



# **County of King George, Virginia**

## **Comprehensive Annual Financial Report**



**Year Ended June 30, 2014**



# **COUNTY OF KING GEORGE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2014**

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**PREPARED BY:**

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Robyn Shugart, Director of Finance



# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2014

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

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

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

**RUBY A. BRABO**  
Dahlgren Election District

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



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

December 9, 2014

**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, 2014 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, 2014, 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, 2014 has been completed. The findings and recommendations, and 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 ranked 3rd among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 41% during the past decade with a total population in 2010 of 23,584. As of June 30<sup>th</sup>, 2014 the County had an estimated population of 24,926, a growth rate of 5.7% since 2010. King George County has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. The major employer is the Dahlgren Naval Surface Warfare Center (NAVSWC), which provides employment for 5,000 civilian and military personnel and an additional 4,000 contract employees. During the latest BRAC (Base Realignment Committee) recommendation, the Dahlgren Site had a net gain of ten (10%) percent in personnel. The Dahlgren site is home to the Aegis Ballistic Missile Defense, Naval Surface Warfare Center Dahlgren Division, Center for Surface Combat Systems and Aegis Training and Readiness Center, Joint Warfare Analysis Center, and 20<sup>th</sup> Space Control Squadron-Detachment One. NAVSWC has been instrumental in attracting a variety of high technology software engineering firms to the County. Major industries include high technology computer programming, retail, food service, education, and government. Agriculture also remains important in the County's economy.

### **LONG TERM FINANCIAL PLANNING**

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

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

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

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

**Potomac Elementary School Renovation Project:** The Potomac Elementary School is in the final stage of a \$5 million renovation project. This project includes new heating, cooling, ventilation, telephone, intercom, painting, electrical and plumbing improvements, and lighting. The project is expected to be completed in late 2014.

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

**Vehicle Maintenance Facility:** A former auto auction facility plus approximately 48 acres of land was purchased in 2010 for \$1.25 million; the County recently invested approximately \$800,000 to renovate the facility to function as a vehicle maintenance facility. This project is complete and the School Division has relocated its bus maintenance operations to the facility.

**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 three businesses are located in the Industrial Park. The County is also actively pursuing one major Fortune 500 Company which would create approximately 60 jobs and 12-15 million dollars in capital investment before the end of 2014.

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 2014 provided information to over 20 potential prospects and site consultants, all looking at potentially expanding or relocating to the Mid-Atlantic area.

**Natural Gas Main and Fiber Optic Line Extension:** The Board of Supervisors approved the initial engineering phase of extending gas main to the Industrial Park in fiscal year 2012. Once completed, this line will be a 6.5 mile steel pipe that will bring natural gas directly to the King George Industrial Park. We have made significant progress with Columbia gas this year and construction of the Spotsylvania Loop which will connect the gas line running to the industrial park is expected to begin in fiscal year 2015 and would take approximately 18 months to complete. This is an important project as it is much needed for our existing businesses as well as attracting new businesses to the industrial park. In addition, the Metrocast Communications under an agreement with the County recently completed the installation of fiber optic cable into the industrial park. The cost of this installation was approximately \$86,000.

**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 such as: Old Dominion University, Virginia Polytechnical Institute, Virginia Commonwealth University, University of Virginia and George Mason University. This building consists of a two-story 40,000 sq. ft. facility 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 it 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. Construction is underway and should be completed toward the end of calendar year 2014.

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

### **OTHER INFORMATION**

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

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

**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2013. 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

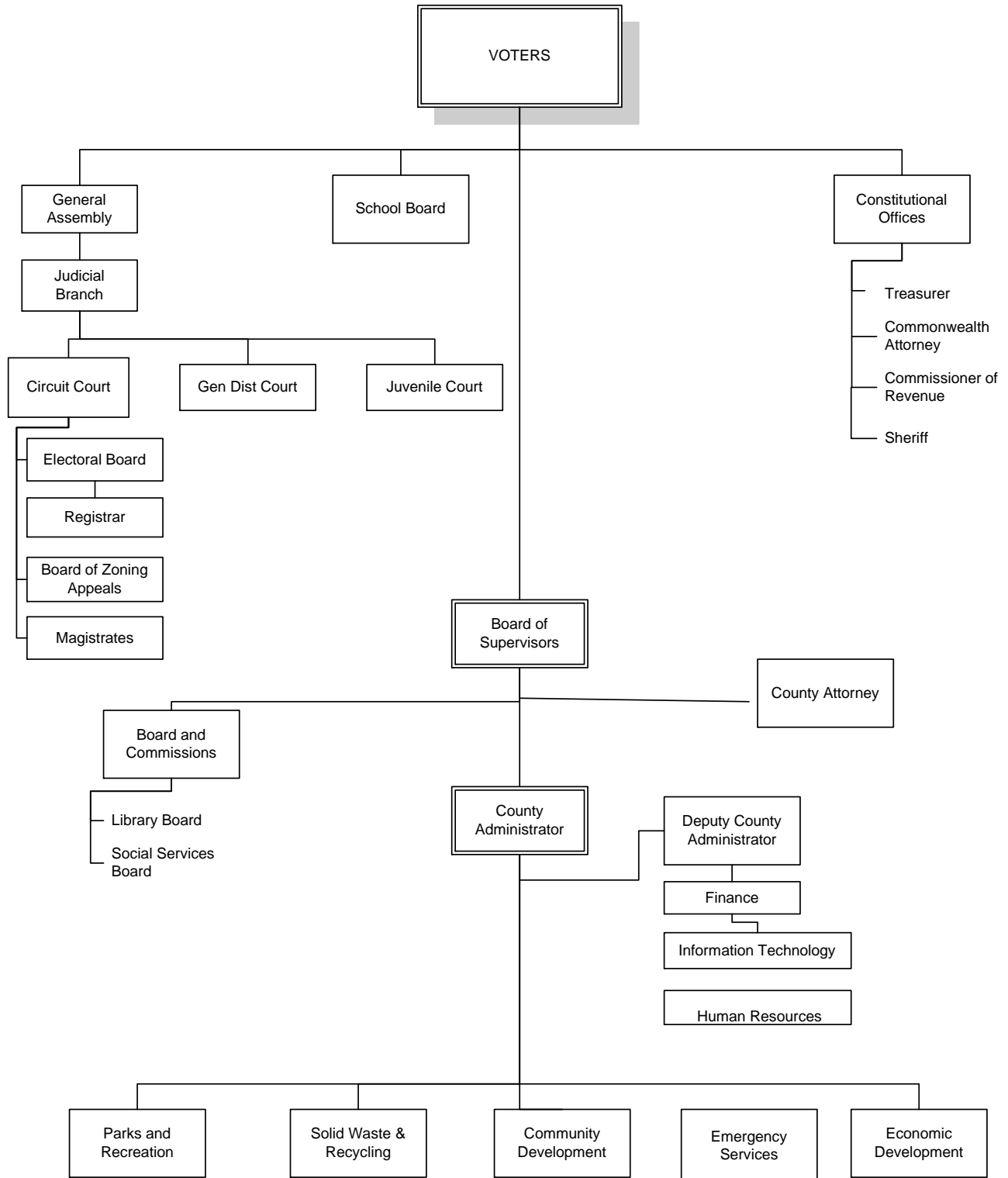
**June 30, 2013**

Executive Director/CEO

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## KING GEORGE COUNTY ORGANIZATIONAL CHART



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## COUNTY OF KING GEORGE, VIRGINIA

June 30, 2014

### **Board of Supervisors**

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

### **County School Board**

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

### **Board of Social Services**

Renee Jenkins, Chairperson  
Marva Smith, Vice-Chairperson  
Cedell Brooks, Jr.  
Judy Crabtree  
Arlene Jacovelli  
Helene Kelly

### **Smoot Memorial Library Board of Trustees**

Joseph McGettigan, Chairperson	
Linda Kramer, Vice-Chairperson	
Stephen Eckel	Kris Parker
Neil Richard	David Simms
Tina Sisson	Christine Steppe
Tracy Travers	

### **Other Officials**

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

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King George, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of King George, Virginia'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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension and OPEB funding progress on pages 5-14, 77-81, and 82 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, other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, 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 County of King George, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 5, 2014

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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, 2014. 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 2014 by \$55.9 million (net position). This represents an increase of \$345,091 compared to the prior fiscal year.
- Of the total net position \$2.0 million is restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$40.2 million, a decrease of \$5.2 million in comparison with the prior year.
- Approximately forty-one percent (41%) of this total amount or \$16.5 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 debt decreased by \$3 million during the current fiscal year. There were no refunding or new bond issues during the fiscal year for the County.

### **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 \$55.9 million at the close of fiscal year 2014.

The County's net investment in capital assets such as land, buildings and equipment totals \$19.7 million at June 30, 2014, an increase of \$1.9 million over 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, 2014 and 2013**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 54,251,495	\$ 58,713,414	\$ 5,765,973	\$ 4,347,699	\$ 60,017,468	\$ 63,061,113
Capital assets	82,384,313	79,994,551	42,333,492	41,063,181	124,717,805	121,057,732
Total assets	\$ 136,635,808	\$ 138,707,965	\$ 48,099,465	\$ 45,410,880	\$ 184,735,273	\$ 184,118,845
Deferred outflows of resources -						
Deferred charge on refunding	\$ 3,187,436	\$ 3,335,049	\$ 1,381,609	\$ 1,456,181	\$ 4,569,045	\$ 4,791,230
Long-term liabilities						
outstanding	\$ 67,081,175	\$ 70,207,927	\$ 27,444,783	\$ 26,009,813	\$ 94,525,958	\$ 96,217,740
Current liabilities	9,329,823	9,053,683	2,486,754	956,383	11,816,577	10,010,066
Total liabilities	\$ 76,410,998	\$ 79,261,610	\$ 29,931,537	\$ 26,966,196	\$ 106,342,535	\$ 106,227,806
Deferred inflows of resources -						
Unavailable revenue - property tax	\$ 7,547,061	\$ 7,261,310	\$ -	\$ -	\$ 7,547,061	\$ 7,261,310
Net position:						
Net investment in capital assets	\$ 19,719,528	\$ 17,849,891	\$ 17,323,889	\$ 17,936,970	\$ 37,043,417	\$ 35,786,861
Restricted	2,030,662	3,092,023	-	-	2,030,662	3,092,023
Unrestricted	34,114,995	34,578,180	2,225,648	1,963,895	36,340,643	36,542,075
Total net position	\$ 55,865,185	\$ 55,520,094	\$ 19,549,537	\$ 19,900,865	\$ 75,414,722	\$ 75,420,959

Restricted net position represents resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service, Smoot library endowment, and for a natatorium donation. The County's restricted net position amounts to \$2.0 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 345,091 and a decrease of \$351,328 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, 2014 and 2013**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues:						
Program revenues:						
Charges for services	\$ 7,831,454	\$ 7,953,490	\$ 4,400,068	\$ 4,361,207	\$ 12,231,522	\$ 12,314,697
Operating grants and contributions	4,856,761	4,385,348	98,729	-	4,955,490	4,385,348
Capital grants and contributions	670,318	466,102	459,243	-	1,129,561	466,102
General revenues:						
General property taxes	20,597,122	19,061,869	-	-	20,597,122	19,061,869
Other local taxes	6,402,851	6,375,440	-	-	6,402,851	6,375,440
Use of money and property	312,891	209,155	776	2,007	313,667	211,162
C/VA non-categorical aid	2,670,462	2,690,859	-	-	2,670,462	2,690,859
Other general revenues	418,029	236,125	285,189	246,860	703,218	482,985
Total revenues	\$ 43,759,888	\$ 41,378,388	\$ 5,244,005	\$ 4,610,074	\$ 49,003,893	\$ 45,988,462
Expenses:						
General government administration	\$ 2,989,454	\$ 2,409,601	\$ -	\$ -	\$ 2,989,454	\$ 2,409,601
Judicial administration	1,037,120	1,022,358	-	-	1,037,120	1,022,358
Public safety	10,880,109	10,010,928	-	-	10,880,109	10,010,928
Public works	1,619,383	1,419,964	-	-	1,619,383	1,419,964
Health and welfare	4,384,274	4,403,698	-	-	4,384,274	4,403,698
Education	16,931,948	17,550,953	-	-	16,931,948	17,550,953
Parks, recreation, and cultural	1,438,503	1,311,229	-	-	1,438,503	1,311,229
Community development	1,144,712	1,999,446	-	-	1,144,712	1,999,446
Interest and other fiscal charges	3,043,578	3,297,304	-	-	3,043,578	3,297,304
Water and sewer	-	-	5,541,049	5,337,484	5,541,049	5,337,484
Total expenses	\$ 43,469,081	\$ 43,425,481	\$ 5,541,049	\$ 5,337,484	\$ 49,010,130	\$ 48,762,965
Increase (decrease) in net position before transfers	\$ 290,807	\$ (2,047,093)	\$ (297,044)	\$ (727,410)	\$ (6,237)	\$ (2,774,503)
Transfers	54,284	(85,401)	(54,284)	85,401	-	-
Change in net position	\$ 345,091	\$ (2,132,494)	\$ (351,328)	\$ (642,009)	\$ (6,237)	\$ (2,774,503)
Net position, July 1, as restated	55,520,094	57,652,588	19,900,865	20,542,874	75,420,959	78,195,462
Net position, June 30	\$ 55,865,185	\$ 55,520,094	\$ 19,549,537	\$ 19,900,865	\$ 75,414,722	\$ 75,420,959

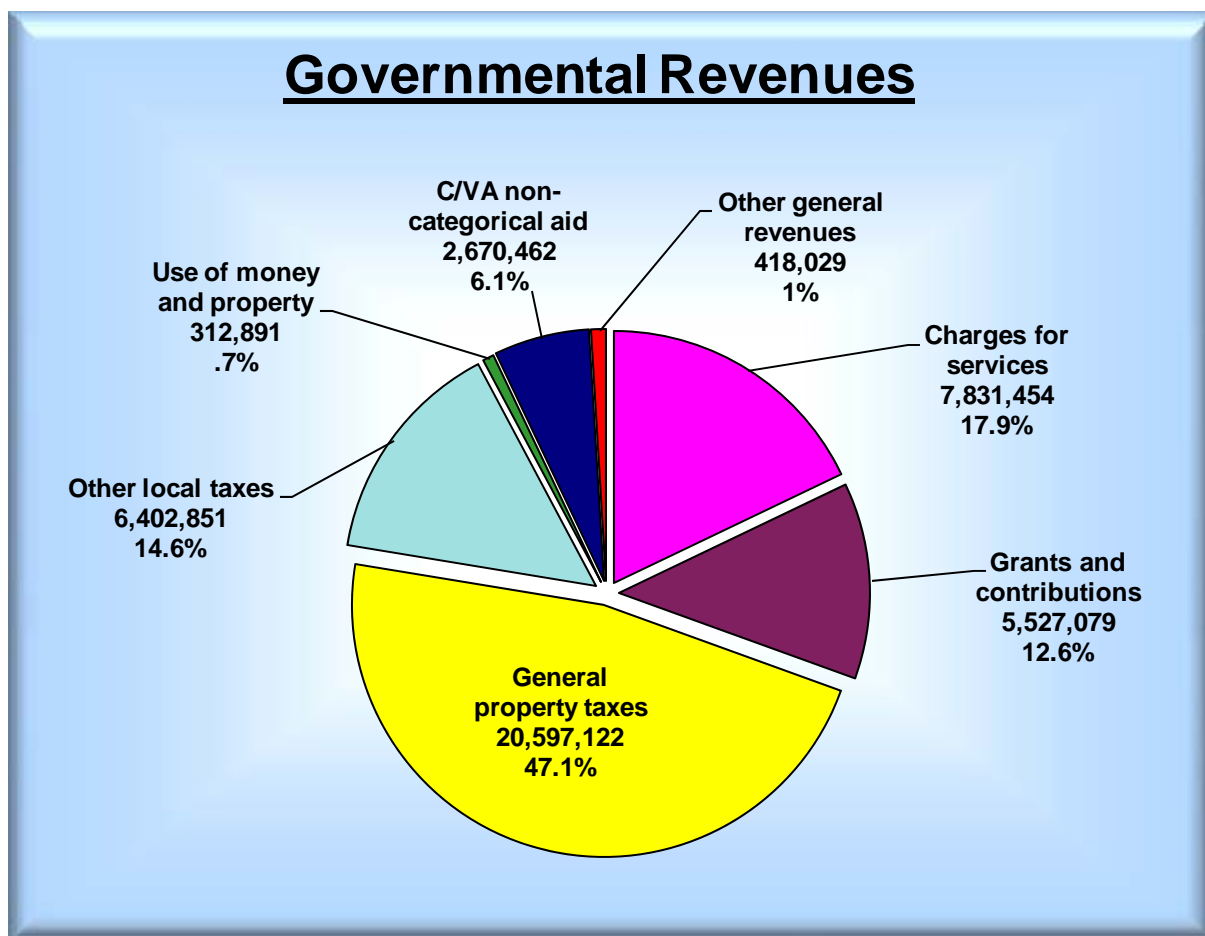
## **Government-wide Financial Analysis: (Continued)**

Governmental Activities – Program and general revenues for governmental activities totaled \$43.8 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$20.6 million
- Charges for services totaled \$7.8 million (This includes \$6.4 million of landfill revenues)
- Other local taxes totaled \$6.4 million.
- Operating grants and contributions totaled \$4.9 million

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

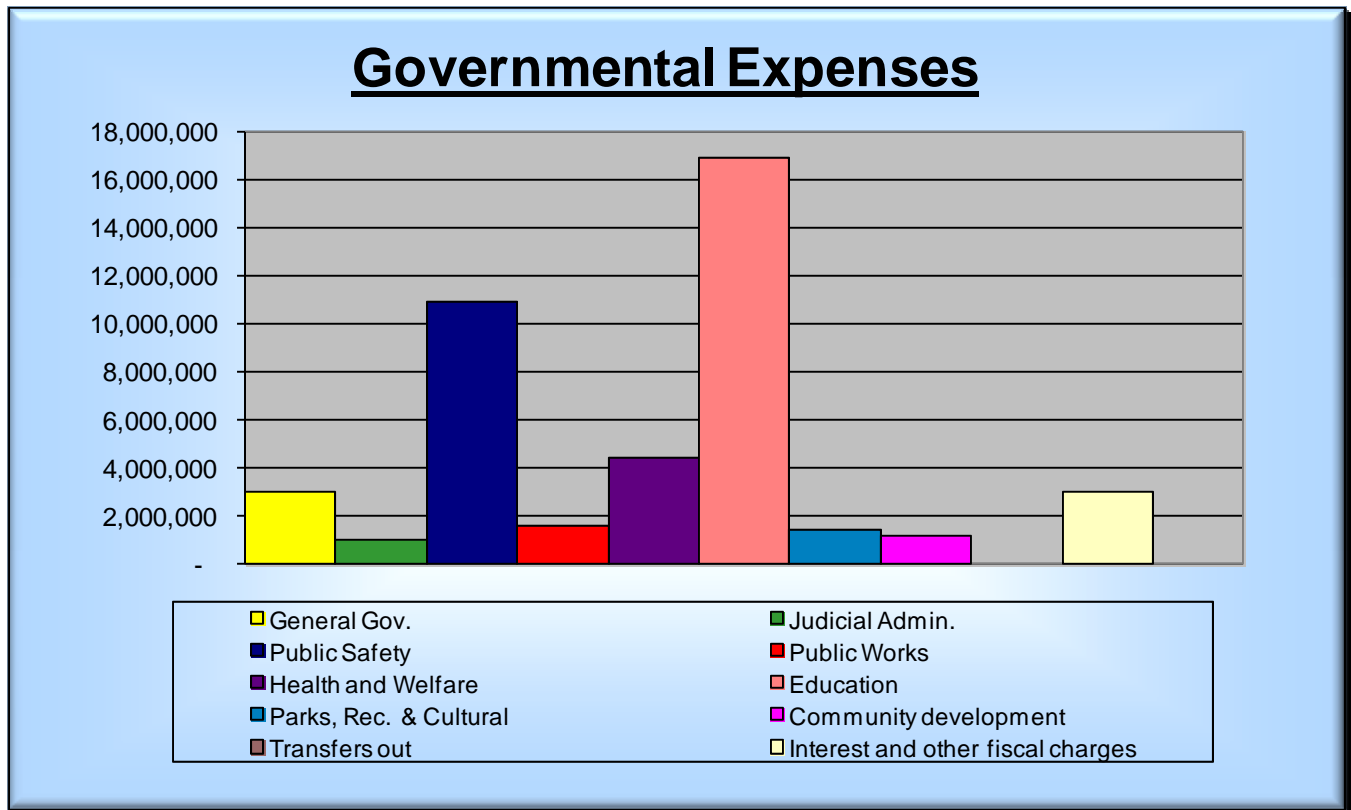


### **Government-wide Financial Analysis: (Continued)**

Expenses for governmental activities totaled \$43.5 million for the fiscal year. Major categories were as follows:

- Education totaled \$16.9 million
- Public Safety totaled \$10.9 million
- Health and Welfare totaled \$4.4 million
- Interest/Other Charges totaled \$3.0 million

The graph below denotes expenses by major categories.



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

- General property taxes increased \$1,535,253 compared to prior year; this increase is due to additional revenue received from a second half increase along with additional assessments in the County.
- Operating grants and contributions increased by \$471,413 due to increased state and federal grant revenues.
- Educational expenses decreased by \$619,005; the amount transferred from the County decreased.
- Public Safety expenses increased by \$869,181 mainly due to grant related expenses, an increase in charges from the Rappahannock Regional Jail and Juvenile detention center and operational increases within public safety budgets including staffing.
- Community development expenses decreased by \$854,734 primarily due to a decrease in economic development expenses.

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

Business-type activities - Business-type activities net position decreased by \$351,328 in the current year.

Major reasons are as follows:

- Operating revenues increased by \$77,190 during the year. This is due to an increase in usage fee revenue.
- Operating expense increased during the year by \$182,852. This is mainly due to expenses associated with contractual services.
- Net non-operating revenues (expenses) increased by \$536,038 due to receipt of state and federal grant revenues.
- Operating income in FY14 was positive but when factoring in interest expense and other non-operating revenues and expenses the result is a decrease in net position. The net position decrease has gone down each year when comparing the prior three fiscal years which is a favorable pattern.

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

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$40.2 million, a decrease of \$5.2 million in comparison with the prior year. Approximately forty-one percent (41%) of this amount \$16.5 million constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County. In accordance with GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$702,000), restricted by an outside source (\$5.3 million), committed (\$8.4 million) and not available for spending and assigned (\$9.4 million) for specific projects. See Note 1 – S 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 \$16.5 million, while the total fund balance was \$20.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents forty (40%) of total general fund expenditures, while total general fund balance represents fifty percent (50%) of that same amount.

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

**General Fund:** The fund balance of the County's general fund increased by \$884,126 during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$1.4 million, and those funds were not needed during the fiscal year. Some factors which are significant contributors to a lesser amount needed are as follows:

- Other local taxes were in excess of budget by \$249,051. This includes increased revenue in business license taxes, sales tax, meals tax, recordation taxes, and local tax from the Clerk.
- State and Federal revenues combined came in \$47,302 less than budgeted.
- The total General Fund expenditures were under budget by \$1.8 million.
- Discretionary spending freeze was implemented by the County Administrator across the board.

**Capital Projects Fund:** At the end of the current fiscal year the fund balance for the County's capital projects fund was \$18.4 million of which twenty-one percent (21%) or \$3.8 million is restricted for future capital projects. Of the remaining fund balance \$5.2 million is committed and \$9.4 million is assigned. See Note 1-S for details. The fund balance of the County's capital projects fund decreased by \$6.1 million during the current fiscal year. Some major factors are as follows:

- Bond proceeds continue to be spent on renovations to the elementary school, the amount spent during the fiscal year total \$3.1 million.
- An additional \$1.3 million was spent on parks and recreation capital projects, and \$.9 million was spent on the Vehicle Maintenance Facility during fiscal year 2014.
- Landfill fees collected in fiscal year 2014 totaling \$6.4 million were used to fund debt service.

**Permanent Fund:** At the end of the current fiscal year the fund balance for the County's permanent fund was \$824,518 of which \$700,000 is non-spendable and \$124,518 is committed for library operations. The fund balance of the County's permanent fund increased by \$7,873.

**Wireless Authority Fund:** The Wireless Authority project fund balance was \$226,576 at the end of the current fiscal year. This is a slight increase of \$9,433 due to transfers into the fund.

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

## **General Fund Budgetary Highlights**

Differences between the original expenditures budget and the final amended budget were \$1 million or a three percent (2%) increase in appropriations. Significant budget variances are summarized as follows:

- County's contribution to the School Board increased by \$173,697 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 years projects.

Actual revenues were more than the amended budget by \$405,942, reference Exhibit 10.

Actual expenditures were \$1.8 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 \$271,083.
- Education expenditures were less than the amended budget by \$746,015 due to School Board expenditures being kept under budget.
- Public safety also had a favorable expenditure variance of \$443,353 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, 2014 totaled \$82.4 million (net of accumulated depreciation). Governmental capital assets increased a total of \$2.4 million. Major highlights of governmental capital assets include:

The County is currently renovating an elementary school, making parks and recreation related park improvements, and also renovating a facility to be used for a vehicle maintenance facility.

**Business Type Capital Assets** - The Authority's investment in capital assets as of June 30, 2014 totals \$42.3 million (net of accumulated depreciation). Investment in capital assets increased \$1.3 million. This is due to the projects in progress and the completion of projects.

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

**Long-term obligations** - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$70 million and the King George Service Authority has outstanding obligations of \$28 million.

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

Of the County's debt, \$13.7 million comprises debt backed by the full faith and credit of the County and \$49.5 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 million. There were no refunding or new bond issuances during the fiscal year.

The King George Service Authority increased its long-term obligations by \$1.8 million during the year. This was due to borrowings for two capital projects that include the Fairview Beach Water Tank and Dahlgren Waste Water Treatment Plant projects.

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 2014.

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

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

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 6.0% at June 30, 2014. The local unemployment rate compares favorably to the June 30, 2014 national rate of 6.1%. The County's favorable employment conditions are supported by the continued growth of jobs over the last nine years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 12,770 in 2014. 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, 2014 totaled \$35.9, million which is \$1 million increase over the prior year. Local taxes increased due to sales tax and meals tax from new businesses in the County along with an increase in recordation taxes, and an increase in revenue for property taxes in comparison to fiscal year 2013.

### **Requests for Information**

This financial report is designed to provide a general overview of the County of King George, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 10459 Courthouse Drive, Suite 201, King George, Virginia 22485.

## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Position  
At June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 38,089,966	\$ 2,541,587	\$ 40,631,553	\$ 84,863	\$ 72,165
Receivables (net of allowance for uncollectibles):					
Property taxes	8,634,664	-	8,634,664	-	-
Accounts receivable	1,915,778	665,335	2,581,113	-	-
Notes receivable	366,664	-	366,664	-	-
Due from other governments	3,211,761	1,706,019	4,917,780	1,213,423	-
Inventory	-	-	-	-	3,526,702
Prepaid items	2,000	-	2,000	-	-
Restricted cash	2,030,662	853,032	2,883,694	-	-
Due from primary government	-	-	-	3,434,543	-
Total Current Assets	\$ 54,251,495	\$ 5,765,973	\$ 60,017,468	\$ 4,732,829	\$ 3,598,867
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134	\$ -
Infrastructure	-	36,987,545	36,987,545	-	-
Buildings and improvements	29,348,854	-	29,348,854	13,679,478	-
Equipment	3,350,250	137,733	3,487,983	2,370,429	-
Jointly owned assets	35,940,324	-	35,940,324	13,509,818	-
Construction in progress	7,694,079	2,945,860	10,639,939	-	-
Total capital assets	\$ 82,384,313	\$ 42,333,492	\$ 124,717,805	\$ 29,732,859	\$ -
Total Assets	\$ 136,635,808	\$ 48,099,465	\$ 184,735,273	\$ 34,465,688	\$ 3,598,867
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	\$ 3,187,436	\$ 1,381,609	\$ 4,569,045	\$ -	\$ -
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 1,529,047	\$ 1,106,370	\$ 2,635,417	\$ 883,116	\$ 2,936
Retainage payable	223,987	115,187	339,174	-	-
Customer deposits	-	83,768	83,768	-	-
Accrued liabilities	-	-	-	3,821,795	-
Due to component unit - School Board	3,434,543	-	3,434,543	-	-
Unearned revenue	-	234,068	234,068	68	-
Accrued interest payable	862,972	289,215	1,152,187	-	-
Long-term obligations - current portion	3,279,274	658,146	3,937,420	42,389	1,000,000
Total Current Liabilities	\$ 9,329,823	\$ 2,486,754	\$ 11,816,577	\$ 4,747,368	\$ 1,002,936
Noncurrent Liabilities					
Long-term obligations - noncurrent portion	67,081,175	27,444,783	94,525,958	866,709	-
Total Liabilities	\$ 76,410,998	\$ 29,931,537	\$ 106,342,535	\$ 5,614,077	\$ 1,002,936
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 7,547,061	\$ -	\$ 7,547,061	\$ -	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 19,719,528	\$ 17,323,889	\$ 37,043,417	\$ 29,732,859	\$ -
Restricted:					
Debt service	1,149,880	-	1,149,880	-	-
Smoot library:					
Nonexpendable	700,000	-	700,000	-	-
Natatorium	180,782	-	180,782	-	-
Unrestricted assets	34,114,995	2,225,648	36,340,643	(881,248)	2,595,931
Total Net Position	\$ 55,865,185	\$ 19,549,537	\$ 75,414,722	\$ 28,851,611	\$ 2,595,931

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,989,454	\$ -	\$ 233,181	\$ 68,837
Judicial administration	1,037,120	250,002	448,561	-
Public safety	10,880,109	64,129	1,437,562	546,367
Public works	1,619,383	7,040,896	-	-
Health and welfare	4,384,274	-	2,394,102	-
Education	16,931,948	-	197,200	-
Parks, recreation, and cultural	1,438,503	401,596	146,155	-
Community development	1,144,712	74,831	-	55,114
Interest on long-term debt	3,043,578	-	-	-
Total governmental activities	\$ 43,469,081	\$ 7,831,454	\$ 4,856,761	\$ 670,318
Business-type activities:				
Water and sewer	\$ 5,541,049	\$ 4,400,068	\$ 98,729	\$ 459,243
	\$ 49,010,130	\$ 12,231,522	\$ 4,955,490	\$ 1,129,561
COMPONENT UNITS:				
School Board	\$ 38,433,481	\$ 591,104	\$ 22,253,019	\$ -
Economic Development Authority	26,234	31,962	-	-
Total component units	\$ 38,459,715	\$ 623,066	\$ 22,253,019	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle licenses				
Recordation taxes				
Meals tax				
Ambulance fees				
Other local taxes				
Grants and contributions not restricted to specific programs				
Unrestricted revenues from use of money and property				
County contribution to School Board				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business- type Activities	Total	School Board	Economic Development Authority
\$ (2,687,436)	\$ -	\$ (2,687,436)	\$ -	\$ -
(338,557)	-	(338,557)	-	-
(8,832,051)	-	(8,832,051)	-	-
5,421,513	-	5,421,513	-	-
(1,990,172)	-	(1,990,172)	-	-
(16,734,748)	-	(16,734,748)	-	-
(890,752)	-	(890,752)	-	-
(1,014,767)	-	(1,014,767)	-	-
(3,043,578)	-	(3,043,578)	-	-
\$ (30,110,548)	\$ -	\$ (30,110,548)	\$ -	\$ -
\$ -	\$ (583,009)	\$ (583,009)	\$ -	\$ -
\$ -	\$ (583,009)	\$ (30,693,557)	\$ -	\$ -
			\$ (15,589,358)	\$ -
			-	5,728
			\$ (15,589,358)	\$ 5,728
\$ 20,597,122	\$ -	\$ 20,597,122	\$ -	\$ -
2,059,339	-	2,059,339	-	-
242,082	-	242,082	-	-
1,272,838	-	1,272,838	-	-
569,615	-	569,615	-	-
276,551	-	276,551	-	-
957,493	-	957,493	-	-
600,452	-	600,452	-	-
424,481	-	424,481	-	-
2,670,462	-	2,670,462	-	-
312,891	776	313,667	12,333	20
-	-	-	15,873,337	-
418,029	285,189	703,218	177,579	3,525
54,284	(54,284)	-	-	-
\$ 30,455,639	\$ 231,681	\$ 30,687,320	\$ 16,063,249	\$ 3,545
\$ 345,091	\$ (351,328)	\$ (6,237)	\$ 473,891	\$ 9,273
55,520,094	19,900,865	75,420,959	28,377,720	2,586,658
\$ 55,865,185	\$ 19,549,537	\$ 75,414,722	\$ 28,851,611	\$ 2,595,931

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2014

	Governmental Funds				
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 21,186,707	\$ 16,552,165	\$ 124,518	\$ 226,576	\$ 38,089,966
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	8,634,664	-	-	-	8,634,664
Accounts	262,655	1,653,123	-	-	1,915,778
Note receivable	366,664	-	-	-	366,664
Restricted cash	1,149,880	180,782	700,000	-	2,030,662
Due from other governmental units	2,211,761	1,000,000	-	-	3,211,761
Prepaid items	-	2,000	-	-	2,000
Total assets	<u>\$ 33,812,331</u>	<u>\$ 19,388,070</u>	<u>\$ 824,518</u>	<u>\$ 226,576</u>	<u>\$ 54,251,495</u>
LIABILITIES					
Accounts payable	\$ 791,307	\$ 737,740	\$ -	\$ -	\$ 1,529,047
Retainage payable	-	223,987	-	-	223,987
Due to component unit - School Board	3,434,543	-	-	-	3,434,543
Total liabilities	<u>\$ 4,225,850</u>	<u>\$ 961,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,187,577</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>\$ 8,855,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,855,725</u>
FUND BALANCES					
Nonspendable	\$ -	\$ 2,000	\$ 700,000	\$ -	\$ 702,000
Restricted	1,424,234	3,844,847	-	-	5,269,081
Committed	2,815,849	5,192,740	124,518	226,576	8,359,683
Assigned	-	9,386,756	-	-	9,386,756
Unassigned	16,490,673	-	-	-	16,490,673
Total fund balances	<u>\$ 20,730,756</u>	<u>\$ 18,426,343</u>	<u>\$ 824,518</u>	<u>\$ 226,576</u>	<u>\$ 40,208,193</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,812,331</u>	<u>\$ 19,388,070</u>	<u>\$ 824,518</u>	<u>\$ 226,576</u>	<u>\$ 54,251,495</u>

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

Total fund balances, balance sheet, governmental funds	\$ 40,208,193
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.	82,384,313
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(862,972)
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.	1,308,664
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.	(67,173,013)
Net position of governmental activities	<u>\$ 55,865,185</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, 2014

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 20,326,008	\$ -	\$ -	\$ -	\$ 20,326,008
Other local taxes	6,402,851	-	-	-	6,402,851
Permits, privilege fees and regulatory licenses	462,891	6,659,002	-	-	7,121,893
Fines and forfeitures	209,473	-	-	-	209,473
Revenue from use of money and property	182,469	122,416	7,873	133	312,891
Charges for services	500,088	-	-	-	500,088
Miscellaneous	303,146	114,883	-	-	418,029
Recovered costs	175,000	-	-	-	175,000
Intergovernmental:					
Commonwealth	6,228,067	-	-	-	6,228,067
Federal	1,101,956	867,518	-	-	1,969,474
Total revenues	\$ 35,891,949	\$ 7,763,819	\$ 7,873	\$ 133	\$ 43,663,774
Expenditures:					
Current:					
General government administration	\$ 2,676,562	\$ 282,730	\$ -	\$ -	\$ 2,959,292
Judicial administration	1,060,613	64,439	-	-	1,125,052
Public safety	9,188,313	883,800	-	-	10,072,113
Public works	1,769,698	902,298	-	-	2,671,996
Health and welfare	4,329,701	-	-	-	4,329,701
Education	13,781,937	3,807,444	-	-	17,589,381
Parks, recreation, and cultural	1,198,008	1,771,424	-	-	2,969,432
Community development	1,120,057	63,678	-	8,700	1,192,435
Debt service:					
Principal retirement	2,847,303	-	-	-	2,847,303
Interest and other fiscal charges	3,174,822	-	-	-	3,174,822
Total expenditures	\$ 41,147,014	\$ 7,775,813	\$ -	\$ 8,700	\$ 48,931,527
Excess (deficiency) of revenues over (under) expenditures	\$ (5,255,065)	\$ (11,994)	\$ 7,873	\$ (8,567)	\$ (5,267,753)
Other financing sources (uses):					
Transfers in	\$ 6,355,160	\$ 337,117	\$ -	\$ 18,000	\$ 6,710,277
Transfers out	(215,969)	(6,440,024)	-	-	(6,655,993)
Total other financing sources (uses)	\$ 6,139,191	\$ (6,102,907)	\$ -	\$ 18,000	\$ 54,284
Net changes in fund balances	\$ 884,126	\$ (6,114,901)	\$ 7,873	\$ 9,433	\$ (5,213,469)
Fund balances at beginning of year, as restated	19,846,630	24,541,244	816,645	217,143	45,421,662
Fund balances at end of year	\$ 20,730,756	\$ 18,426,343	\$ 824,518	\$ 226,576	\$ 40,208,193

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, 2014

		<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	\$	(5,213,469)
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	\$ 6,453,271	
Depreciation expense	<u>(2,524,941)</u>	3,928,330
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,538,568)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.		271,114
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	\$ 239,609	
Amortization of deferred amount on refunding	(147,613)	
Principal retired on general obligation and lease revenue bonds	2,597,303	
Principal retired on state literary fund loans	<u>250,000</u>	2,939,299
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	\$ (80,863)	
Change in accrued interest payable	<u>39,248</u>	<u>(41,615)</u>
Change in net position of governmental activities	\$	<u><u>345,091</u></u>

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

Statement of Net Position - Proprietary Fund  
At June 30, 2014

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 2,541,587
Receivables (net of allowance for uncollectibles):	
Accounts receivable	665,335
Due from other governments	1,706,019
Restricted cash	<u>853,032</u>
Total Current Assets	\$ <u>5,765,973</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	51,354,017
Equipment	820,709
Construction in progress	2,945,860
Accumulated depreciation	<u>(15,049,448)</u>
Total Capital Assets	\$ <u>42,333,492</u>
Total Assets	\$ <u>48,099,465</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	\$ <u>1,381,609</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 1,106,370
Retainage payable	115,187
Customer deposits	83,768
Unearned revenue	234,068
Accrued interest payable	289,215
Long-term obligations - current portion	<u>658,146</u>
Total Current Liabilities	\$ 2,486,754
Noncurrent Liabilities	
Long-term obligations - noncurrent portion	<u>27,444,783</u>
Total Liabilities	\$ <u>29,931,537</u>
<b>NET POSITION</b>	
Net Investment in capital assets	\$ 17,323,889
Unrestricted assets	<u>2,225,648</u>
Total Net Position	\$ <u>19,549,537</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, 2014

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 1,009,016
Sewer revenues	1,582,139
Availability fees	469,417
Debt fees	1,339,496
Other revenues	<u>285,189</u>
Total operating revenues	\$ <u>4,685,257</u>
Operating expenses:	
Personnel services	\$ 972,877
Fringe benefits	431,612
Contractual services	521,973
Depreciation	1,313,767
Other operating expenses	<u>1,121,602</u>
Total operating expenses	\$ <u>4,361,831</u>
Net income (loss) from operations	\$ <u>323,426</u>
Nonoperating revenues (expenses):	
Interest income	\$ 776
Federal grant funds	98,729
State and local grant funds	459,243
Interest expense	<u>(1,179,218)</u>
Total nonoperating revenues (expenses)	\$ <u>(620,470)</u>
Net income (loss) before capital contributions	\$ (297,044)
Capital contributions (net)	<u>(54,284)</u>
Change in net position	\$ (351,328)
Net position, beginning of year, as restated	<u>19,900,865</u>
Net position, end of year	\$ <u><u>19,549,537</u></u>

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

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2014

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 4,811,207
Payments to employees (including fringe benefits)	(1,400,059)
Payments for operating activities	<u>(663,089)</u>
Net cash provided by operating activities	\$ <u>2,748,059</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (2,468,891)
Proceeds from long term indebtedness issued	692,586
Capital grants and contributions	181,119
Retirement of indebtedness	(182,463)
Interest paid on loans	<u>(1,196,557)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(2,974,206)</u>
Cash flows from investing activities:	
Interest income	\$ <u>776</u>
Net increase (decrease) in cash and cash equivalents	\$ (225,371)
Cash and cash equivalents (including restricted) at beginning of year	<u>3,619,990</u>
Cash and cash equivalents (including restricted) at end of year	\$ <u><u>3,394,619</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 323,426
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,313,767
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	62,374
Increase (decrease) in accounts payable	980,486
Increase (decrease) in unearned revenue	(1,777)
Increase (decrease) in customer deposits	65,353
Increase (decrease) in compensated absences	<u>4,430</u>
Net cash provided by operating activities	\$ <u><u>2,748,059</u></u>

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

Statement of Fiduciary Net Position  
At June 30, 2014

	<b>Agency Funds</b>
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 4,020,389
Accounts receivable	<u>57,623</u>
Total assets	<u>\$ 4,078,012</u>
LIABILITIES	
Amounts held for others	\$ 57,623
Amounts held for landfill closure and postclosure costs	3,969,767
Amounts held for social services' clients	<u>50,622</u>
Total liabilities	<u>\$ 4,078,012</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, 2014

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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 (government 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, 2014 (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, 2014 (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. The Authority is fiscally independent and 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.

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, 2014 (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, other local taxes, and state and federal grants. 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, 2014 (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, 2014 (Continued)

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

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

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

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

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

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

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is utilized as part of the County's accounting system. Encumbrances totaled \$491,504 in the General Fund at June 30, 2014.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

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

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

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

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

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$625,905 at June 30, 2014 and is comprised of the following:

Property taxes	\$ 448,568
Water & sewer accounts	<u>177,337</u>
Total	<u>\$ 625,905</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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

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, 2014.

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 only has one item that qualifies for reporting in this category. It 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (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 one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

#### **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. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### **N. 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.

#### **O. 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.

#### **P. 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.

#### **Q. 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.

#### **R. 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.

#### **S. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### **S. Component Unit-School Board Capital Asset and Debt Presentation: (Continued)**

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.

#### **T. 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.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives), 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.

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

### T. Fund Equity: (Continued)

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

	General Fund	Capital Projects	Permanent Fund	Wireless Authority Fund	Total
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Prepays	-	2,000	-	-	2,000
<b>Total Nonspendable Fund Balance</b>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 702,000</u>
<b>Restricted:</b>					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Natatorium	-	180,782	-	-	180,782
Potomac Elementary School	-	1,522,644	-	-	1,522,644
CDBG	-	98,892	-	-	98,892
Capital projects	-	1,980,693	-	-	1,980,693
Library	37,073	-	-	-	37,073
Grants	237,281	61,836	-	-	299,117
<b>Total Restricted Fund Balance</b>	<u>\$ 1,424,234</u>	<u>\$ 3,844,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,269,081</u>
<b>Committed:</b>					
Education	\$ 401,543	\$ -	\$ -	\$ -	\$ 401,543
Wireless project	-	-	-	226,576	226,576
Stabilization funds	1,311,093	-	-	-	1,311,093
Library	-	-	124,518	-	124,518
2014 budget	459,000	-	-	-	459,000
Capital projects	-	5,192,740	-	-	5,192,740
Tourism	197,762	-	-	-	197,762
Recreation	307,099	-	-	-	307,099
Other purposes	139,352	-	-	-	139,352
<b>Total Committed Fund Balance</b>	<u>\$ 2,815,849</u>	<u>\$ 5,192,740</u>	<u>\$ 124,518</u>	<u>\$ 226,576</u>	<u>\$ 8,359,683</u>
<b>Assigned:</b>					
Landfill	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Turf resurfacing	-	400,000	-	-	400,000
Capital projects	-	7,486,756	-	-	7,486,756
<b>Total Assigned Fund Balance</b>	<u>\$ -</u>	<u>\$ 9,386,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,386,756</u>
<b>Unassigned Fund Balance</b>	<u>\$ 16,490,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,490,673</u>
<b>Total Fund Balances</b>	<u>\$ 20,730,756</u>	<u>\$ 18,426,343</u>	<u>\$ 824,518</u>	<u>\$ 226,576</u>	<u>\$ 40,208,193</u>

## 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

#### 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, 2014 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

County's Rated Debt Investments' Values					
Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA	AA-
U.S. Agencies	\$ -	\$ -	\$ 5,138,811	\$ -	\$ -
Local Government Investment Pool	4,603,011	-	-	-	-
State Non-Arbitrage Pool	6,240,957	-	-	-	-
Corporate Notes	-	260,272	1,084,310	1,024,761	1,206,205
Municipal Bonds	-	-	503,470	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	-	11,602,729	-	-
Total	\$ <u>10,843,968</u>	\$ <u>260,272</u>	\$ <u>18,329,320</u>	\$ <u>1,024,761</u>	\$ <u>1,206,205</u>

#### Interest Rate Risk

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

Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	5-9 Years	Greater Than 10 Years
Repurchase Agreements	\$ 11,602,729	\$ -	\$ -	\$ -	\$ 11,602,729
Corporate Notes	3,575,548	-	3,575,548	-	-
Municipal Bonds	503,470	251,735	251,735	-	-
U.S. Agencies	5,138,811	841,462	3,486,735	16,247	794,367
U.S. Treasuries	8,724,776	-	8,724,776	-	-
Total	\$ <u>29,545,334</u>	\$ <u>1,093,197</u>	\$ <u>16,038,794</u>	\$ <u>16,247</u>	\$ <u>12,397,096</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

### Note 3—Due From Other Governments:

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At June 30, 2014, the County and School Board had receivables from other governments as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Unit School Board</b>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	739,292
PPTRA	1,088,066	-
Local sales taxes	354,306	-
Communications tax	32,639	-
Public assistance	40,764	-
Shared expenses	137,473	-
CSA	325,112	-
KGSA loan and grant proceeds	1,706,019	-
Fire program	70,830	-
Other	82,151	-
Federal Government:		
School funds	-	474,131
Public assistance	80,420	-
Totals	<u>\$ 4,917,780</u>	<u>\$ 1,213,423</u>

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

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<b>Fund</b>	<b>Due to Component Unit</b>	<b>Due From Primary Government</b>
General	\$ 3,434,543	\$ -
School Board	-	3,434,543
Totals	<u>\$ 3,434,543</u>	<u>\$ 3,434,543</u>

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

## COUNTY OF KING GEORGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2014 (Continued)

#### Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 6,355,160	\$ 215,969
Service Authority	-	54,284
Wireless Project Fund	18,000	-
Capital Improvements Fund	337,117	6,440,024
Total	<u>\$ 6,710,277</u>	<u>\$ 6,710,277</u>

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

#### Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2014:

##### Primary Government:

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	\$ -	\$ -	\$ 6,050,806
Construction in progress-jointly owned assets	995,635	3,249,503	-	4,245,138
Construction in progress	<u>6,723,955</u>	<u>3,041,371</u>	<u>6,316,385</u>	<u>3,448,941</u>
Total capital assets not being depreciated	<u>\$ 13,770,396</u>	<u>\$ 6,290,874</u>	<u>\$ 6,316,385</u>	<u>\$ 13,744,885</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 28,611,568	\$ 6,316,385	\$ -	\$ 34,927,953
Equipment	9,887,394	162,397	91,914	9,957,877
Jointly owned assets	<u>43,914,418</u>	<u>-</u>	<u>2,150,499</u>	<u>41,763,919</u>
Total capital assets being depreciated	<u>\$ 82,413,380</u>	<u>\$ 6,478,782</u>	<u>\$ 2,242,413</u>	<u>\$ 86,649,749</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,760,971	\$ 818,128	\$ -	\$ 5,579,099
Equipment	6,046,437	653,104	91,914	6,607,627
Jointly owned assets	<u>5,381,817</u>	<u>1,053,709</u>	<u>611,931</u>	<u>5,823,595</u>
Total accumulated depreciation	<u>\$ 16,189,225</u>	<u>\$ 2,524,941</u>	<u>\$ 703,845</u>	<u>\$ 18,010,321</u>
Total capital assets being depreciated, net	<u>\$ 66,224,155</u>	<u>\$ 3,953,841</u>	<u>\$ 1,538,568</u>	<u>\$ 68,639,428</u>
Governmental activities capital assets, net	<u>\$ 79,994,551</u>	<u>\$ 10,244,715</u>	<u>\$ 7,854,953</u>	<u>\$ 82,384,313</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### Primary Government: (Continued)

	Beginning Balance July 1, 2013 <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance June 30, 2014 <u></u>
<b><u>Business-type activities-KGSA:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>370,182</u>	<u>2,575,678</u>	<u>-</u>	<u>2,945,860</u>
Total capital assets not being depreciated	<u>\$ 2,632,536</u>	<u>\$ 2,575,678</u>	<u>\$ -</u>	<u>\$ 5,208,214</u>
Capital assets being depreciated:				
Infrastructure	\$ 51,354,017	\$ -	\$ -	\$ 51,354,017
Equipment	<u>812,309</u>	<u>8,400</u>	<u>-</u>	<u>820,709</u>
Total capital assets being depreciated	<u>\$ 52,166,326</u>	<u>\$ 8,400</u>	<u>\$ -</u>	<u>\$ 52,174,726</u>
Accumulated depreciation:				
Infrastructure	\$ 13,078,391	\$ 1,288,081	\$ -	\$ 14,366,472
Equipment	<u>657,290</u>	<u>25,686</u>	<u>-</u>	<u>682,976</u>
Total accumulated depreciation	<u>\$ 13,735,681</u>	<u>\$ 1,313,767</u>	<u>\$ -</u>	<u>\$ 15,049,448</u>
Total capital assets being depreciated, net	<u>\$ 38,430,645</u>	<u>\$ (1,305,367)</u>	<u>\$ -</u>	<u>\$ 37,125,278</u>
Business-type activities capital assets, net	<u>\$ 41,063,181</u>	<u>\$ 1,270,311</u>	<u>\$ -</u>	<u>\$ 42,333,492</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ <u>173,134</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>173,134</u>
Total capital assets not being depreciated	\$ <u>173,134</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>173,134</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 27,110,129	\$ -	\$ -	\$ 27,110,129
Equipment	5,856,848	587,444	-	6,444,292
Jointly owned assets	<u>15,732,925</u>	<u>2,150,499</u>	<u>-</u>	<u>17,883,424</u>
Total capital assets being depreciated	\$ <u>48,699,902</u>	\$ <u>2,737,943</u>	\$ <u>-</u>	\$ <u>51,437,845</u>
Accumulated depreciation:				
Buildings and improvements	\$ 12,341,748	\$ 1,088,903	\$ -	\$ 13,430,651
Equipment	3,679,813	394,050	-	4,073,863
Jointly owned assets	<u>3,761,675</u>	<u>611,931</u>	<u>-</u>	<u>4,373,606</u>
Total accumulated depreciation	\$ <u>19,783,236</u>	\$ <u>2,094,884</u>	\$ <u>-</u>	\$ <u>21,878,120</u>
Total capital assets being depreciated, net	\$ <u>28,916,666</u>	\$ <u>643,059</u>	\$ <u>-</u>	\$ <u>29,559,725</u>
School Board capital assets, net	\$ <u><u>29,089,800</u></u>	\$ <u><u>643,059</u></u>	\$ <u><u>-</u></u>	\$ <u><u>29,732,859</u></u>

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

Net capital assets	\$ <u>82,384,313</u>
Long-term debt applicable to capital assets at June 30, 2014	\$ 69,562,994
Less - debt proceeds received but not expended on capital assets at June 30, 2014	<u>(3,710,773)</u>
Net long-term debt, as adjusted	\$ <u>65,852,221</u>
Deferred charge on refunding	3,187,436
Net investment in capital assets	\$ <u><u>19,719,528</u></u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Governmental activities:	
General government	\$ 112,068
Judicial administration	9,812
Public safety	1,039,502
Public works	28,631
Health and Welfare	35,068
Education	1,053,709
Parks, recreation and cultural	239,499
Community development	<u>6,652</u>
Total	\$ <u>2,524,941</u>
Component Unit-School Board	\$ <u>1,482,953</u> (1)
King George Service Authority	\$ <u>1,313,767</u>
(1) Depreciation expense	\$ 1,482,953
Accumulated depreciation on Joint tenancy asset transfer	<u>611,931</u>
Total increase in accumulated depreciation, page 47	\$ <u>2,094,884</u>

### Note 7—Restricted Assets:

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Restricted assets at June 30, 2014 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 853,032
Permanent fund corpus	700,000
Natatorium donation	180,782
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>2,883,694</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### **Note 8—Other Assets:**

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#### Notes Receivable:

\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0% \$ 366,664

### **Note 9—Long-Term Obligations:**

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#### **Governmental Funds:**

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 14,322,865	\$ -	\$ 621,499	\$ 13,701,366	\$ 634,107
Revenue Bonds	51,485,174	-	1,975,804	49,509,370	2,075,812
State Literary Fund Loans	1,500,000	-	250,000	1,250,000	250,000
Compensated Absences	716,592	152,522	71,659	797,455	79,746
Premium on bonds	<u>5,341,867</u>	<u>-</u>	<u>239,609</u>	<u>5,102,258</u>	<u>239,609</u>
Total	<u>\$ 73,366,498</u>	<u>\$ 152,522</u>	<u>\$ 3,158,571</u>	<u>\$ 70,360,449</u>	<u>\$ 3,279,274</u>

The general fund revenues are used to liquidate compensated absences.

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Year Ending June 30,	<b>Governmental Funds</b>			
	<b>General Obligation and Revenue Bonds</b>		<b>Literary Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 2,709,919	\$ 3,032,887	\$ 250,000	\$ 37,500
2016	2,840,200	2,907,674	250,000	30,000
2017	2,700,036	2,790,716	250,000	22,500
2018	2,648,906	2,676,511	250,000	15,000
2019	2,775,634	2,560,190	250,000	7,500
2020	2,902,899	2,442,720	-	-
2021	3,035,728	2,315,286	-	-
2022	3,168,565	2,185,914	-	-
2023	3,030,139	2,055,222	-	-
2024	3,134,029	1,917,080	-	-
2025	3,231,672	1,770,850	-	-
2026	3,339,345	1,616,506	-	-
2027	3,086,188	1,468,718	-	-
2028	3,194,887	1,328,934	-	-
2029	2,930,222	1,194,379	-	-
2030	3,045,846	1,059,257	-	-
2031	3,164,406	807,295	-	-
2032	3,019,445	548,792	-	-
2033	2,750,433	400,010	-	-
2034	2,897,237	256,925	-	-
2035	1,755,000	139,784	-	-
2036	1,850,000	47,404	-	-
Total	\$ <u>63,210,736</u>	\$ <u>35,523,054</u>	\$ <u>1,250,000</u>	\$ <u>112,500</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

#### Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,155,900 Public Facilities Lease Revenue Bonds issued July 29, 2010 payable in various principal annual installments from August 15, 2010 to August 15, 2015, interest at 2.47%	\$ 1,150,900	\$ 545,000
\$17,304,918 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	15,861,370	490,012
\$4,473,200 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,482,100	190,800
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2015, interest payable semiannually at 4.76% (unrefunded portion)	750,000	750,000
\$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%	<u>28,265,000</u>	<u>100,000</u>
Total Revenue Bonds	\$ <u>49,509,370</u>	\$ <u>2,075,812</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%	\$ 4,980,000	\$ 25,000
\$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%.	4,070,316	309,250
\$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>4,651,050</u>	<u>299,857</u>
Total General Obligation Bonds	\$ <u>13,701,366</u>	\$ <u>634,107</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>63,210,736</u>	\$ <u>2,709,919</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

#### Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ <u>1,250,000</u>	\$ <u>250,000</u>
Compensated Absences	\$ <u>797,455</u>	\$ <u>79,746</u>
Premium on bonds	\$ <u>5,102,258</u>	\$ <u>239,609</u>
Total long-term obligations	\$ <u><u>70,360,449</u></u>	\$ <u><u>3,279,274</u></u>

#### King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2014:

<u>Proprietary Funds</u>	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Note Payable	\$ 411,481	\$ -	\$ 44,817	\$ 366,664	\$ 16,667
VRA Water and Sewer Revenue Bonds	-	2,076,036	-	2,076,036	-
VRA Water Revenue Bond	275,000	-	-	275,000	-
VRA Infrastructure Revenue Bonds	5,254,176	-	62,646	5,191,530	234,188
Compensated absences	84,335	17,080	12,650	88,765	13,315
Virginia Revenue Refunding Bond	6,915,000	-	-	6,915,000	-
Water and Sewer Refunding Bonds	11,650,000	-	75,000	11,575,000	305,000
Premium on bonds	<u>1,703,910</u>	<u>-</u>	<u>88,976</u>	<u>1,614,934</u>	<u>88,976</u>
Total	\$ <u><u>26,293,902</u></u>	\$ <u><u>2,093,116</u></u>	\$ <u><u>284,089</u></u>	\$ <u><u>28,102,929</u></u>	\$ <u><u>658,146</u></u>

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Year Ending June 30,	VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 14,025	\$ -	\$ 329,161
2016	-	14,025	-	329,161
2017	-	14,025	330,000	323,225
2018	-	14,025	345,000	308,319
2019	-	14,025	360,000	291,039
2020	-	14,025	380,000	273,399
2021	-	14,025	395,000	256,655
2022	-	14,025	410,000	240,869
2023	-	14,025	425,000	222,618
2024	-	14,025	450,000	202,265
2025	-	14,025	470,000	180,708
2026	-	14,025	495,000	157,880
2027	-	14,025	515,000	133,908
2028	-	14,025	540,000	107,640
2029	-	14,025	570,000	78,780
2030	-	14,025	600,000	48,360
2031	-	14,025	630,000	16,380
2032	-	14,025	-	-
2033	<u>275,000</u>	<u>14,025</u>	<u>-</u>	<u>-</u>
Total	\$ <u>275,000</u>	\$ <u>266,475</u>	\$ <u>6,915,000</u>	\$ <u>3,500,367</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Year Ending June 30,	Note Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 16,667	\$ -	\$ 305,000	\$ 548,191	\$ 234,188	\$ 255,210
2016	16,667	-	475,000	530,157	233,595	245,911
2017	16,667	-	380,000	510,054	237,108	234,196
2018	16,667	-	400,000	491,375	242,970	221,894
2019	16,667	-	470,000	469,669	246,483	210,423
2020	16,667	-	495,000	445,307	249,996	199,652
2021	16,667	-	510,000	419,623	253,509	187,630
2022	16,667	-	540,000	393,138	257,607	174,532
2023	16,667	-	570,000	365,121	262,291	161,210
2024	16,667	-	600,000	336,145	269,325	148,058
2025	16,667	-	630,000	306,554	274,009	134,502
2026	16,667	-	660,000	275,730	279,278	119,872
2027	16,667	-	695,000	242,901	287,483	104,640
2028	16,667	-	725,000	207,785	296,273	89,213
2029	16,667	-	765,000	170,930	299,778	73,715
2030	16,667	-	795,000	134,136	309,154	57,881
2031	16,667	-	835,000	97,503	315,594	41,637
2032	16,667	-	875,000	59,025	325,556	24,964
2033	16,667	-	415,000	29,716	154,567	12,480
2034	16,667	-	435,000	10,059	162,766	4,229
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ 366,664	\$ -	\$ 11,575,000	\$ 6,043,119	\$ 5,191,530	\$ 2,701,849

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	\$ 366,664	\$ 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%	5,670,000	95,000
\$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%	5,905,000	210,000
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at 5.1%	275,000	-
\$6,915,000 Virginia Revenue Refunding bond issued June 16, 2010, payable in various principal annual installments through October 1, 2030, interest payable semiannually at rates ranging from 3.598% to 5.2%	6,915,000	-
\$3,966,800 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,087,900	169,200
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	2,103,630	64,988
\$2,500,000 VRA Revenue Bonds Series 2014, payable in various annual installments through December 1, 2034, interest payable semiannually at 2.46%. Proceeds in the amount of \$1,459,459 have been drawn as of June 30, 2014.	1,459,459	-
\$1,340,270 VRA Revenue Bonds Series 2014, payable in various annual installments through March 1, 2035, interest payable semiannually at 2.25%. Proceeds in the amount of \$616,577 have been drawn as of June 30, 2014.	616,577	-
Total long-term debt	\$ 26,399,230	\$ 555,855
Compensated absences	\$ 88,765	\$ 13,315
Premium on bonds	\$ 1,614,934	\$ 88,976
Total long-term obligations	\$ 28,102,929	\$ 658,146

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### **Component Unit School Board:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2014:

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Net OPEB obligation	\$ 368,804	\$ 164,300	\$ 47,900	\$ 485,204	\$ -
Compensated absences payable	<u>354,213</u>	<u>105,351</u>	<u>35,670</u>	<u>423,894</u>	<u>42,389</u>
Total	<u>\$ 723,017</u>	<u>\$ 269,651</u>	<u>\$ 83,570</u>	<u>\$ 909,098</u>	<u>\$ 42,389</u>

Details of long-term obligations are as follows:

	<b>Amount Outstanding</b>	<b>Due Within One Year</b>
Compensated Absences	\$ <u>423,894</u>	\$ <u>42,389</u>
Net OPEB obligation	<u>485,204</u>	<u>-</u>
Total	<u>\$ 909,098</u>	<u>\$ 42,389</u>

### **Note 10—Compensated Absences:**

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

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

Primary Government	\$ <u>797,455</u>
King George Service Authority	\$ <u>88,765</u>
Component Unit School Board	\$ <u>423,894</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

	<b>Government-wide Statements</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Deferred revenue - property tax revenue:		
Deferred revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 7,071,183	\$ -
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	475,878	-
Unearned revenue - prepaid connections	-	234,068
Total	\$ <u>7,547,061</u>	\$ <u>234,068</u>
	<b>Balance Sheet</b>	
	<b>Governmental Funds</b>	
Unavailable revenue - property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 8,379,846	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>475,879</u>	
Total	\$ <u>8,855,725</u>	

### **Note 12—Litigation:**

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan:

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#### A. 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

#### VRS – PLAN 1

1. **Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

<b>VRS – PLAN 1 (CONTINUED)</b>
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5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13—Pension Plan: (Continued)

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#### A. Plan Description (Continued)

<b>VRS – PLAN 1 (CONTINUED)</b>
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**12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**14. Eligibility** - 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.

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.

**15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

##### VRS – PLAN 1 (CONTINUED)

#### 16. Disability Coverage: (Continued)

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

##### VRS – PLAN 2

- 1. Plan Overview** - VRS 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 VRS 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.
- 2. Eligible Members** - Employees are in VRS 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.
- 3. Hybrid Opt-In Election** - VRS 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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.
- 5. Creditable Service** – Same as VRS Plan 1– Refer to Section 5.
- 6. Vesting** – Same as VRS Plan 1–Refer to Section 6.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

<b>VRS – PLAN 2 (CONTINUED)</b>
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7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  
  
Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.  
  
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.  
  
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

##### HYBRID RETIREMENT PLAN

1. **Plan Overview** - 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS 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
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

##### HYBRID RETIREMENT PLAN (CONTINUED)

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - 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. VRS Plan 1 or VRS 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.

Defined Contribution Component - 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.

Members are always 100% vested in the contributions that they make.

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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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##### 6. **Vesting: (Continued)**

- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

##### 7. **Calculating the Benefit**

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - 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.

- ##### 8. **Average Final Compensation** – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- ##### 9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

##### 10. **Normal Retirement Age**

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

##### 11. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 13–Pension Plan: (Continued)

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#### A. Plan Description (Continued)

##### HYBRID RETIREMENT PLAN (CONTINUED)

#### 12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### 13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

#### 14. Eligibility – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

#### 15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

#### 16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### 17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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, 2014 (Continued)

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### Note 13—Pension Plan: (Continued)

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#### B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be and has 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% member contribution. This could be phased in over a period 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employer contribution rates for the fiscal year ended 2014 were 10.20% and 8.82% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$2,118,048, \$1,854,925, and \$1,157,671 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013 and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33% respectively, of current covered payroll.

#### C. Annual Pension Cost:

For fiscal year 2014, the County's annual pension cost of \$905,679 was equal to the County's required and actual contributions.

Three Year Trend Information - County				
<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$	905,679	100%	\$ -
June 30, 2013		865,259	100%	-
June 30, 2012		666,316	100%	-

(1) Employer portion only

For fiscal year 2014, the School Board's annual pension cost for the non-professional employees was \$196,685, which was equal to the School Board's required and actual contributions.

Three Year Trend Information - School Board Non-professional				
<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$	196,685	100%	\$ -
June 30, 2013		196,664	100%	-
June 30, 2012		161,394	100%	-

(1) Employer portion only

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### **C. Annual Pension Cost: (Continued)**

The required FY2014 contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 82.53% funded. The actuarial accrued liability for benefits was \$26,491,013, and the actuarial value of assets was \$21,862,824, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,628,189. The covered payroll (annual payroll of active employees covered by the plan) was \$8,579,944, and ratio of the UAAL to the covered payroll was 53.94%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 84.88% funded. The actuarial accrued liability for benefits was \$5,778,509, and the actuarial value of assets was \$4,904,806, resulting in an unfunded actuarial accrued liability (UAAL) of \$873,703. The covered payroll (annual payroll of active employees covered by the plan) was \$2,215,281, and ratio of the UAAL to the covered payroll was 39.44%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

### **Note 14—Risk Management:**

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

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

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The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2014 the County has set aside escrow funds in the amount of \$3,969,767 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund. After the landfill has been closed for 15 years 50% of the fund and interest earned thereon may be paid to the contractor provided there has not been a material claim against the County. All unexpended funds will be paid to the Contractor 30 years after the final closure of the facility.

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

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

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

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At June 30, 2014 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Principal retirement	\$ 2,793,762	\$ 2,847,303	\$ (53,541)
Capital Projects Fund:			
Land purchase	-	4,000	(4,000)

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### Note 18–Surety Bond:

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

### Note 19–Construction Commitments:

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At June 30, 2014 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2014</u>	<u>Contract Balance</u>
Potomac Elementary Renovations	\$ 4,267,316	\$ 3,130,838	\$ 1,136,478
Dahlgren WWTP Upgrades	1,965,000	940,370	1,024,630
Fairview Beach Water Phase I	2,152,449	1,127,819	1,024,630
Shiloh Park	<u>1,332,128</u>	<u>1,306,572</u>	<u>25,556</u>
Total	<u>\$ 9,716,893</u>	<u>\$ 6,505,599</u>	<u>\$ 3,211,294</u>

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

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#### School Board:

#### A. Plan Description:

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### School Board: (Continued)

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

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

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

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

Annual required contribution	\$	165,000
Interest on net OPEB obligation		12,900
Adjustment to annual required contribution		<u>(13,600)</u>
Annual OPEB cost (expense)	\$	164,300
Contributions made		<u>(47,900)</u>
Increase in net OPEB obligation	\$	116,400
Net OPEB obligation-beginning of year		<u>368,804</u>
Net OPEB obligation-end of year	\$	<u><u>485,204</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, 2014	\$ 164,300	\$ 29.15%	\$ 485,204
June 30, 2013	157,800	25.29%	368,804
June 30, 2012	104,978	36.67%	250,904

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (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, 2013 is as follows:

Actuarial accrued liability (AAL)	\$	1,146,300
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,146,300
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)		20,738,500
UAAL as a percentage of covered payroll		5.53%

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

#### E. Actuarial Methods and Assumptions

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

##### Cost Method

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

##### Cost Method: (Continued)

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

##### Interest Assumptions

In the January 1, 2013, 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 7.70% initially, reduced by decrements to an ultimate rate of 4.80% after seventy 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, 2013, 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.

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

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

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

#### B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$112,439, \$95,451, and \$109,732 respectively and equaled the required contributions for each year.

### Note 22—Restatement of Beginning Net Position:

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	Net Position		Fund Balance
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>General Fund</u>
July 1, 2013, as previously reported	\$ 55,908,768	\$ 14,122,115	\$ 20,235,304
Restatement of unavailable revenue	(388,674)	-	(388,674)
Restatement of capital assets for contributed assets	-	5,778,750	-
July 1, 2013, as restated	<u>\$ 55,520,094</u>	<u>\$ 19,900,865</u>	<u>\$ 19,846,630</u>

### Note 23—Upcoming GASB Pronouncements:

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At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

The County has not yet determined the effect these GASB Statements will have on its financial statements.

### Note 24—Subsequent Event:

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On November 19, 2014 the County issued VRA refunding bonds in the amount of \$19,585,000. The bonds were issued to refund a portion of Series 2008 bonds and resulted in a net present value savings of \$1,059,504.

### **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, 2014

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 20,324,321	\$ 20,324,321	\$ 20,326,008	\$ 1,687
Other local taxes	6,153,800	6,153,800	6,402,851	249,051
Permits, privilege fees and regulatory licenses	378,800	378,800	462,891	84,091
Fines and forfeitures	179,600	179,600	209,473	29,873
Revenue from use of money and property	165,175	165,175	182,469	17,294
Charges for services	467,943	467,943	500,088	32,145
Miscellaneous	257,043	264,043	303,146	39,103
Recovered costs	175,000	175,000	175,000	-
Intergovernmental:				
Commonwealth	6,381,463	6,437,931	6,228,067	(209,864)
Federal	789,694	939,394	1,101,956	162,562
Total revenues	\$ 35,272,839	\$ 35,486,007	\$ 35,891,949	\$ 405,942
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 67,669	\$ 67,669	\$ 61,974	\$ 5,695
General and financial administration:				
County administration	\$ 330,024	\$ 337,127	\$ 337,126	\$ 1
Legal services	174,250	279,382	279,382	-
Human resources	84,136	94,979	84,401	10,578
Commissioner of the Revenue	371,160	367,160	366,849	311
Reassessment	16,178	30,736	25,699	5,037
Treasurer	286,114	280,114	279,297	817
Information technology	283,618	319,259	319,259	-
Department of finance	809,383	790,688	777,514	13,174
Total general and financial administration	\$ 2,354,863	\$ 2,499,445	\$ 2,469,527	\$ 29,918
Board of Elections:				
Electoral board and officials	\$ 48,857	\$ 38,857	\$ 34,424	\$ 4,433
Registrar	132,367	116,241	110,637	5,604
Total board of elections	\$ 181,224	\$ 155,098	\$ 145,061	\$ 10,037
Total general government administration	\$ 2,603,756	\$ 2,722,212	\$ 2,676,562	\$ 45,650

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2014 (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	\$ 24,967	\$ 30,690	\$ 30,689	\$ 1
Combined courts	41,725	34,567	28,819	5,748
Magistrates	3,650	3,650	1,931	1,719
Clerk of the circuit court	476,752	484,997	448,260	36,737
Law library	8,500	8,500	350	8,150
Victim assistance program	22,838	22,838	21,472	1,366
Total courts	\$ 578,432	\$ 585,242	\$ 531,521	\$ 53,721
Commonwealth's attorney:				
Commonwealth's attorney	\$ 532,040	\$ 534,069	\$ 529,092	\$ 4,977
Total judicial administration	\$ 1,110,472	\$ 1,119,311	\$ 1,060,613	\$ 58,698
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,147,062	\$ 3,280,206	\$ 3,274,563	\$ 5,643
VJCCCA / CHINS	53,599	55,628	55,628	-
E-911	618,188	600,172	589,329	10,843
Other law enforcement	22,500	184,262	184,262	-
Public safety grants	88,542	88,886	86,628	2,258
Total law enforcement and traffic control	\$ 3,929,891	\$ 4,209,154	\$ 4,190,410	\$ 18,744
Fire and rescue services:				
Emergency services	\$ 2,731,913	\$ 2,712,013	\$ 2,607,714	\$ 104,299
Ambulance services	41,793	41,793	30,627	11,166
Fire and rescue grants	133,820	446,056	211,351	234,705
King George fire and rescue	430,650	430,650	365,254	65,396
Total fire and rescue services	\$ 3,338,176	\$ 3,630,512	\$ 3,214,946	\$ 415,566
Correction and detention:				
Juvenile detention	\$ 215,709	\$ 322,742	\$ 322,487	\$ 255
Regional jail	1,180,316	1,180,902	1,180,901	1
Total correction and detention	\$ 1,396,025	\$ 1,503,644	\$ 1,503,388	\$ 256

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2014 (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	\$ 304,021	\$ 288,256	\$ 279,469	\$ 8,787
Medical examiner	-	100	100	-
Total other protection	\$ 304,021	\$ 288,356	\$ 279,569	\$ 8,787
Total public safety	\$ 8,968,113	\$ 9,631,666	\$ 9,188,313	\$ 443,353
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 102,680	\$ 106,430	\$ 99,793	\$ 6,637
Sanitation and waste removal:				
Landfill	\$ 239,139	\$ 239,139	\$ 201,074	\$ 38,065
Maintenance of general buildings and grounds:				
General properties	\$ 1,304,986	\$ 1,350,786	\$ 1,339,394	\$ 11,392
Miscellaneous	103,500	103,500	95,292	8,208
Citizen's center	60,060	48,060	34,145	13,915
Total maintenance of general buildings and grounds	\$ 1,468,546	\$ 1,502,346	\$ 1,468,831	\$ 33,515
Total public works	\$ 1,810,365	\$ 1,847,915	\$ 1,769,698	\$ 78,217
Health and welfare:				
Health:				
Local health department	\$ 308,415	\$ 308,415	\$ 308,415	\$ -
Mental health and mental retardation:				
Community services board	\$ 76,675	\$ 76,675	\$ 76,675	\$ -
Welfare:				
Administration and public assistance	\$ 2,155,831	\$ 2,155,831	\$ 2,000,583	\$ 155,248
Comprehensive services	2,059,863	2,059,863	1,944,028	115,835
Total welfare	\$ 4,215,694	\$ 4,215,694	\$ 3,944,611	\$ 271,083
Total health and welfare	\$ 4,600,784	\$ 4,600,784	\$ 4,329,701	\$ 271,083

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,902	\$ 4,902	\$ 4,902	\$ -
Contribution to Component Unit School Board	14,349,353	14,523,050	13,777,035	746,015
Total education	\$ 14,354,255	\$ 14,527,952	\$ 13,781,937	\$ 746,015
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 331,848	\$ 331,848	\$ 321,521	\$ 10,327
Recreation programs and events	392,122	392,122	386,182	5,940
Total parks and recreation	\$ 723,970	\$ 723,970	\$ 707,703	\$ 16,267
Library:				
Library	\$ 502,053	\$ 502,053	\$ 490,305	\$ 11,748
Total parks, recreation and cultural	\$ 1,226,023	\$ 1,226,023	\$ 1,198,008	\$ 28,015
Community development:				
Planning and community development:				
Community development	\$ 698,985	\$ 711,421	\$ 708,030	\$ 3,391
Economic development	147,220	154,795	117,619	37,176
Tourism	79,600	79,600	21,318	58,282
Planning / community zoning boards	21,739	16,803	9,887	6,916
Community organizations	120,282	120,450	120,449	1
Total planning and community development	\$ 1,067,826	\$ 1,083,069	\$ 977,303	\$ 105,766
Environmental management:				
Litter control	\$ 5,350	\$ 8,843	\$ 7,684	\$ 1,159
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 37,598	\$ 41,091	\$ 39,932	\$ 1,159

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2014 (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	\$ 123,124	\$ 124,048	\$ 102,822	\$ 21,226
Total community development	\$ 1,228,548	\$ 1,248,208	\$ 1,120,057	\$ 128,151
Debt service:				
Principal retirement	\$ 2,793,762	\$ 2,793,762	\$ 2,847,303	\$ (53,541)
Interest and fiscal charges	3,296,539	3,296,539	3,174,822	121,717
Total debt service	\$ 6,090,301	\$ 6,090,301	\$ 6,022,125	\$ 68,176
Total expenditures	\$ 41,992,617	\$ 43,014,372	\$ 41,147,014	\$ 1,867,358
Excess (deficiency) of revenues over (under) expenditures	\$ (6,719,778)	\$ (7,528,365)	\$ (5,255,065)	\$ 2,273,300
Other financing sources (uses):				
Operating transfers in	\$ 6,355,160	\$ 6,355,160	\$ 6,355,160	\$ -
Operating transfers (out)	(18,000)	(215,969)	(215,969)	-
Total other financing sources (uses)	\$ 6,337,160	\$ 6,139,191	\$ 6,139,191	\$ -
Net changes in fund balance	\$ (382,618)	\$ (1,389,174)	\$ 884,126	\$ 2,273,300
Fund balance at beginning of year, as restated	382,618	1,389,174	19,846,630	18,457,456
Fund balance at end of year	\$ -	\$ -	\$ 20,730,756	\$ 20,730,756

Schedule of Pension and OPEB Funding Progress  
Last Three Fiscal Years

**Virginia Retirement System:**  
**County:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 21,862,824	\$ 26,491,013	\$ 4,628,189	82.53%	\$ 8,579,944	53.94%
6/30/2012	20,348,780	26,859,847	6,511,067	75.76%	8,384,895	77.65%
6/30/2011	19,800,798	24,700,710	4,899,912	80.16%	8,019,625	61.10%

**Discretely Presented Component Unit - School Board:**  
**School Board Non-Professionals:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 4,904,806	\$ 5,778,509	\$ 873,703	84.88%	\$ 2,215,281	39.44%
6/30/2012	4,545,350	5,744,523	1,199,173	79.12%	2,297,356	52.20%
6/30/2011	4,270,771	5,130,282	859,511	83.25%	2,169,213	39.62%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
1/1/2009	-	684,300	684,300	0.00%	20,991,600	3.26%

**OTHER SUPPLEMENTARY INFORMATION**

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

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Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,694,000	\$ 6,694,000	\$ 6,659,002	\$ (34,998)
Revenue from use of money and property	130,000	130,000	122,416	(7,584)
Miscellaneous	-	295,000	114,883	(180,117)
Intergovernmental:				
Federal	212,500	478,500	867,518	389,018
Total revenues	\$ 7,036,500	\$ 7,597,500	\$ 7,763,819	\$ 166,319
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 98,105	\$ 94,812	\$ 3,293
Total general government administration	\$ -	\$ 98,105	\$ 94,812	\$ 3,293
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 670,190	\$ 607,864	\$ 62,326
Vehicle acquisition - Sheriff	-	116,000	110,068	5,932
Vehicle acquisition - EMS	-	222,079	23,035	199,044
Total public safety	\$ -	\$ 1,008,269	\$ 740,967	\$ 267,302
Education:				
Vehicle additions	\$ -	\$ 436,691	\$ 420,770	\$ 15,921
Total education	\$ -	\$ 436,691	\$ 420,770	\$ 15,921
Capital projects:				
General government administration:				
Construction program	\$ 596,476	\$ 291,135	\$ 92,756	\$ 198,379
Joint land use study	-	266,000	91,162	174,838
Land purchase	-	-	4,000	(4,000)
County complex	-	1,050,996	-	1,050,996
Total general government administration	\$ 596,476	\$ 1,608,131	\$ 187,918	\$ 1,420,213
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 87,605	\$ -	\$ 87,605
Courthouse improvements	-	96,763	64,439	32,324
Total judicial administration	\$ -	\$ 184,368	\$ 64,439	\$ 119,929
Public safety:				
Sheriff's office at county complex	\$ -	\$ 227,329	\$ -	\$ 227,329
Fire station renovation	-	161,300	142,833	18,467
EMS construction	-	150,000	-	150,000
Animal pound	-	88,130	-	88,130
Total public safety	\$ -	\$ 626,759	\$ 142,833	\$ 483,926
Public works:				
Vehicle maintenance facility	\$ -	\$ 1,177,650	\$ 902,298	\$ 275,352
Total public works	\$ -	\$ 1,177,650	\$ 902,298	\$ 275,352

## Capital Projects Fund

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

Year Ended June 30, 2014 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Connecting roads high school/middle school	\$ -	\$ 3,585	\$ -	\$ 3,585
New high school stadium	-	16,746	-	16,746
New high school irrigation well	-	280	-	280
Old middle school well	-	142,259	132,025	10,234
KGMS and PES access control system	-	139,300	136,964	2,336
Middle school roof repair	-	90,485	-	90,485
Roof admin complex	-	11,719	-	11,719
Middle school HVAC	-	25,000	-	25,000
Potomac elementary school renovations	-	4,640,120	3,117,478	1,522,642
Ralph Bunche renovations	-	72,455	207	72,248
Total education	\$ -	\$ 5,141,949	\$ 3,386,674	\$ 1,755,275
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 20,579	\$ 211	\$ 20,368
Shiloh park old landfill site	-	1,500,671	1,340,259	160,412
Library expansion	-	440,218	430,954	9,264
Total parks and recreation	\$ -	\$ 1,961,468	\$ 1,771,424	\$ 190,044
Community development:				
Citizens center renovations	\$ -	\$ 9,982	\$ 18	\$ 9,964
Natural gas to the industrial park	-	4,300,000	-	4,300,000
Industrial park projects	-	149,163	63,660	85,503
Angelwood project	-	2,145	-	2,145
Angel court project	-	98,892	-	98,892
Total community development	\$ -	\$ 4,560,182	\$ 63,678	\$ 4,496,504
Total expenditures	\$ 596,476	\$ 16,803,572	\$ 7,775,813	\$ 9,027,759
Excess (deficiency) of revenues over (under) expenditures	\$ 6,440,024	\$ (9,206,072)	\$ (11,994)	\$ 9,194,078
Other financing sources (uses):				
Transfers in	\$ -	\$ 337,117	\$ 337,117	\$ -
Transfers (out)	(6,440,024)	(6,440,024)	(6,440,024)	-
Net changes in fund balance	\$ -	\$ (15,308,979)	\$ (6,114,901)	\$ 9,194,078
Fund balance at beginning of year	-	15,308,979	24,541,244	9,232,265
Fund balance at end of year	\$ -	\$ -	\$ 18,426,343	\$ 18,426,343

Combining Statement of Fiduciary Net Position -  
 Agency Funds  
 At June 30, 2014

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	<b>Special Welfare Fund</b>	<b>Payroll Taxes Fund</b>	<b>Landfill Escrow Fund</b>	<b>Totals</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 50,622	\$ -	\$ 3,969,767	\$ 4,020,389
Accounts receivable	<u>-</u>	<u>57,623</u>	<u>-</u>	<u>57,623</u>
Total assets	<u>\$ 50,622</u>	<u>\$ 57,623</u>	<u>\$ 3,969,767</u>	<u>\$ 4,078,012</u>
<b>Liabilities:</b>				
Amounts held for others	\$ -	\$ 57,623	\$ -	\$ 57,623
Amounts held for landfill closure and postclosure costs	-	-	3,969,767	3,969,767
Amounts held for social services' clients	<u>50,622</u>	<u>-</u>	<u>-</u>	<u>50,622</u>
Total liabilities	<u>\$ 50,622</u>	<u>\$ 57,623</u>	<u>\$ 3,969,767</u>	<u>\$ 4,078,012</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2014

	Balance Beginning of Year As Restated	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 70,003	\$ 45,716	\$ 65,097	\$ 50,622
Liabilities:				
Amounts held for social services' clients	\$ 70,003	\$ 45,716	\$ 65,097	\$ 50,622
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ 16,494	\$ 1,674,731	\$ 1,691,225	\$ -
Accounts receivable	-	57,623	-	57,623
Total assets	\$ 16,494	\$ 1,732,354	\$ 1,691,225	\$ 57,623
Liabilities:				
Amounts held for others	\$ 16,494	\$ 1,732,354	\$ 1,691,225	\$ 57,623
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,975,357	-	\$ 5,590	\$ 3,969,767
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,975,357	-	\$ 5,590	\$ 3,969,767
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 4,061,854	\$ 1,720,447	\$ 1,761,912	\$ 4,020,389
Accounts receivable	-	57,623	-	57,623
Total assets	\$ 4,061,854	\$ 1,778,070	\$ 1,761,912	\$ 4,078,012
Liabilities:				
Amounts held for social services' clients	\$ 70,003	\$ 45,716	\$ 65,097	\$ 50,622
Amounts held for landfill closure and postclosure costs	3,975,357	-	5,590	3,969,767
Amounts held for others	16,494	1,732,354	1,691,225	57,623
Total liabilities	\$ 4,061,854	\$ 1,778,070	\$ 1,761,912	\$ 4,078,012

**Discretely Presented Component Unit-School Board**

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Balance Sheet - Discretely Presented Component Unit - School Board  
At June 30, 2014

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,000	\$ 82,863	\$ 84,863
Due from primary government	3,434,543	-	3,434,543
Due from other governmental units	<u>1,176,585</u>	<u>36,838</u>	<u>1,213,423</u>
Total assets	\$ <u>4,613,128</u>	\$ <u>119,701</u>	\$ <u>4,732,829</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 881,436	\$ 1,680	\$ 883,116
Accrued liabilities	3,729,624	92,171	3,821,795
Unearned revenue	<u>68</u>	<u>-</u>	<u>68</u>
Total liabilities	\$ <u>4,611,128</u>	\$ <u>93,851</u>	\$ <u>4,704,979</u>
<b>FUND BALANCES</b>			
Committed - cafeteria	\$ -	\$ 25,850	\$ 25,850
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	\$ <u>2,000</u>	\$ <u>25,850</u>	\$ <u>27,850</u>
Total liabilities and fund balances	\$ <u>4,613,128</u>	\$ <u>119,701</u>	\$ <u>4,732,829</u>

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

Total fund balances, balance sheet, governmental funds \$ 27,850

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.

29,732,859

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.

(909,098)

Net position of Governmental Activities \$ 28,851,611

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2014

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 11,800	\$ 533	\$ 12,333
Charges for services	74,474	516,630	591,104
Miscellaneous	166,146	11,433	177,579
Intergovernmental:			
County contribution to School Board	13,777,035	-	13,777,035
Commonwealth	20,043,925	21,318	20,065,243
Federal	<u>1,422,930</u>	<u>764,846</u>	<u>2,187,776</u>
Total revenues	<u>\$ 35,496,310</u>	<u>\$ 1,314,760</u>	<u>\$ 36,811,070</u>
Expenditures:			
Current:			
Education	<u>\$ 35,496,310</u>	<u>\$ 1,297,847</u>	<u>\$ 36,794,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 16,913</u>	<u>\$ 16,913</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 16,913</u>	<u>\$ 16,913</u>
Fund balances at beginning of year	<u>2,000</u>	<u>8,937</u>	<u>10,937</u>
Fund balances at end of year	<u><u>\$ 2,000</u></u>	<u><u>\$ 25,850</u></u>	<u><u>\$ 27,850</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, 2014

<b>Component Unit School Board</b>
--

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

Net changes in fund balances - total governmental funds	\$	16,913
---	----	--------

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	\$	587,444	
Depreciation expense		<u>(1,482,953)</u>	(895,509)

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	\$	(116,400)	
Change in compensated absences		<u>(69,681)</u>	(186,081)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board			<u>1,538,568</u>
---	--	--	------------------

Change in net position of governmental activities	\$	<u><u>473,891</u></u>
---	----	-----------------------

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
Governmental Funds  
Year Ended June 30, 2014

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,800	\$ (13,200)
Charges for services	75,000	75,000	74,474	(526)
Miscellaneous	150,000	150,000	166,146	16,146
Intergovernmental:				
County contribution to School Board	14,349,353	14,523,050	13,777,035	(746,015)
Commonwealth	19,498,011	19,991,392	20,043,925	52,533
Federal	1,505,672	1,766,667	1,422,930	(343,737)
Total revenues	<u>\$ 35,603,036</u>	<u>\$ 36,531,109</u>	<u>\$ 35,496,310</u>	<u>\$ (1,034,799)</u>
Expenditures:				
Current:				
Instruction	\$ 26,388,393	\$ 27,098,751	\$ 26,594,397	\$ 504,354
Administration, attendance and health	1,091,206	1,007,202	963,118	44,084
Pupil transportation	2,519,731	2,725,160	2,548,878	176,282
Operation and maintenance	3,753,431	3,746,552	3,662,396	84,156
School food service costs	-	-	-	-
Facilities	61,288	270,643	104,377	166,266
Technology	1,754,887	1,648,701	1,623,144	25,557
Total education	<u>\$ 35,568,936</u>	<u>\$ 36,497,009</u>	<u>\$ 35,496,310</u>	<u>\$ 1,000,699</u>
Debt service:				
Principal retirement	\$ 32,572	\$ 32,572	\$ -	\$ 32,572
Interest and fiscal charges	1,528	1,528	-	1,528
Total expenditures	<u>\$ 35,603,036</u>	<u>\$ 36,531,109</u>	<u>\$ 35,496,310</u>	<u>\$ 1,034,799</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>2,000</u></u>	<u><u>2,000</u></u>

Exhibit 18

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 533	\$ 533
695,829	695,829	516,630	(179,199)
17,000	17,000	11,433	(5,567)
-	-	-	-
21,000	21,000	21,318	318
750,000	750,000	764,846	14,846
\$ 1,483,829	\$ 1,483,829	\$ 1,314,760	\$ (169,069)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,483,829	1,483,829	1,297,847	185,982
-	-	-	-
-	-	-	-
\$ 1,483,829	\$ 1,483,829	\$ 1,297,847	\$ 185,982
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ 1,483,829	\$ 1,483,829	\$ 1,297,847	\$ 185,982
\$ -	\$ -	\$ 16,913	\$ 16,913
\$ -	\$ -	\$ 16,913	\$ 16,913
-	-	8,937	8,937
\$ -	\$ -	\$ 25,850	\$ 25,850

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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, 2014

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,114,477	\$ 14,114,477	\$ 14,140,415	\$ 25,938
Public service taxes	1,365,587	1,365,587	1,338,580	(27,007)
Personal property taxes	4,210,413	4,210,413	4,335,572	125,159
Mobile home taxes	25,610	25,610	22,310	(3,300)
Machinery and tools taxes	272,234	272,234	152,565	(119,669)
Penalties	216,000	216,000	218,531	2,531
Interest	120,000	120,000	118,035	(1,965)
Total general property taxes	\$ 20,324,321	\$ 20,324,321	\$ 20,326,008	\$ 1,687
Other local taxes:				
Local sales and use taxes	\$ 1,980,000	\$ 1,980,000	\$ 2,059,339	\$ 79,339
Consumer utility taxes	230,000	230,000	242,082	12,082
Local consumption tax	67,200	67,200	86,557	19,357
Business license taxes	1,200,000	1,200,000	1,272,838	72,838
Motor vehicle licenses	520,000	520,000	569,615	49,615
Bank franchise taxes	80,000	80,000	87,348	7,348
Recordation taxes	234,000	234,000	276,551	42,551
Local tax from clerk	48,000	48,000	67,416	19,416
Interest on fines	3,600	3,600	4,509	909
Transient occupancy tax	126,000	126,000	178,651	52,651
Meals tax	888,000	888,000	957,493	69,493
Ambulance fees	777,000	777,000	600,452	(176,548)
Total other local taxes	\$ 6,153,800	\$ 6,153,800	\$ 6,402,851	\$ 249,051
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 6,386	\$ 1,386
Building and related permits	128,800	127,800	181,330	53,530
Landfill inspection fees	190,000	190,000	200,564	10,564
Other permits and licenses	55,000	56,000	74,611	18,611
Total permits, privilege fees and regulatory licenses	\$ 378,800	\$ 378,800	\$ 462,891	\$ 84,091
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 179,600	\$ 179,600	\$ 209,473	\$ 29,873

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 113,869	\$ 13,869
Revenue from use of property	65,175	65,175	68,600	3,425
Total revenue from use of money and property	\$ 165,175	\$ 165,175	\$ 182,469	\$ 17,294
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ -	\$ (921)
Law library fees	4,000	4,000	4,104	104
Local court appointed attorney fees	2,500	2,500	2,558	58
Courthouse maintenance fees	22,000	22,000	29,877	7,877
Commonwealth attorney fees	2,000	2,000	3,990	1,990
Courthouse security personnel fee	40,800	40,800	52,591	11,791
Jail admission fee	3,300	3,300	3,513	213
Charges for parks and recreation	392,122	392,122	401,596	9,474
Charges for maps / publications	300	300	220	(80)
Other charges for services	-	-	1,639	1,639
Total charges for services	\$ 467,943	\$ 467,943	\$ 500,088	\$ 32,145
Miscellaneous revenue:				
Miscellaneous	\$ 142,043	\$ 149,043	\$ 152,657	\$ 3,614
Wireless board	65,000	65,000	80,476	15,476
Insurance recoveries	50,000	50,000	70,013	20,013
Total miscellaneous revenue	\$ 257,043	\$ 264,043	\$ 303,146	\$ 39,103
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenue from local sources	\$ 28,101,682	\$ 28,108,682	\$ 28,561,926	\$ 453,244

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,230	\$ 3,230	\$ 4,788	\$ 1,558
Mobile home titling taxes	4,000	4,000	16,990	12,990
Recordation tax	90,000	90,000	112,485	22,485
Auto rental tax	32,000	32,000	32,049	49
Communication tax	396,000	396,000	356,282	(39,718)
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,673,098	\$ 2,673,098	\$ 2,670,462	\$ (2,636)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 270,268	\$ 270,268	\$ 230,378	\$ (39,890)
Sheriff	962,083	962,083	970,837	8,754
Commissioner of the Revenue	111,697	111,697	112,840	1,143
Treasurer	87,155	87,155	83,738	(3,417)
Registrar/electoral board	42,310	42,310	36,603	(5,707)
Clerk of the Circuit Court	210,383	210,383	207,879	(2,504)
Total shared expenses	\$ 1,683,896	\$ 1,683,896	\$ 1,642,275	\$ (41,621)
Other categorical aid:				
Welfare administration and assistance	\$ 453,893	\$ 453,893	\$ 384,832	\$ (69,061)
Litter control	5,350	6,856	6,856	-
Four for life funds	25,000	25,000	25,171	171
Comprehensive services	1,239,863	1,239,863	1,124,059	(115,804)
VJCCCA grant	15,258	15,258	15,258	-
Rescue squad assistance	-	-	35,100	35,100
Fire programs	61,000	61,000	70,830	9,830

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,896	\$ 19,896	\$ 21,472	\$ 1,576
Library grant	89,517	89,517	92,279	2,762
RAOOY my life grant	71,250	71,250	70,900	(350)
Technology trust funds	15,000	15,000	10,304	(4,696)
Other categorical aid	<u>28,442</u>	<u>83,404</u>	<u>58,269</u>	<u>(25,135)</u>
Total other categorical aid	<u>\$ 2,024,469</u>	<u>\$ 2,080,937</u>	<u>\$ 1,915,330</u>	<u>\$ (165,607)</u>
Total categorical aid	<u>\$ 3,708,365</u>	<u>\$ 3,764,833</u>	<u>\$ 3,557,605</u>	<u>\$ (207,228)</u>
Total revenue from the Commonwealth	<u>\$ 6,381,463</u>	<u>\$ 6,437,931</u>	<u>\$ 6,228,067</u>	<u>\$ (209,864)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 773,374	\$ 773,374	\$ 885,211	\$ 111,837
Hazardous materials grant	-	-	36,673	36,673
Law enforcement grants	-	-	6,023	6,023
Asset forfeiture	-	149,700	149,700	-
Other categorical aid	<u>16,320</u>	<u>16,320</u>	<u>24,349</u>	<u>8,029</u>
Total revenue from the federal government	<u>\$ 789,694</u>	<u>\$ 939,394</u>	<u>\$ 1,101,956</u>	<u>\$ 162,562</u>
Total General Fund	<u><u>\$ 35,272,839</u></u>	<u><u>\$ 35,486,007</u></u>	<u><u>\$ 35,891,949</u></u>	<u><u>\$ 405,942</u></u>
Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 5,987,335	\$ (412,665)
Landfill fees - beneficial use	144,000	144,000	418,539	274,539
Power plant revenue	<u>150,000</u>	<u>150,000</u>	<u>253,128</u>	<u>103,128</u>
Total permits, privilege fees and regulatory licenses	<u>\$ 6,694,000</u>	<u>\$ 6,694,000</u>	<u>\$ 6,659,002</u>	<u>\$ (34,998)</u>

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 130,000	\$ 130,000	\$ 122,416	\$ (7,584)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 295,000	\$ 114,883	\$ (180,117)
Total miscellaneous revenue	\$ -	\$ 295,000	\$ 114,883	\$ (180,117)
Total revenue from local sources	\$ 6,824,000	\$ 7,119,000	\$ 6,896,301	\$ (222,699)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ 212,500	\$ 212,500	\$ 197,200	\$ (15,300)
Assistance to firefighters	-	-	546,367	546,367
Joint land use study	-	266,000	68,837	(197,163)
Community development block grant	-	-	55,114	55,114
Total revenue from the federal government	\$ 212,500	\$ 478,500	\$ 867,518	\$ 389,018
Total Capital Projects Fund	\$ 7,036,500	\$ 7,597,500	\$ 7,763,819	\$ 166,319
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 7,873	\$ 7,873
Wireless Authority Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 133	\$ 133
Grand Total Revenues -- Primary Government	\$ 42,309,339	\$ 43,083,507	\$ 43,663,774	\$ 580,267
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	\$ 11,800	\$ (13,200)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,800	\$ (13,200)
Charges for services:				
Charges for education	\$ 75,000	\$ 75,000	\$ 74,474	\$ (526)
Total charges for services	\$ 75,000	\$ 75,000	\$ 74,474	\$ (526)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 89,140	\$ (10,860)
Other reimbursements and recoveries	50,000	50,000	77,006	27,006
Total miscellaneous revenue	\$ 150,000	\$ 150,000	\$ 166,146	\$ 16,146
Total revenue from local sources	\$ 250,000	\$ 250,000	\$ 252,420	\$ 2,420
Intergovernmental:				
County contribution to School Board	\$ 14,349,353	\$ 14,523,050	\$ 13,777,035	\$ (746,015)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,245,120	\$ 4,245,120	\$ 4,120,120	\$ (125,000)
Basic school aid	10,613,717	11,051,045	11,024,998	(26,047)
Remedial education	201,239	201,239	206,285	5,046
Vocational education SOQ	211,428	211,428	174,951	(36,477)
Special education	1,232,908	1,232,908	1,263,824	30,916
Fringe benefits	1,892,079	1,892,079	1,935,003	42,924
Technology grant	180,000	180,000	180,000	-
Gifted education	117,177	117,177	120,115	2,938
Textbooks	228,572	228,572	214,300	(14,272)
Compensation supplement	248,398	248,398	254,600	6,202
Other state funds	327,373	383,426	549,729	166,303
Total categorical aid	\$ 19,498,011	\$ 19,991,392	\$ 20,043,925	\$ 52,533
Total revenue from the Commonwealth	\$ 19,498,011	\$ 19,991,392	\$ 20,043,925	\$ 52,533
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 332,504	\$ 417,512	\$ 334,992	\$ (82,520)
ARRA - School improvement	-	58,358	58,358	-
Title VI - B	825,336	898,623	736,452	(162,171)
Impact aid	75,000	75,000	95,641	20,641
Title II - A	95,957	145,800	71,322	(74,478)
Other federal assistance	176,875	171,374	126,165	(45,209)
Total categorical aid	\$ 1,505,672	\$ 1,766,667	\$ 1,422,930	\$ (343,737)
Total revenue from the federal government	\$ 1,505,672	\$ 1,766,667	\$ 1,422,930	\$ (343,737)
Total School Operating Fund	\$ 35,603,036	\$ 36,531,109	\$ 35,496,310	\$ (1,034,799)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 533	\$ 533
Charges for services:				
Cafeteria sales	\$ 695,829	\$ 695,829	\$ 516,630	\$ (179,199)
Miscellaneous revenue:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 11,433	\$ (5,567)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 21,000	\$ 21,000	\$ 21,318	\$ 318
Revenue from the federal government:				
Categorical aid:				
School food	\$ 750,000	\$ 750,000	\$ 764,846	\$ 14,846
Total School Cafeteria Fund	\$ 1,483,829	\$ 1,483,829	\$ 1,314,760	\$ (169,069)
Total Revenues--Component Unit-School Board	\$ 37,086,865	\$ 38,014,938	\$ 36,811,070	\$ (1,203,868)

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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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Property Tax Rates	6
Principal Taxpayers	7
Property Tax Levies and Collections	8
<b>Debt Capacity</b>	
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Ratio of Net General Bonded Debt to Assessed Value and Net General	
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Computation of Direct and Overlapping Bonded Debt	11
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<b>Demographic and Economic Information</b>	
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.	
Full-time Equivalent County Government Employees by Function	15
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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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:					
Net investment in capital assets	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035	\$ 14,166,206	\$ 13,355,755
Restricted	1,090,604	1,095,309	1,113,229	3,335,777	3,354,693
Unrestricted	<u>34,789,461</u>	<u>34,535,361</u>	<u>34,057,246</u>	<u>35,118,549</u>	<u>38,353,717</u>
Total governmental activities net position	<u>\$ 44,044,946</u>	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>	<u>\$ 52,620,532</u>	<u>\$ 55,064,165</u>
Business-type activities:					
Net investment in capital assets	\$ 10,843,832	\$ 18,181,354	\$ 22,729,620	\$ 22,943,726	\$ 22,511,998
Unrestricted	<u>(495,069)</u>	<u>1,424,196</u>	<u>1,047,467</u>	<u>809,229</u>	<u>835,327</u>
Total business-type net position	<u>\$ 10,348,763</u>	<u>\$ 19,605,550</u>	<u>\$ 23,777,087</u>	<u>\$ 23,752,955</u>	<u>\$ 23,347,325</u>
Primary government:					
Net investment in capital assets	\$ 19,008,713	\$ 28,326,126	\$ 37,175,655	\$ 37,109,932	\$ 35,867,753
Restricted	1,090,604	1,095,309	1,113,229	3,335,777	3,354,693
Unrestricted	<u>34,294,392</u>	<u>35,959,557</u>	<u>35,104,713</u>	<u>35,927,778</u>	<u>39,189,044</u>
Total primary government net position	<u>\$ 54,393,709</u>	<u>\$ 65,380,992</u>	<u>\$ 73,393,597</u>	<u>\$ 76,373,487</u>	<u>\$ 78,411,490</u>

Table 1

	2010	2011	2012	2013	2014
\$	12,019,419	\$ 14,637,383	\$ 16,779,466	\$ 17,849,891	\$ 19,719,528
	3,350,043	3,789,880	3,565,698	3,092,023	2,030,662
	<u>42,461,130</u>	<u>38,269,130</u>	<u>37,307,424</u>	<u>34,966,854</u>	<u>34,114,995</u>
\$	<u>57,830,592</u>	<u>56,696,393</u>	<u>57,652,588</u>	<u>55,908,768</u>	<u>55,865,185</u>
\$	20,397,371	\$ 18,425,062	\$ 18,858,535	\$ 17,936,970	\$ 17,323,889
	2,084,383	2,839,009	1,684,339	1,963,895	2,225,648
\$	<u>22,481,754</u>	<u>21,264,071</u>	<u>20,542,874</u>	<u>19,900,865</u>	<u>19,549,537</u>
\$	32,416,790	\$ 33,062,445	\$ 35,638,001	\$ 35,786,861	\$ 37,043,417
	3,350,043	3,789,880	3,565,698	3,092,023	2,030,662
	<u>44,545,513</u>	<u>41,108,139</u>	<u>38,991,763</u>	<u>36,930,749</u>	<u>36,340,643</u>
\$	<u>80,312,346</u>	<u>77,960,464</u>	<u>78,195,462</u>	<u>75,809,633</u>	<u>75,414,722</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379	\$ 2,409,601	\$ 2,989,454
Judicial administration	690,419	822,200	1,029,314	759,823	1,140,286	1,100,016	1,031,293	1,052,619	1,022,358	1,037,120
Public safety	5,510,533	6,052,406	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107	8,534,911	10,010,928	10,880,109
Public works	829,157	817,142	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751	1,550,883	1,419,964	1,619,383
Health and welfare	2,674,443	3,301,427	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279	4,731,360	4,403,698	4,384,274
Education	9,378,083	12,866,014	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617	14,860,879	17,550,953	16,931,948
Parks, recreation, and cultural	1,021,219	1,184,066	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355	1,225,450	1,311,229	1,438,503
Community development	1,022,069	6,149,803	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707	1,731,600	1,999,446	1,144,712
Interest and other fiscal charges	1,991,875	2,159,093	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545	2,558,359	3,297,304	3,043,578
Total governmental activities expenses	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164	\$ 38,854,440	\$ 43,425,481	\$ 43,469,081
Business-type activities:										
Water and sewer	2,741,913	3,316,047	4,873,141	5,415,119	5,267,415	5,188,663	5,264,429	5,392,378	5,337,484	5,541,049
Total primary government expenses	\$ 28,275,897	\$ 39,087,980	\$ 40,193,811	\$ 45,874,436	\$ 42,438,954	\$ 41,842,664	\$ 45,292,593	\$ 44,246,818	\$ 48,762,965	\$ 49,010,130
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487	\$ 296,622	\$ 250,002
Public safety	444,281	468,579	399,206	302,013	74,689	77,782	63,301	51,371	65,912	64,129
Public works	6,838,203	6,900,871	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268	7,108,725	7,102,710	7,040,896
Parks, recreation, and cultural	206,766	304,635	329,970	364,795	326,969	355,557	412,729	387,063	409,151	401,596
Community development	177,588	203,819	305,066	90,253	100,864	94,038	81,273	73,746	79,095	74,831
Operating grants and contributions:										
General government administration	221,922	224,212	266,564	296,199	272,914	260,936	286,613	228,914	222,433	233,181
Judicial administration	434,475	528,744	611,895	551,648	514,220	491,009	467,991	459,857	465,607	448,561
Public safety	1,024,800	1,298,468	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398	1,158,848	1,225,517	1,437,562
Public works	4,375	6,568	-	-	-	-	-	-	-	-
Health and welfare	1,754,522	1,964,992	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300	2,576,554	2,186,413	2,394,102
Education	-	-	-	-	-	-	-	97,986	203,256	197,200
Parks, recreation, and cultural	68,120	75,624	103,747	96,339	107,412	104,949	96,862	110,692	82,122	146,155
Community development	18,286	4,618	-	20,728	24,851	30,179	-	-	-	-
Capital grants and contributions	840,000	1,385,549	396,834	798,438	46,177	138,345	-	138,945	466,102	670,318
Total governmental activities program revenues	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176	\$ 12,611,188	\$ 12,804,940	\$ 13,358,533
Business-type activities:										
Charges for services:										
Water and sewer	\$ 1,950,443	\$ 2,499,579	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,186,525	\$ 4,212,976	\$ 4,361,207	\$ 4,400,068
Operating grants and contributions	-	-	12,093	10,650	-	-	-	-	-	98,729
Capital grants and contributions	63,290	7,050,000	3,286,792	-	1,340,934	-	150,000	-	-	459,243
Total business-type activities program revenues	\$ 2,013,733	\$ 9,549,579	\$ 6,407,697	\$ 3,263,486	\$ 3,859,611	\$ 3,661,026	\$ 3,336,525	\$ 4,212,976	\$ 4,361,207	\$ 4,958,040
Total primary government program revenues	\$ 14,381,372	\$ 23,306,684	\$ 19,086,498	\$ 16,959,971	\$ 16,010,440	\$ 16,407,356	\$ 15,206,701	\$ 16,824,164	\$ 17,166,147	\$ 18,316,573
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,243,252)	\$ (30,620,541)	\$ (30,110,548)
Business-type activities	(728,180)	6,233,532	1,534,556	(2,151,633)	(1,407,804)	(1,527,637)	(1,927,904)	(1,179,402)	(976,277)	(583,009)
Total primary government net expense	\$ (13,894,525)	\$ (15,781,296)	\$ (21,107,313)	\$ (28,914,465)	\$ (26,428,514)	\$ (25,435,308)	\$ (30,085,892)	\$ (27,422,654)	\$ (31,596,818)	\$ (30,693,557)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
General property taxes	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987	\$ 19,061,869	\$ 20,597,122
Local sales and use taxes	1,103,560	1,185,968	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016	1,909,760	1,876,393	2,059,339
Communication sales taxes	-	-	-	450,124	403,435	-	-	-	-	-
Consumer utility taxes	334,509	372,235	301,276	229,585	238,428	245,177	246,993	226,865	259,123	242,082
Business license taxes	1,052,792	1,171,729	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388	1,195,950	1,350,496	1,272,838
Motor vehicle licenses	456,906	483,352	446,312	493,466	522,202	509,925	552,436	520,137	559,806	569,615
Recordation taxes	485,706	741,770	607,113	434,099	290,079	275,511	231,589	232,533	312,579	276,551
Meals tax	640,118	635,687	674,535	702,153	752,391	769,662	793,459	878,555	953,393	957,493
E-911 taxes	227,575	230,387	200,141	-	-	-	-	-	-	-
Ambulance fees	-	-	-	-	490,866	518,275	454,554	660,964	658,904	600,452
Other local taxes	416,180	450,673	522,896	575,123	324,239	335,476	348,366	328,324	404,746	424,481
Grants and contributions not restricted to specific programs	2,365,848	2,637,595	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408	2,676,883	2,690,859	2,670,462
Unrestricted revenues from use of money and property	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653	802,389	469,926	406,925	209,155	312,891
Miscellaneous	390,189	427,254	557,181	2,470,865	899,705	405,413	202,740	321,788	236,125	418,029
Transfers	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)	(172,595)	(85,401)	54,284
Total governmental activities	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076	\$ 28,488,047	\$ 30,455,639
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305	\$ 2,007	\$ 776
Miscellaneous	574,623	1,211,493	1,318,584	1,424,469	525,385	285,501	762,895	283,305	246,860	285,189
Transfers	1,678,298	1,699,783	1,108,173	569,857	455,885	365,507	328,214	172,595	85,401	(54,284)
Total business-type activities	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 1,095,177	\$ 458,205	\$ 334,268	\$ 231,681
Total primary government	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 28,118,966	\$ 28,509,281	\$ 28,822,315	\$ 30,687,320
<b>Change in Net Position</b>										
Governmental activities	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,807,824	\$ (2,132,494)	\$ 345,091
Business-type activities	1,691,686	9,256,787	4,171,537	(24,132)	(405,630)	(865,571)	(832,727)	(721,197)	(642,009)	(351,328)
Total primary government	\$ 9,230,028	\$ 10,987,283	\$ 8,012,605	\$ 2,979,890	\$ 2,038,003	\$ 1,900,856	\$ (1,966,926)	\$ 1,086,627	\$ (2,774,503)	\$ (6,237)

**COUNTY OF KING GEORGE, VIRGINIA**

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 1,450,717	\$ 1,261,813	\$ 1,113,229	\$ 1,135,777	\$ 1,154,693
Unreserved	19,059,078	17,619,894	18,312,583	20,434,481	22,317,265
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>	<u>\$ 21,570,258</u>	<u>\$ 23,471,958</u>
All other Governmental Funds					
Reserved for capital projects	\$ 53,871,288	\$ 53,852,195	\$ 51,546,624	\$ 15,228,296	\$ 18,379,524
Reserved for natatorium	-	-	-	2,200,000	2,200,000
Reserved for library operations	1,086,385	1,073,649	1,078,067	768,694	810,644
Reserved for wireless authority operations	-	-	-	560,243	265,008
Unreserved - capital projects fund	-	-	-	12,298,990	20,299,755
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>	<u>\$ 31,056,223</u>	<u>\$ 41,954,931</u>

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

Table 3

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,150,043	\$ -	\$ -	\$ -	\$ -
25,603,932	-	-	-	-
-	1,401,766	1,399,650	1,433,451	1,424,234
-	695,197	1,080,525	992,924	2,815,849
-	6,050,000	4,324,700	184,969	-
-	17,189,811	17,721,849	17,623,960	16,490,673
<u>\$ 26,753,975</u>	<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>	<u>\$ 20,235,304</u>	<u>\$ 20,730,756</u>
\$ 13,737,529	\$ -	\$ -	\$ -	\$ -
2,200,000	-	-	-	-
830,362	-	-	-	-
239,552	-	-	-	-
18,939,413	-	-	-	-
-	700,000	700,000	700,000	702,000
-	14,093,832	12,221,348	6,815,608	3,844,847
-	5,109,150	5,157,272	8,827,162	5,543,834
-	10,202,302	10,163,107	9,232,262	9,386,756
<u>\$ 35,946,856</u>	<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>	<u>\$ 25,575,032</u>	<u>\$ 19,477,437</u>

**COUNTY OF KING GEORGE, VIRGINIA**

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
General property taxes	\$ 13,555,599	\$ 14,424,491	\$ 15,174,874	\$ 17,092,704	\$ 17,381,006
Other local taxes	4,717,346	5,271,801	5,214,995	5,311,646	5,656,482
Permits, privilege fees and regulatory licenses	7,437,075	7,563,053	7,301,776	7,936,085	7,112,084
Fines and forfeitures	292,217	332,871	300,583	236,338	255,499
Revenue from use of money and property	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653
Charges for services	271,847	372,406	396,444	441,050	410,123
Miscellaneous	260,832	427,254	557,181	2,470,865	899,705
Recovered costs	159,314	177,900	-	175,200	-
Intergovernmental:					
School Board	141,685	-	-	-	226,971
Commonwealth	4,858,819	6,758,941	5,642,960	6,414,676	5,740,816
Federal	1,033,529	1,367,429	1,495,401	984,460	969,895
Total revenues	\$ 34,069,476	\$ 39,349,748	\$ 40,065,007	\$ 44,223,722	\$ 40,168,234
Expenditures:					
General government administration	\$ 2,432,055	\$ 2,413,529	\$ 3,834,032	\$ 3,994,241	\$ 2,898,289
Judicial administration	684,282	818,117	1,025,967	1,086,764	1,127,473
Public safety	7,697,855	7,049,962	11,176,769	7,903,243	8,349,727
Public works	947,689	982,312	1,594,220	1,685,536	1,779,055
Health and welfare	2,670,886	3,285,612	3,518,011	3,530,265	4,001,766
Education	12,464,331	11,919,739	22,034,801	36,189,527	16,985,114
Parks, recreation, and cultural	1,238,568	1,149,277	1,216,147	1,885,728	1,717,251
Community development	1,021,505	5,887,223	1,519,877	1,391,591	1,666,723
Capital outlays and projects	-	-	-	-	-
Debt service:					
Principal retirement	1,119,800	1,194,852	1,959,618	2,401,440	2,685,742
Interest and other fiscal charges	889,860	2,666,216	2,721,295	2,957,614	3,195,197
Total expenditures	\$ 31,166,831	\$ 37,366,839	\$ 50,600,737	\$ 63,025,949	\$ 44,406,337
Excess (deficiency) of revenues over expenditures	\$ 2,902,645	\$ 1,982,909	\$ (10,535,730)	\$ (18,802,227)	\$ (4,238,103)
Other financing sources (uses):					
Transfers in	\$ 3,077,927	\$ 1,568,980	\$ 2,823,173	\$ 4,969,447	\$ 5,763,828
Transfers (out)	(4,756,225)	(3,268,763)	(3,931,346)	(5,539,304)	(6,219,713)
Sale of property	145,561	-	-	-	-
Premium on bonds issued	444,067	-	-	343,349	181,528
Early retirement of indebtedness	-	(7,500,000)	-	(7,500,000)	-
Payment to refunded bond escrow agent	(2,641,444)	(855,000)	-	-	(4,465,250)
Long-term debt issued	42,491,000	6,411,957	9,886,855	7,104,713	21,778,118
Total other financing sources (uses)	\$ 38,760,886	\$ (3,642,826)	\$ 8,778,682	\$ (621,795)	\$ 17,038,511
Net changes in fund balances	\$ 41,663,531	\$ (1,659,917)	\$ (1,757,048)	\$ (19,424,022)	\$ 12,800,408
Debt service as a percentage of noncapital expenditures	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>	<u>13.06%</u>	<u>15.89%</u>

Table 4

	2010	2011	2012	2013	2014
\$	17,776,623	\$ 18,354,709	\$ 18,847,313	\$ 19,509,877	\$ 20,326,008
	5,452,334	5,420,801	5,953,088	6,375,440	6,402,851
	7,424,894	6,947,613	7,187,678	7,187,575	7,121,893
	257,999	237,714	183,108	254,380	209,473
	802,389	469,926	406,925	209,155	312,891
	460,555	509,685	468,606	511,535	500,088
	405,413	202,740	321,788	236,125	418,029
	175,000	-	-	175,000	175,000
	-	-	48,181	31,400	-
	6,231,998	5,878,173	6,190,762	6,078,850	6,228,067
	1,089,059	979,399	1,257,917	1,463,459	1,969,474
\$	<u>40,076,264</u>	<u>\$ 39,000,760</u>	<u>\$ 40,865,366</u>	<u>\$ 42,032,796</u>	<u>\$ 43,663,774</u>
\$	2,766,421	\$ 2,425,229	\$ 2,576,743	\$ 2,683,306	\$ 2,959,292
	1,087,706	1,027,700	1,059,200	1,295,334	1,125,052
	12,618,491	11,981,523	10,977,531	10,109,907	10,072,113
	1,255,124	2,587,135	1,624,315	1,661,489	2,671,996
	4,382,789	4,100,525	4,707,097	4,406,862	4,329,701
	11,040,558	14,317,559	14,970,909	16,350,034	17,589,381
	1,265,906	1,369,021	4,585,275	4,355,993	2,969,432
	1,414,185	1,284,213	1,723,671	2,021,307	1,192,435
	-	-	-	-	-
	3,054,211	2,713,288	2,712,585	2,895,220	2,847,303
	3,551,424	3,500,026	3,881,378	3,126,058	3,174,822
\$	<u>42,436,815</u>	<u>\$ 45,306,219</u>	<u>\$ 48,818,704</u>	<u>\$ 48,905,510</u>	<u>\$ 48,931,527</u>
\$	<u>(2,360,551)</u>	<u>\$ (6,305,459)</u>	<u>\$ (7,953,338)</u>	<u>\$ (6,872,714)</u>	<u>\$ (5,267,753)</u>
\$	6,636,320	\$ 5,792,544	\$ 4,063,486	\$ 2,197,886	\$ 6,710,277
	(7,001,827)	(6,120,758)	(4,236,081)	(2,283,287)	(6,655,993)
	-	-	-	-	-
	-	-	5,153,199	-	-
	-	(2,781,000)	-	-	-
	-	-	(33,345,873)	-	-
	-	2,155,900	33,645,000	-	-
\$	<u>(365,507)</u>	<u>\$ (953,314)</u>	<u>\$ 5,279,731</u>	<u>\$ (85,401)</u>	<u>\$ 54,284</u>
\$	<u>(2,726,058)</u>	<u>\$ (7,258,773)</u>	<u>\$ (2,673,607)</u>	<u>\$ (6,958,115)</u>	<u>\$ (5,213,469)</u>
	<u>18.42%</u>	<u>15.92%</u>	<u>16.77%</u>	<u>14.19%</u>	<u>14.18%</u>

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Tax Rate	Total
2004-05	\$ 1,198,174,927	\$ 0.77	\$ 134,469,239	\$ 3.10	\$ 3,595,430	\$ 253,830,593	\$ 1.01	\$ 1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	0.61	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	0.62	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	0.63	3,074,677,546
2008-09	2,722,995,335	0.45	174,355,891	3.20	5,718,355	230,164,658	0.62	3,133,234,239
2009-10	2,503,071,252	0.50	184,490,385	3.20	5,772,695	265,869,660	0.69	2,959,203,992
2010-11	2,542,929,212	0.50	191,595,390	3.20	6,905,855	295,535,384	0.70	3,036,965,841
2011-12	2,584,238,464	0.53	198,062,550	3.20	5,776,405	259,946,038	0.71	3,048,023,457
2012-13	2,598,409,312	0.53	210,168,415	3.20	6,376,115	257,549,642	0.72	3,072,503,484
2013-14	2,494,185,739	0.59	215,355,310	3.25	6,208,895	253,987,845	0.78	2,969,737,789

(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>
2004-05	\$ 0.77	\$ 0.77	\$ 3.10	\$ 2.50	\$ 0.77	\$ 0.77	\$ 1.01
2005-06	0.77	0.40	3.10	2.50	0.77	0.40	0.61
2006-07	0.40	0.44	3.20	2.50	0.40	0.44	0.62
2007-08	0.44	0.45	3.20	2.50	0.44	0.45	0.63
2008-09	0.45	0.45	3.20	2.50	0.45	0.45	0.62
2009-10	0.45	0.50	3.20	2.50	0.45	0.50	0.69
2010-11	0.50	0.50	3.20	2.50	0.50	0.50	0.70
2011-12	0.50	0.53	3.20	2.50	0.50	0.53	0.71
2012-13	0.53	0.53	3.20	2.50	0.53	0.53	0.72
2013-14	0.53	0.59	3.25	2.50	0.53	0.59	0.78

(1) Per \$100 of assessed value.

Principal Taxpayers  
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,022,533	\$ 192,930,689	7.44%	\$ 1,796,379	\$ 249,497,054	15.69%
Virginia Electric & Power Company	166,034	31,327,226	1.21%	150,380	20,886,167	1.31%
Horti-Group USA LLC	85,598	16,150,600	0.62%	N/A	N/A	N/A
Verizon South, Inc.	78,974	14,900,811	0.57%	142,385	19,775,650	1.24%
Northern Neck Electric Cooperative	43,660	8,237,723	0.32%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	46,824	8,834,702	0.34%	N/A	N/A	N/A
Dahlgren Office Building, LLC	39,957	7,539,000	0.29%	N/A	N/A	N/A
Monmouth Woods Associates	39,169	7,390,302	0.28%	57,583	7,997,600	0.50%
Dahlgren Office Building, LLC	32,809	6,190,400	0.24%	28,767	3,995,400	0.25%
King George Shopping Center	61,687	11,638,977	0.45%	N/A	N/A	N/A
CC&F Dahlgren Associates	31,687	5,978,600	0.23%	N/A	N/A	N/A
Heritage Hall LLC	27,207	5,133,302	0.20%	N/A	N/A	N/A
Birchwood Power Partners, LLC	N/A	N/A	N/A	117,486	16,317,500	1.03%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	33,939	4,713,700	0.30%
Hilard & Bartko	N/A	N/A	N/A	33,322	4,628,000	0.29%
Eqstein, Ben & Associates	N/A	N/A	N/A	30,890	4,290,278	0.27%
Level 3 Communications, LLC	N/A	N/A	N/A	29,170	4,051,352	0.25%
<b>TOTAL</b>	<b>\$ 1,676,139</b>	<b>\$ 316,252,332</b>	<b>12.19%</b>	<b>\$ 2,420,301</b>	<b>\$ 336,152,701</b>	<b>21.13%</b>

Source - Commissioner of the Revenue.

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

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<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>
2004-05	\$ 15,673,264	\$ 15,195,623	96.95%	\$ 461,926
2005-06	16,478,637	16,138,236	97.93%	340,682
2006-07	17,388,433	16,720,812	96.16%	389,995
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%	403,371
2010-11	20,270,753	19,769,446	97.53%	493,429
2011-12	20,900,625	20,140,541	96.36%	354,785
2012-13	21,785,485	20,922,911	96.04%	300,211
2013-14	22,553,220	21,703,489	96.23%	-

(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>
\$	15,657,549	99.90%	\$	1,103,844	7.04%
	16,478,918	100.00%		1,131,343	6.87%
	17,110,807	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%
	19,458,800	99.95%		1,743,426	8.96%
	20,262,875	99.96%		1,691,138	8.34%
	20,495,326	98.06%		1,876,766	8.98%
	21,223,122	97.42%		1,916,121	8.80%
	21,703,489	96.23%		2,012,049	8.92%

**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
2004-05	\$ 1,495,000	\$ 39,141,000	\$ 444,067	\$ 3,634,400	\$ 15,073,052
2005-06	7,641,957	37,724,000	444,067	3,339,600	7,500,000
2006-07	7,108,853	46,249,000	429,265	3,044,800	7,730,141
2007-08	13,663,640	44,769,000	749,220	2,750,000	153,427
2008-09	12,830,612	60,901,118	898,779	2,500,000	76,713
2009-10	12,001,764	59,002,468	862,922	2,250,000	-
2010-11	10,505,973	57,409,871	823,227	2,000,000	-
2011-12	14,917,875	53,535,384	5,581,476	1,750,000	-
2012-13	14,322,865	51,485,174	5,341,867	1,500,000	-
2013-14	13,701,366	49,509,370	5,102,258	1,250,000	-

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</b>							
<b>Water</b>							
<b>Facilities</b>	<b>Revenue</b>	<b>Notes</b>	<b>Total</b>	<b>Per Capita</b>	<b>Percentage</b>	<b>Population</b>	<b>Per</b>
<b>Loan</b>	<b>Bonds</b>	<b>Payable</b>	<b>Primary</b>	<b>Personal</b>	<b>of Personal</b>	<b>(1)</b>	<b>Capita</b>
			<b>Government</b>	<b>Income (1)</b>	<b>Income</b>		
\$ 660,993	\$ 20,068,450	\$ 496,099	\$ 81,013,061	\$ 30,425	13.76%	19,355	\$ 4,186
551,269	19,627,374	725,198	77,553,465	31,338	11.99%	20,637	3,758
437,112	23,203,178	680,381	88,882,730	33,778	12.08%	21,780	4,081
318,343	22,569,525	635,564	85,608,719	33,778	11.41%	22,205	3,855
194,775	24,311,125	590,749	102,303,871	33,778	13.07%	23,170	4,415
66,215	25,260,320	545,932	99,989,621	33,690	12.42%	23,891	4,185
-	26,139,891	501,115	97,380,077	33,690	12.26%	23,584	4,129
-	25,992,952	456,298	102,233,985	33,690	13.01%	23,333	4,382
-	25,798,086	411,481	98,859,473	33,690	12.25%	23,945	4,129
-	27,647,500	366,664	97,577,158	41,791	9.37%	24,926	3,915

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2004-05	19,355	\$ 1,590,070,189	\$ 5,129,400	\$ 1,090,604	\$ 4,038,796	0.25%	\$ 209
2005-06	20,637	2,201,826,217	10,981,557	1,095,309	9,886,248	0.45%	479
2006-07	21,780	2,941,002,174	10,153,653	1,113,229	9,040,424	0.31%	415
2007-08	22,205	3,074,677,546	16,413,640	1,135,777	15,277,863	0.50%	688
2008-09	23,170	3,133,234,239	15,330,612	1,154,693	14,175,919	0.45%	612
2009-10	23,891	2,959,203,992	14,251,764	1,150,043	13,101,721	0.44%	548
2010-11	23,584	3,036,965,841	12,505,973	1,149,880	11,356,093	0.37%	482
2011-12	23,333	3,048,023,457	16,667,875	1,149,880	15,517,995	0.51%	665
2012-13	23,945	3,072,503,484	15,822,865	1,149,880	14,672,985	0.48%	613
2013-14	24,926	2,969,737,789	14,951,366	1,149,880	13,801,486	0.46%	554

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, 2014

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Direct: (1)

County of King George	\$	97,577,158	100%	\$	97,577,158
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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	
2004-05	\$	2,692,011	\$	2,637,057	\$	54,954	\$ 894,483	\$ 1,030,308	0.03
2005-06		3,823,051		3,021,332		801,719	821,701	1,005,324	0.44
2006-07		4,416,131		3,539,727		876,404	613,170	1,065,683	0.52
2007-08		4,821,130		3,039,040		1,782,090	797,239	1,135,260	0.92
2008-09		4,254,480		2,841,873		1,412,607	743,001	1,167,279	0.74
2009-10		3,957,585		2,836,695		1,120,890	233,377	1,011,166	0.90
2010-11		3,953,488		2,674,520		1,278,968	120,985	1,164,087	1.00
2011-12		4,498,586		2,863,077		1,635,509	102,780	1,232,690	1.22
2012-13		4,610,074		2,865,144		1,744,930	150,707	1,158,505	1.33
2013-14		4,686,033		3,048,064		1,637,969	182,463	1,179,218	1.20

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

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

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Unemployment Rate</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income</b>	<b>Student Enrollment</b>
2004-05	19,355	2.90	\$ 30,425	\$ 588,875,875	3,372
2005-06	20,637	2.80	31,338	646,722,306	3,825
2006-07	21,780	3.31	33,778	735,684,840	3,801
2007-08	22,205	5.30	33,778	750,040,490	3,982
2008-09	23,170	7.90	33,778	782,636,260	4,066
2009-10	23,891	8.30	33,690	804,887,790	4,129
2010-11	23,584	7.30	33,690	794,544,960	4,228
2011-12	23,333	6.90	33,690	786,088,770	4,176
2012-13	23,945	6.30	33,690	806,707,050	4,258
2013-14	24,926	6.00	41,791	1,041,682,466	4,326

NA - Not available

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

Principal Employers  
Current Year and Nine Years Prior (1)

Employer	Fiscal Year 2014		Fiscal Year 2005	
	Employees (1)	Rank	Employees (1)	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 999	2	500 to 999	2
County of King George	250 to 499	3	100 to 249	4
Wal Mart	250 to 499	4	-	-
Tatitlek Training Services Inc.	100 to 249	5	-	-
URS Federal Services	100 to 249	6	-	-
Northrop Grumman Corporation	100 to 249	7	100 to 249	5
High Technology Solutions Inc	100 to 249	8	-	-
Integrated Microcomputer System, Lockheed Martin	100 to 249	9	100 to 249	8
Southestrn Comp Consts Inc	100 to 249	10	-	-
EG & G, Inc.	-	-	250 to 499	3
Marconi Technology	-	-	100 to 249	6
Chugach Mckinley Inc	-	-	100 to 249	7
Chugach Systems Intergration	-	-	100 to 249	9
Computer Sciences Corporation	-	-	100 to 249	10

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2014 and 2nd Qtr 2005

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

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

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General government	31	30	29	29	29	29	29	29	29	29
Judicial administration	9	10	13	12	12	12	12	12	12	12
Public safety										
Sheriffs department	39	38	43	43	43	43	43	43	43	45
Fire & rescue	17	20	21	25	25	25	25	28	28	34
Animal control	2	2	2	2	2	2	2	2	2	4
Public works										
General maintenance	5	9	9	9	9	9	11	11	11	11
Landfill	3	2	3	3	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	13	14	14	16	16	16	16	16	16	16
Culture and recreation										
Parks and recreation	8	4	4	4	4	4	4	4	4	4
Library	3	3	4	4	4	4	4	4	4	4
Community development										
Planning	9	10	11	11	11	11	11	11	11	11
Totals	141	144	155	160	160	160	162	165	165	175

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Sheriffs department:										
Physical arrests	1,410	908	892	652	601	856	1,313	1,382	1,474	1,604
Traffic violations	3,744	5,418	3,093	3,038	3,172	3,847	2,724	3,713	3,575	3,137
Civil papers	6,994	7,713	7,940	7,914	7,800	8,146	8,051	7,441	8,110	7,172
Fire and rescue:										
Number of calls answered	2,828	3,188	3,256	3,291	3,005	2,782	2,921	3,354	3,380	3,219
Building inspections:										
Permits issued	388	484	340	160	78	83	64	75	85	104
Animal control:										
Number of calls answered	636	452	488	705	636	974	1039	903	650	750
Public works										
General maintenance:										
Trucks/vehicles	12	12	3	3	3	3	3	4	4	4
Component Unit - School Board										
Education:										
School age population	3,524	3,830	3,791	3,882	3,997	4,029	4,075	4,072	4,083	4,224
Number of teachers	257	257	283	285	279	282	283	290	291	295
Local expenditures per pupil	7,084	7,529	7,823	9,281	8,585	8,438	7,465	8,604	8,835	9,046

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	1	1	1	1	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	29	29	29	31	36	36	32	30	31	31
Other vehicles	7	7	7	7	7	8	8	8	8	8
Building inspections:										
Vehicles	-	-	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	12	12	3	3	3	3	4	4	4	4
Landfill:										
Vehicles	1	1	2	2	2	2	2	1	4	4
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	5	5	6	6	6	6	6	5	5	5
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	10	10	6	6	6	6	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.63	159.63	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	6	6	6	6	6	6	6	5	5	5
Component Unit - School Board										
Education:										
Schools	8	8	8	8	10	10	17	17	15	17
School buses	64	67	58	65	71	74	60	64	77	77

Source: Individual county departments

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of King George, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of King George, Virginia's basic financial statements and have issued our report thereon dated December 5, 2014.

### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2014-001).

### **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*.

## County of King George, Virginia's Response to Findings

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
December 5, 2014

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited County of King George, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King George, Virginia's major federal programs for the year ended June 30, 2014. County of King George, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of County of King George, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of King George, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, County of King George, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of County of King George, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of King George, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of King George, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 5, 2014

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2014

<b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>PRIMARY GOVERNMENT:</b>			
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Virginia Department of Housing and Community Development:			
Community development block grants /state's program and non-entitlement grants in Hawaii	14.228	53305-50790	\$ 55,114
Total Department of Housing and Urban Development			\$ 55,114
<u>DEPARTMENT OF THE INTERIOR:</u>			
<u>Direct payments:</u>			
US fish & wildlife service	15.000	N/A	\$ 3,155
Total Department of the Interior			\$ 3,155
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Interagency hazardous materials public sector training and planning grants	20.703	77501-52603	\$ 28,000
Virginia Department of Motor Vehicles:			
State and community highway safety	20.600	60507-53104/54037	6,023
Total Department of Transportation			\$ 34,023
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Assistance to firefighters grant	97.044	N/A	\$ 546,367
<u>Pass through payments:</u>			
Department of Emergency Services:			
Disaster grants public assistance (presidentially declared disasters)	97.036	77602-155/157	112,477
Emergency management performance grants	97.042	77501-52742	8,000
Total Department of Homeland Security			\$ 666,844
<u>DEPARTMENT OF THE TREASURY:</u>			
<u>Direct payments:</u>			
Asset forfeiture	21.000	N/A	\$ 157,819
Total Department of the Treasury			\$ 157,819
<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	0010113/0010114	\$ 216,389
Total Department of Agriculture			\$ 216,389
<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	0760113/0760114	\$ 17,890
Foster care-title IV-E	93.658	1100113/1100114	128,557
Adoption assistance	93.659	1120113/1120114	70,858
Chafee education and training vouchers program	93.599	9160113	1,211
Promoting safe and stable families	93.556	0950113	13,591
Temporary assistance for needy families	93.558	0400113/0400114	129,675
Refugee and entrant assistance - state administered programs	93.566	0500113/0500114	1,569
Low-income home energy assistance	93.568	0600413/0600414	13,050
Social services block grant	93.667	1000113/1000114	90,504
Stephanie Tubbs Jones child welfare services program	93.645	0900113/0900114	946
Chafee foster care independence program	93.674	9150113/9150114	2,219
Children's health insurance program	93.767	0540113/0540114	6,647
Medical assistance program	93.778	1200113/1200114	192,105
Total Department of Health and Human Services			\$ 668,822
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
Community economic adjustment assistance for compatible use and joint land studies	12.610	N/A	\$ 68,837
Total Department of Defense			\$ 68,837

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2014 (Continued)

<b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>PRIMARY GOVERNMENT: (Continued)</b>			
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>			
<u>Direct payments:</u>			
Capitalization grants for clean water state revolving funds	66.458	N/A	\$ 513,814
Capitalization grants for drinking water state revolving funds	66.468	N/A	1,182,161
Total Environmental Protection Agency			\$ 1,695,975
<b>Total Primary Government</b>			<b>\$ 3,566,978</b>
<b>COMPONENT UNIT-SCHOOL BOARD:</b>			
<b>DEPARTMENT OF AGRICULTURE:</b>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	2013IN109941 2014IN109941	\$ 97,926
Department of Education:			
National school lunch program	10.555	2013IN109941 2014IN109941	525,697
Total 10.555			\$ 623,623
School breakfast program	10.553	2013IN109941 2014IN109941	\$ 141,223
Total Department of Agriculture			\$ 764,846
<b>DEPARTMENT OF DEFENSE:</b>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 52,486
Total Department of Defense			\$ 52,486
<b>DEPARTMENT OF EDUCATION:</b>			
<u>Direct payments:</u>			
Impact aid	84.041	N/A	\$ 95,641
State longitudinal data systems grants	84.384	N/A	4,932
Special education - parent information centers	84.328	N/A	2,299
Grants for enhanced assessment instruments	84.368	N/A	1,294
Total Direct Payments			\$ 104,166
<u>Pass through payments:</u>			
Department of Education:			
Title I grants to local educational agencies	84.010	S012A100046/ S013A100046	\$ 334,992
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A120107/ H027A130107/	736,452
Special education - preschool grants	84.173	H173A120112	23,045
Total Special Education Cluster (IDEA)			\$ 759,497
ARRA - school improvement grants	84.388	S388A090047	58,358
Improving teacher quality state grants	84.367	S367A120044 S367A110044	\$ 71,322
Career and technical education - basic grants to states	84.048	V048A120046/ V048A130046	42,109
Total Department of Education			\$ 1,370,444
<b>Total Component Unit School Board</b>			<b>\$ 2,187,776</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 5,754,754</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  
For Year Ended June 30, 2014

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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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King George, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King George, Virginia.

### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

### Note 3 - Food Distribution

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

### Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	1,101,956
Capital Projects Fund		867,518
Proprietary Fund (loan proceeds)		1,695,975
Proprietary Fund		<u>98,729</u>

Total primary government \$ 3,764,178

Component Unit School Board:

School Operating Fund	\$	1,422,930
School Cafeteria Fund		<u>764,846</u>
Total component unit school board	\$	<u>2,187,776</u>

Total federal expenditures per basic financial statements \$ 5,951,954

Less federal interest subsidy (197,200)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 5,754,754

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## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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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? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major .510 programs:

CFDA #	Name of Federal Program or Cluster
97.044	Assistance to firefighters
84.010	Title I grants to local educational agencies
66.458	Capitalization grants for clean water state revolving funds
66.468	Capitalization grants for drinking water state revolving funds

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

Auditee qualified as low-risk auditee? Yes

## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014 (continued)

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### Section II - Financial Statement Findings

#### **2014-1 - Contributed Capital Assets:**

##### Criteria:

Accounting principles generally accepted in the United States of America (GAAP) require the County to record capital assets contributed to the County at estimated fair market value in the period in which they were received.

##### Condition:

The County at times receives contributed capital assets. The County had not recorded certain assets contributed to the King George County Service Authority by developers in prior fiscal years.

##### Cause and Context of Condition:

The County's internal control processes set up to capture and record contributed assets were not operating effectively causing certain contributed assets to not be identified and recorded in prior fiscal years. During the current fiscal year these assets were identified and recorded.

##### Effect of Condition:

The recording of certain capital assets donated to the County in prior fiscal years caused a restatement of beginning net position (reference Note 22 in the Notes to the Financial Statements).

##### Recommendation:

We recommend County management continue to develop and refine controls related to the recording of donated capital assets. Communication between departments throughout the County is integral in ensuring that nonfinancial transactions such as contributions of capital assets are properly captured and recorded in the County's financial statements.

##### Management's Response:

Management and staff have implemented a process to notify the Finance department of any nonfinancial transactions of assets that occur. This process involves maintaining records of the date of acceptance of the assets, a description of the assets, and the value of the assets. The process also includes annual acceptance by the Board of Directors and/or the Board of Supervisors by resolution. This will ensure the assets are recorded properly in the respective fiscal year financial statements.

### 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.