
2008-09	4,254,480	2,841,873	1,412,607	743,001	1,167,279	0.74
2009-10	3,957,585	2,836,695	1,120,890	233,377	1,011,166	0.90
2010-11	3,953,488	2,674,520	1,278,968	120,985	1,164,087	1.00
2011-12	4,498,586	2,863,077	1,635,509	102,780	1,232,690	1.22
2012-13	4,610,074	2,865,144	1,744,930	150,707	1,158,505	1.33
2013-14	4,686,033	3,048,064	1,637,969	182,463	1,179,218	1.20
2014-15	4,990,209	2,844,207	2,146,002	555,855	1,335,992	1.13
2015-16	4,937,477	3,252,410	1,685,067	949,054	1,120,226	0.81

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Student Enrollment</u>
2006-07	21,780	3.31	\$ 33,778	\$ 735,684,840	3,801
2007-08	22,205	5.30	33,778	750,040,490	3,982
2008-09	23,170	7.90	33,778	782,636,260	4,066
2009-10	23,891	8.30	33,690	804,887,790	4,129
2010-11	23,584	7.30	33,690	794,544,960	4,228
2011-12	23,333	6.90	33,690	786,088,770	4,176
2012-13	23,945	6.30	33,690	806,707,050	4,258
2013-14	24,926	6.00	41,791	1,041,682,466	4,326
2014-15	25,371	5.30	47,244	1,198,627,524	4,384
2015-16	25,515	4.20	47,244	1,205,430,660	4,386

NA - Not available

Sources: [www.fedstats.gov](http://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 2016		Fiscal Year 2007	
	Employees (1)	Rank	Employees (1)	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 750	2	500 to 999	2
County of King George	250 to 499	3	250 to 499	4
Wal Mart	250 to 499	4	-	-
EG & G, Inc.	250 to 499	5	100 to 249	5
Northrop Grumman Corporation	250 to 499	6	-	-
Marconi Technology	249 and under	7	250 to 499	6
Integrated Microcomputer System, Lockheed Martin	249 and under	8	100 to 249	7
Solutions Development Corporation	249 and under	9	-	-
Tatitlek Training Services Inc.	249 and under	10	-	-
TRW Inc.	-	-	250 to 499	3
Chugach McKinley Inc.	-	-	100 to 249	8
Bowhead Information Tech Inc.	-	-	100 to 249	9
Sun Valley Management	-	-	100 to 249	10

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2016 and 2nd Qtr 2007

(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

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	29	29	29	29	29	29	29	29	29	29
Judicial administration	13	12	12	12	12	12	12	12	12	13
Public safety										
Sheriffs department	43	43	43	43	43	43	43	45	49	49
Fire & rescue	21	25	25	25	25	28	28	34	34	38
Animal control	2	2	2	2	2	2	2	4	4	5
Public works										
General maintenance	9	9	9	9	11	11	11	11	13	15
Landfill	3	3	3	3	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	2	2	1
Health and welfare										
Department of social services	14	16	16	16	16	16	16	16	16	18
Culture and recreation										
Parks and recreation	4	4	4	4	4	4	4	4	4	5
Library	4	4	4	4	4	4	4	4	4	5
Community development										
Planning	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Totals	<u>155</u>	<u>160</u>	<u>160</u>	<u>160</u>	<u>162</u>	<u>165</u>	<u>165</u>	<u>175</u>	<u>181</u>	<u>192</u>

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Public safety										
Sheriffs department:										
Physical arrests	892	652	601	856	1,313	1,382	1,474	1,604	1,207	1,576
Traffic violations	3,093	3,038	3,172	3,847	2,724	3,713	3,575	3,137	3,166	4,139
Civil papers	7,940	7,914	7,800	8,146	8,051	7,441	8,110	7,172	7,045	6,802
Fire and rescue:										
Number of calls answered	3,256	3,291	3,005	2,782	2,921	3,354	3,380	3,219	3,406	3,311
Building inspections:										
Permits issued	340	160	78	83	64	75	85	104	100	105
Animal control:										
Number of calls answered	488	705	636	974	1039	903	650	750	850	843
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	4	4	4	4	8
Component Unit - School Board										
Education:										
School age population	3,791	3,882	3,997	4,029	4,075	4,072	4,083	4,224	4,237	4,219
Number of teachers	283	285	279	282	283	290	291	295	290	356
Local expenditures per pupil	7,823	9,281	8,585	8,438	7,465	8,604	8,835	9,046	9,202	9,183

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	3
Public safety										
Sheriff's department:										
Patrol units	29	31	36	36	32	30	31	31	32	34
Other vehicles	7	7	7	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	1	1	3
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	4	4	4	4	5	8
Landfill:										
Vehicles	2	2	2	2	2	1	4	4	4	4
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	6	6	6	6	6	5	5	5	6	6
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	159.93	159.93	159.63	159.63	159.93	159.93	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	6	6	6	6	6	5	5	5	4	4
Component Unit - School Board										
Education:										
Schools	8	8	10	10	17	17	15	17	17	25
School buses	58	65	71	74	60	64	77	77	77	65

Source: Individual county departments



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King George, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise County of King George, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2016.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

November 28, 2016

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

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**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, 2016. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of King George, Virginia's compliance.

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

In our opinion, 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 each of its major federal programs for the year ended June 30, 2016.

## 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.

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

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

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
November 28, 2016

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2016

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>PRIMARY GOVERNMENT:</b>			
<u>DEPARTMENT OF THE INTERIOR:</u>			
<u>Direct payments:</u>			
National wildlife refuge fund	15.659	N/A	\$ <u>3,605</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION:</u>			
<u>Pass through payments:</u>			
Virginia Board of Elections: Help america vote act requirements payments	90.401	72302-40040	\$ <u>3,500</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles: Highway Safety Cluster: Alcohol open container requirements	20.607	154AL-2015-55129-5868/ 154AL-2016-56101-6301	\$ 15,918
State and community highway safety	20.600	SC-2015-55302-6041/ SC-2016-56128-6328	5,939
Total Department of Transportation			\$ <u>21,857</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services: Disaster grants public assistance (presidentially declared disasters)	97.036	77602-116	\$ 2,012
Emergency management performance grants	97.042	77501-62744	12,820
Total Department of Homeland Security			\$ <u>14,832</u>
<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	0010116/0010115	\$ <u>196,733</u>
Total Department of Agriculture			\$ <u>196,733</u>
<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	0760116/0760115	\$ 19,582
Foster care-title IV-E	93.658	1100116/1100115	87,482
Adoption assistance	93.659	1120116/1120115	71,837
Promoting safe and stable families	93.556	0950115/0950114	11,309
Temporary assistance for needy families	93.558	0400116/0400115	138,805
Refugee and entrant assistance - state administered programs	93.566	0500116/0500115	158
Low-income home energy assistance	93.568	0600416/0600415	15,054
Social services block grant	93.667	1000116/1000115	92,090
Stephanie Tubbs Jones child welfare services program	93.645	0900116/0900115	596
Chafee foster care independence program	93.674	9150116/9150115	2,539
Children's health insurance program	93.767	0540116/0540115	8,295
Medical assistance program	93.778	1200116/1200115	248,618
Total Department of Health and Human Services			\$ <u>696,365</u>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2016 (Continued)

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>PRIMARY GOVERNMENT: (Continued)</b>			
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct payments:</u>			
Capitalization grants for clean water state revolving funds	66.458	N/A	\$ 76,264
Capitalization grants for drinking water state revolving funds	66.468	N/A	<u>26,280</u>
Total Environmental Protection Agency			\$ <u>102,544</u>
<b>Total Primary Government</b>			<b>\$ <u>1,039,436</u></b>
<b>COMPONENT UNIT-SCHOOL BOARD:</b>			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	201616N109941/ 2015IN109941	\$ 97,548
Department of Education:			
National school lunch program	10.555	201616N109941/ 2015IN109941	636,004
Total 10.555			<u>\$ 733,552</u>
Department of Agriculture and Consumer Services:			
Food distribution - Summer Food Service Program for Children	10.559	201616N109941/ 2015IN109941	\$ 2,295
School breakfast program	10.553	201616N109941/ 2015IN109941	<u>\$ 154,341</u>
Total Child Nutrition Cluster			<u>\$ 890,188</u>
Total Department of Agriculture			<u>\$ 890,188</u>
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	<u>\$ 73,295</u>
Total Department of Defense			<u>\$ 73,295</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid	84.041	N/A	<u>\$ 38,124</u>
<u>Pass through payments:</u>			
Virginia Tech:			
Competitive Grants for State Assessments	84.368	S365A140046	<u>3,901</u>
Department of Education:			
Title I grants to local educational agencies	84.010	S010A150046 S010A140046	\$ 372,171
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A150107/ H027A130107/ H027A140107	785,715
Special education - preschool grants	84.173	H173A130112/ H173A140112/ H173A150112	23,541
Total Special Education Cluster (IDEA)			<u>\$ 809,256</u>
Advanced placement program	84.330	S330B140002	\$ 820
Supporting Effective Instruction State Grant	84.367	S367A150044/ S367A140044/ V048A150046/	122,775
Career and technical education - basic grants to states	84.048	V048A150046/	<u>46,711</u>
Total Department of Education			<u>\$ 1,393,758</u>
<b>Total Component Unit School Board</b>			<b>\$ <u>2,357,241</u></b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>3,396,677</u></b>

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

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### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King George, Virginia under programs of the federal government for the year ended June 30, 2016. 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.

### 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	\$ 936,892
Capital Projects Fund	198,050
Proprietary Fund (loan proceeds)	<u>102,544</u>
Total primary government	\$ <u>1,237,486</u>
Component Unit School Board:	
School Operating Fund	\$ 1,467,053
School Cafeteria Fund	890,188
Total component unit school board	\$ <u>2,357,241</u>
Total federal expenditures per basic financial statements	\$ <u><u>3,594,727</u></u>
Less federal interest subsidy	<u>(198,050)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,396,677</u></u>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a)? No

Identification of major .510 programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

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

**Section IV - Prior Audit Findings**

There were no prior year audit findings.