



# County of King George, Virginia



## **Comprehensive Annual Financial Report**

### **Fiscal Year June 30, 2011**



# **COUNTY OF KING GEORGE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2011**

---

**PREPARED BY:**

---

Donita Harper, Deputy County Administrator/Finance Director



# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2011

### TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	ix
Directory of Principal Officials	xi
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
<b><u>Basic Financial Statements</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1 Statement of Net Assets	17
Exhibit 2 Statement of Activities	18-19
<b>Fund Financial Statements:</b>	
Exhibit 3 Balance Sheet—Governmental Funds	23
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	24
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	25
Exhibit 6 Statement of Net Assets—Proprietary Fund	26
Exhibit 7 Statement of Revenues, Expenses and Change in Net Assets—Proprietary Fund	27
Exhibit 8 Statement of Cash Flows—Proprietary Fund	28
Exhibit 9 Statement of Fiduciary Net Assets	29
Notes to Financial Statements	31-70

**COUNTY OF KING GEORGE, VIRGINIA**

Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2011

**TABLE OF CONTENTS**

**(Continued)**

	<u><b>Page</b></u>
<hr/> <b>FINANCIAL SECTION (continued)</b> <hr/>	
<b><u>Required Supplementary Information</u></b>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund	73-77
Exhibit 11 Schedule of Pension and OPEB Funding Progress	78
<b><u>Other Supplementary Information</u></b>	
<b>Combining and Individual Fund Statements and Schedules:</b>	
Exhibit 12 Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual–Capital Improvements Fund	83-84
Exhibit 13 Combining Statement of Fiduciary Net Assets–Agency Funds	85
Exhibit 14 Combining Statement of Changes in Assets and Liabilities–Agency Funds	86
<b>Discretely Presented Component Unit–School Board:</b>	
Exhibit 15 Balance Sheet	89
Exhibit 16 Schedule of Revenues, Expenditures and Changes in Fund Balances	90
Exhibit 17 Reconciliation of Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	91
Exhibit 18 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	92-93
<b>Supporting Schedule:</b>	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds and Discretely Presented Component Unit	97-103

# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2011

### TABLE OF CONTENTS

(Continued)

STATISTICAL SECTION	Page
Table 1 Net Assets by Component	106-107
Table 2 Changes in Net Assets	108-109
Table 3 Fund Balances of Governmental Funds	110-111
Table 4 Changes in Fund Balances of Governmental Funds	112-113
Table 5 Assessed Value of Taxable Property	115
Table 6 Property Tax Rates	116
Table 7 Principal Taxpayers	117
Table 8 Property Tax Levies and Collections	118-119
Table 9 Ratios of Outstanding Debt by Type	120-121
Table 10 Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	122
Table 11 Computation of Direct and Overlapping Bonded Debt	123
Table 12 Pledged–Revenue Coverage	124
Table 13 Demographic and Economic Statistics	125
Table 14 Principal Employers	126
Table 15 Full-time Equivalent County Government Employees by Function	127
Table 16 Operating Indicators by Function	128
Table 17 Capital Asset Statistics by Function	129
<b>COMPLIANCE SECTION:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131-132
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	133-134
Schedule of Expenditures of Federal Awards	135-136
Notes to Schedule of Expenditures of Federal Awards	137
Schedule of Findings and Questioned Costs	138





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

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

**JOHN P. LoBUGLIO**  
James Monroe Election District

**JAMES F. MULLEN**  
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 22485  
Telephone: (540)775-9181  
FAX: (540)775-5248  
Website: [www.king-george.va.us](http://www.king-george.va.us)

November 15, 2011

**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, 2011 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, 2011, 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 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 all 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, and community and economic development. In addition, the County established a Wireless Authority in 2006 to provide the citizens of King George access to internet services. See more detail under Major Initiatives.

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, 2011 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

The County adopts an annual budget by July 1 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 40% during the past decade with a total population in 2010 of 23,584. King George 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 high technology software engineering firms to the County. Major services industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in 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.

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.

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

**New High School Stadium:** The County expended more than \$45 million for the construction of a new High School which holds 1,700 students. We are currently in the process of building a sports stadium adjacent to the new high school with an estimated cost of almost \$4 million. It will provide use for a variety of sports programs for both schools and recreation programs.

**Smoot Library Expansion:** The existing library is in the initial stage of a more than \$5 million expansion and renovation. It will include a larger facility, meeting rooms and wi-fi for County residents. It is expected to be completed by 2013.

## **MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)**

**Industrial Park:** The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Complex on Route 3 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 sole focus is on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently five businesses are located in the Industrial Park and eight additional lots totaling approximately 90 acres are available for development. In addition, a strategic plan, marketing tag line, and revamp of the economic development webpage will be developed within the next fiscal year.

**Natural Gas Main Extension:** The Board of Supervisors has approved the initial engineering phase of extending gas main to the Industrial Park to begin 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. Construction is expected to begin in fiscal year 2013 and would take approximately 18 months to complete.

The University of Mary Washington is currently developing the **The University of Mary Washington-Dahlgren Campus-Center for Education and Research** which will work 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 will consist of a two-story 40,000 sq. ft. facility located on 27 acres that will include 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 will be available throughout the building and it has been designed to meet or exceed LEED Silver Certification requirements. The building will provide a new, 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. A groundbreaking was held in September 2010 with an expected opening date of the first of 2012.

**King George Gateway:** Construction activities began in May 2010 on King George Gateway, a regional shopping center positioned adjacent to Naval Support Facility Dahlgren. Once completed, the entire shopping center will support up to 300,000 square feet of retail and hospitality space. The first anchor tenant, Walmart, opened its 150,000 square foot supercenter in August 2011. Other leases that have been announced to date include Auto Zone (which opened in September 2011), Five Guys Burger and Fries, Quizno's Sub, Verizon, Community Bank of the Tri County, Hair Cuttery, and Virginia ABC store.

**Other Retail:** Construction began in mid-2011 on a 66,000 square foot, three story Hampton Inn located in the Dahlgren Technology Park, and both Dollar General and CVS opened new facilities in King George in the first quarter of 2011.

**Government Center:** The construction of a new Sheriff's office, which will house the E-911 dispatch center is in progress and projected to be completed by early 2012. The construction of a new animal control facility is complete. The remaining facilities; human services building (which will house the department of social services, the Virginia co-operative extension office and the health department) are currently in the discussion phases. Other alternatives are also being considered to address these funding needs.

The site for the relocation of the King George County Service Authority was purchased as well and was occupied by operations and administrative personnel in fall 2010.

An old auto auction was purchased for \$1.25 million for the future site of a fleet maintenance facility and fuel depot. This site will serve both the County and the School board. Improvements are expected to begin in fiscal year 2012 to prepare the site for use.

## **MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)**

**Wireless Authority:** The County established a Wireless Authority (the Authority) during the fiscal year ended June 30, 2007. The same Board of Supervisors serves as the Board of Directors to the Authority. It is also included in the County's financial statements as a blended component unit. The purpose of the Authority is to provide a County-wide network that will provide access to the internet for the County, its agencies, residents and businesses. This will improve public safety, enhance educational opportunities, support economic and business development and improve the quality of life for the residents of the County.

The Authority has partnered with a third party vendor to install the necessary infrastructure as well as administer the services throughout the County. Phase one is fifty percent complete.

## **RISK MANAGEMENT**

The County of King George has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. Risks of loss are mitigated by insurance and safety policies.

## **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, 2010. 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.



### **OTHER INFORMATION (CONTINUED)**

**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, 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*



*Donita M. Harper, CPA  
Deputy County Administrator/Finance Director*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King George  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



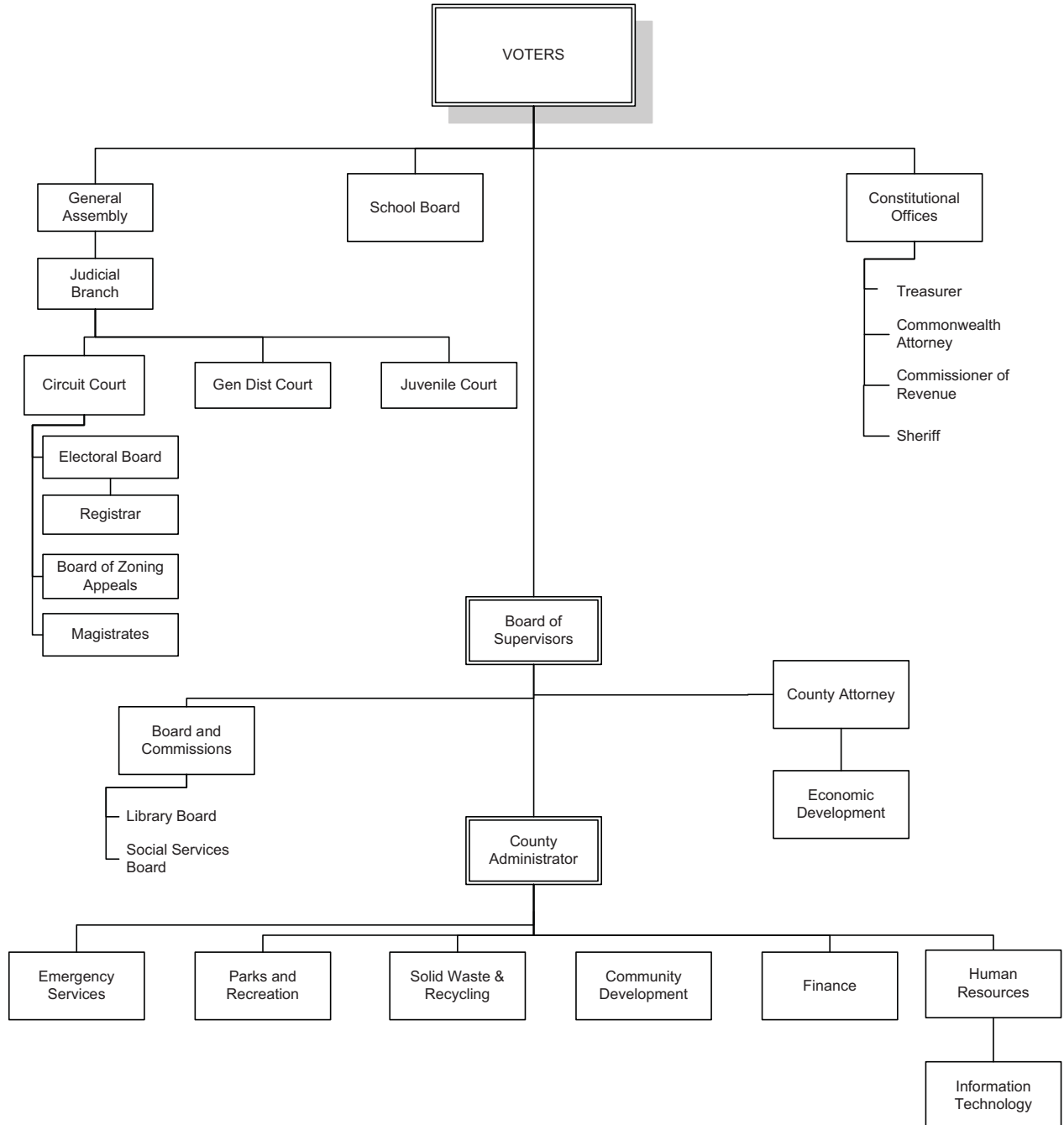
Executive Director

This page intentionally left blank





## KING GEORGE COUNTY ORGANIZATIONAL CHART



This page intentionally left blank

## COUNTY OF KING GEORGE, VIRGINIA

June 30, 2011

### **Board of Supervisors**

Joseph W. Grzeika, Chairman  
Cedell Brooks, Jr., Vice-Chairman  
James F. Mullen  
Dale W. Sisson, Jr.  
John P. LoBuglio

### **County School Board**

Renee Parker, Chairman  
Michael Rose, Vice-Chairman  
Richard Randall  
Dennis Paulsen  
Lynn Pardee

### **Board of Social Services**

Melvin Tahir, Chairman  
Thelma Johnson-Gillison, Vice Chairman  
Carol Butler  
Helene Kelly  
Cedell Brooks, Jr.  
Renee Jenkins

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

Tina Sisson, Chairman  
Robert Gates, Vice-Chairman

Evelyn Durling  
Cindy Sexton  
Michael Gallier, Finance Officer  
Linda Kramer

Leon J. Fontenot  
Amy Robie  
Cheryl Stewart  
Christine Steppe

### **Other Officials**

County Attorney .....	Matthew J. Britton
Judge of the Circuit Court .....	Gordon F. Willis
Clerk of the Circuit Court .....	Charles V. Mason
Commonwealth Attorney .....	Matthew J. Britton
Commissioner of the Revenue .....	Faye Lumpkin
Treasurer .....	Alice L. Moore
Judge of the General District Court .....	Frank Benser
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 .....	Dr. Candace Brown
Director of Department of Social Services .....	David Coman
County Administrator .....	A. Travis Quesenberry

This page intentionally left blank

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

We have audited the accompanying 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, 2011, which collectively comprise the County of King George, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King George, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of King George, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011 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* and should be considered in assessing the results of our audit.

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 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 management's discussion and analysis and schedule of funding progress 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 management's discussion and analysis and schedule of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King George, Virginia's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, supporting schedule and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The combining and individual fund financial statements and schedules, supporting schedule 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
November 15, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. 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 of the governmental activities of the County exceeded its liabilities at the close of fiscal year 2011 by \$56.7 million (net assets). This represents a decrease of (\$1.1) million compared to the prior fiscal year.
- Of the total net assets \$3.8 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$55.4 million, a decrease of (\$7.3) million in comparison with the prior year.
- Approximately thirty-one percent (31%) of this total amount or \$17.2 million is General Fund unassigned fund balance and available for spending at the County's discretion.
- The County's net debt decreased by \$3.4 million during the current fiscal year. There was one refunding during the year which combined with scheduled debt payments led to the \$3.4 decrease in net debt.

### **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 Assets - Presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets.
  2. Statement of Activities - Presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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. Financial information for this component unit 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 assets may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets exceeded liabilities by \$56.7 million at the close of fiscal year 2011.

The County's net investment in capital assets such as land, buildings and equipment totals \$14.6 million at June 30, 2011, an increase of \$2.6 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 Assets, Liabilities and Net Assets**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2011 and 2010**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current and other assets	\$ 68,379,669	\$ 75,286,050	\$ 6,023,190	\$ 6,420,171	\$ 74,402,859	\$ 81,706,221
Capital assets	71,493,303	69,001,739	36,045,730	36,616,299	107,539,033	105,618,038
Total assets	\$ 139,872,972	\$ 144,287,789	\$ 42,068,920	\$ 43,036,470	\$ 181,941,892	\$ 187,324,259
Long-term liabilities outstanding	\$ 68,252,493	\$ 71,616,112	\$ 24,903,492	\$ 24,959,606	\$ 93,155,985	\$ 96,575,718
Current liabilities	14,924,086	14,841,085	1,535,030	1,763,860	16,459,116	16,604,945
Total liabilities	\$ 83,176,579	\$ 86,457,197	\$ 26,438,522	\$ 26,723,466	\$ 109,615,101	\$ 113,180,663
Net assets:						
Invested in capital assets, net of related debt	\$ 14,637,383	\$ 12,019,419	\$ 12,286,312	\$ 14,228,621	\$ 26,923,695	\$ 26,248,040
Restricted	3,789,880	3,350,043	-	-	3,789,880	3,350,043
Unrestricted	38,269,130	42,461,130	3,344,086	2,084,383	41,613,216	44,545,513
Total net assets	\$ 56,696,393	\$ 57,830,592	\$ 15,630,398	\$ 16,313,004	\$ 72,326,791	\$ 74,143,596

Restricted net assets represent 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 assets amounts to \$3.8 million or seven percent (7%) of total net assets.

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

Governmental and business-type activities reflect changes in net assets of (\$1.1) million and (\$682,606) respectively.

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

<b>County of King George, Virginia</b> <b>Changes in Net Assets</b> <b>Governmental and Business-Type Activities</b> <b>For the Years Ended June 30, 2011 and 2010</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Revenues:						
Program revenues:						
Charges for services	\$ 7,695,012	\$ 8,143,448	\$ 3,695,446	\$ 3,661,026	\$ 11,390,458	\$ 11,804,474
Operating grants and contributions	4,175,164	4,464,537	-	-	4,175,164	4,464,537
Capital grants and contributions	-	138,345	-	-	-	138,345
General revenues:						
General property taxes	18,576,128	17,661,294	-	-	18,576,128	17,661,294
Other local taxes	5,420,801	5,452,334	-	-	5,420,801	5,452,334
Use of money and property	469,926	802,389	4,068	11,058	473,994	813,447
C/VA non-categorical aid	2,682,408	2,718,175	-	-	2,682,408	2,718,175
Other general revenues	202,740	405,413	253,974	285,501	456,714	690,914
Total revenues	\$ 39,222,179	\$ 39,785,935	\$ 3,953,488	\$ 3,957,585	\$ 43,175,667	\$ 43,743,520
Expenses:						
General government administration	\$ 2,588,510	\$ 2,368,002	\$ -	\$ -	\$ 2,588,510	\$ 2,368,002
Judicial administration	1,031,293	1,100,016	-	-	1,031,293	1,100,016
Public safety	8,013,107	7,934,875	-	-	8,013,107	7,934,875
Public works	1,348,751	1,238,734	-	-	1,348,751	1,238,734
Health and welfare	4,138,279	4,446,308	-	-	4,138,279	4,446,308
Education	16,939,617	13,519,775	-	-	16,939,617	13,519,775
Parks, recreation, and cultural	1,254,355	1,081,312	-	-	1,254,355	1,081,312
Community development	1,282,707	1,423,559	-	-	1,282,707	1,423,559
Interest and other fiscal charges	3,431,545	3,541,420	-	-	3,431,545	3,541,420
Water and sewer	-	-	4,964,308	5,012,413	4,964,308	5,012,413
Total expenses	\$ 40,028,164	\$ 36,654,001	\$ 4,964,308	\$ 5,012,413	\$ 44,992,472	\$ 41,666,414
Increase in net assets before transfers	\$ (805,985)	\$ 3,131,934	\$ (1,010,820)	\$ (1,054,828)	\$ (1,816,805)	\$ 2,077,106
Transfers	(328,214)	(365,507)	328,214	365,507	-	-
Increase in net assets	\$ (1,134,199)	\$ 2,766,427	\$ (682,606)	\$ (689,321)	\$ (1,816,805)	\$ 2,077,106
Net assets, July 1, 2010	57,830,592	55,064,165	16,313,004	17,002,325	74,143,596	72,066,490
Net assets, June 30, 2011	\$ 56,696,393	\$ 57,830,592	\$ 15,630,398	\$ 16,313,004	\$ 72,326,791	\$ 74,143,596

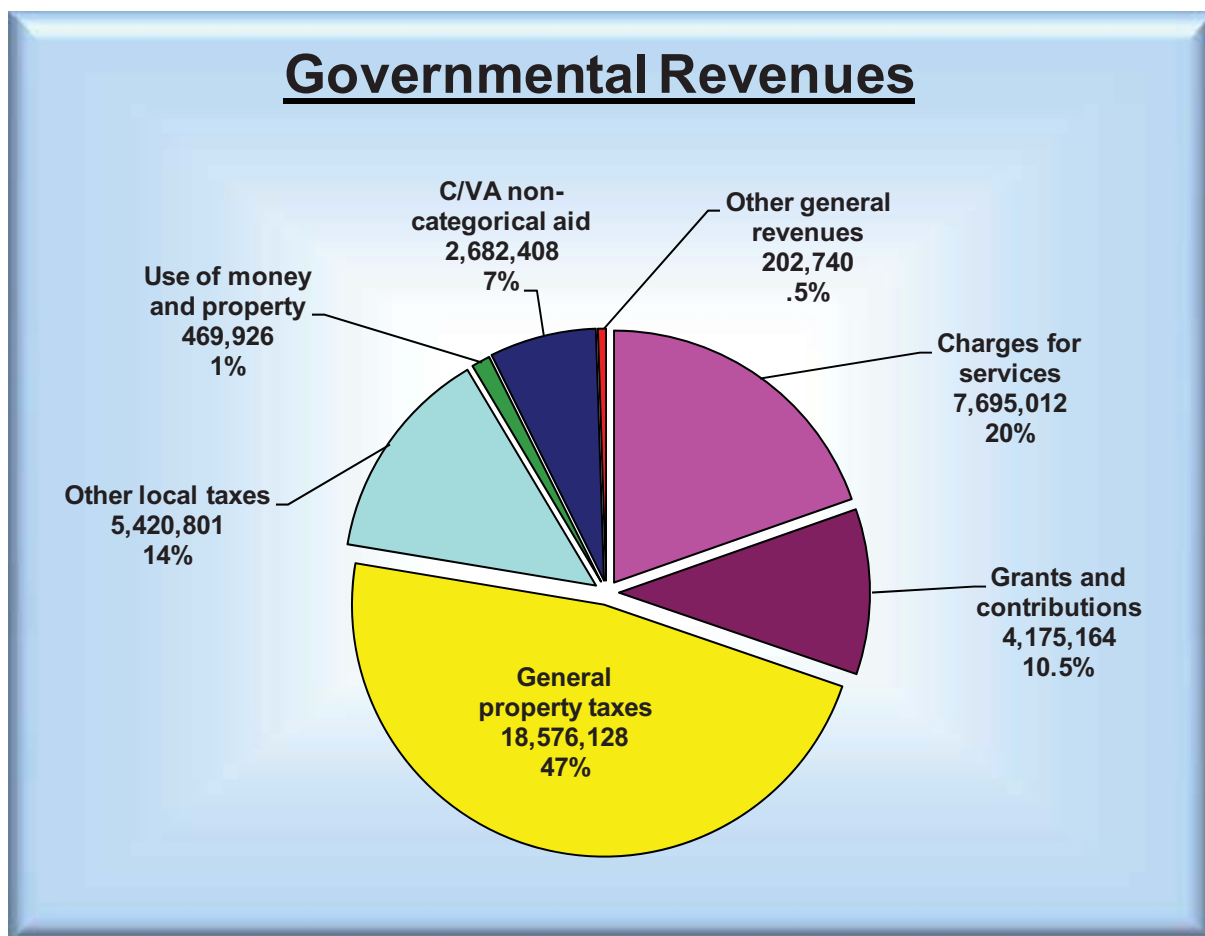
## Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$39.2 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$18.6 million
- Charges for services totaled \$7.7 million (This includes \$6.5 million of landfill revenues)
- Other local taxes totaled \$5.4 million.
- Operating grants and contributions totaled \$4.2 million

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

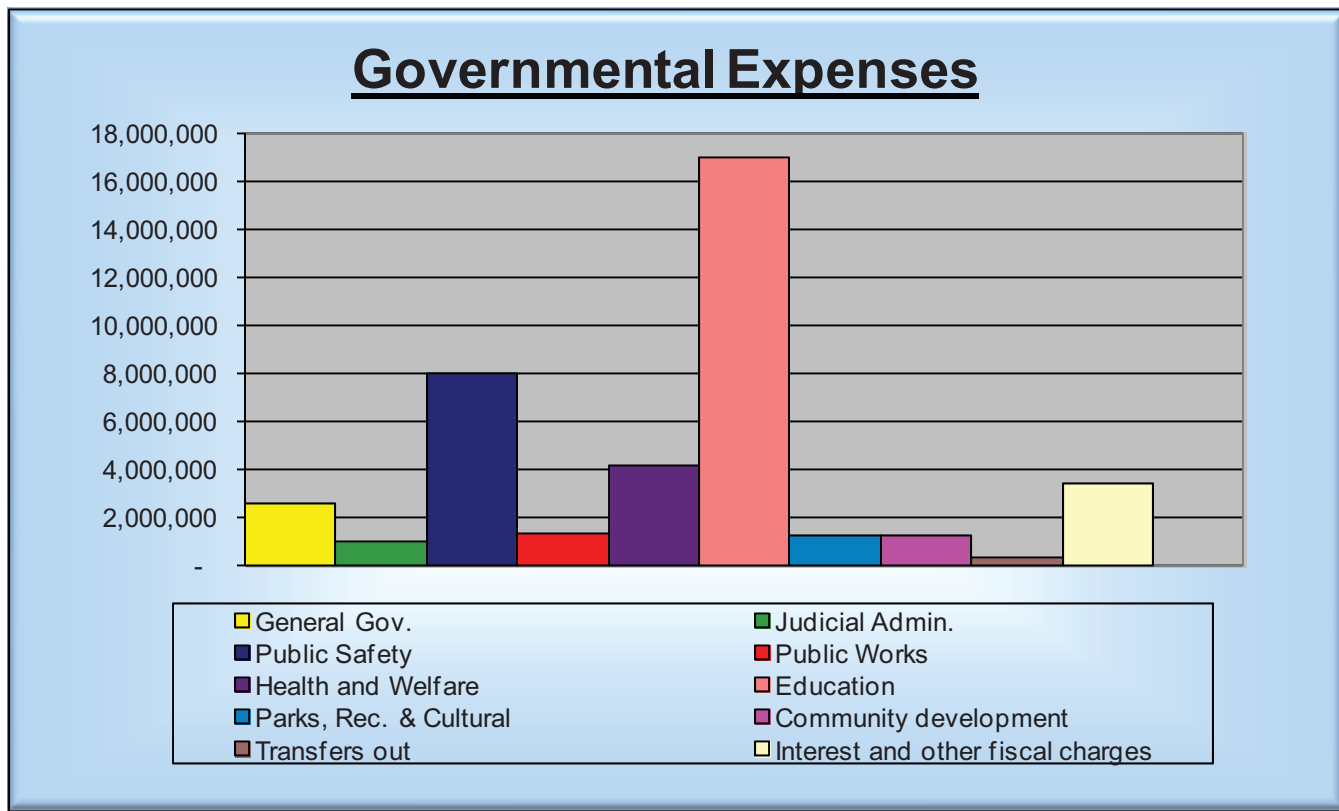


## **Government-wide Financial Analysis: (Continued)**

Expenses for governmental activities totaled \$40 million for the fiscal year. Major categories were as follows:

- Education totaled – \$16.9 million
- Public Safety totaled – \$8 million
- Health and Welfare totaled – \$4.1 million
- Interest/Other Charges totaled - \$3.4 million

The graph below denotes expenses by major categories.



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

- General property taxes increased \$914,834; this increase is due to the opening of new businesses, two major businesses. There was also an increase in tax collections.
- Use of money and property decreased (\$332,463) during the year mainly due to a decrease in interest income.
- Other general revenues decreased by (\$202,673). This is mainly due to waiving the payment of \$175,000 due from the Service Authority.
- Education expenses increased by \$3.4 million; additional funding was transferred from the County.
- General Government administration expenses increased by \$222,508 due to refunding a prior year construction bond payable in Community Development.
- Health and Welfare decreased by (\$308,029) due to a decrease in Purchased Services costs

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

Business-type activities - Business-type activities net assets decreased by \$(682,606) during the current year.

Major reasons are as follows:

- Operating revenues remained steady during the year.
- Operating expenses decreased slightly during the year by (\$201,236)
- The largest notable decrease in expenses was the payment to Governmental Activities in the amount of \$175,000 which was waived by the County.
- Non-operating revenues (expenses) increased by (\$160,000) due to restructuring debt.
- The County transferred \$328,214 to the business-type activities fund to assist in funding operating expenditures as a capital contribution. This amount will be eliminated in fiscal year 2013. The intent is to provide funding on an as needed basis in the future and ensure the Service Authority becomes self sufficient.

## **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 \$55.4 million, a decrease of (\$7.3) in comparison with the prior year. Approximately thirty-one percent (31%) of this amount (\$17.2 million) constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. In accordance with the newly implemented GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$700,000), restricted by an outside source (\$15.5 million), committed (\$5.8 million) and not available for spending and assigned (\$16.2 million) for specific projects. See Note 1 – R 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 \$17.2 million, while the total fund balance was \$25.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents forty-four percent (44%) of total general fund expenditures, while total fund balance represents sixty-six percent (66%) of that same amount.

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

**General Fund:** The fund balance of the County's general fund decreased by (\$1.4) million during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$3.7 million, however only \$1.4 million was used. Some factors which are significant contributors to the amount needed are as follows:

- Increase in general property taxes of \$914,834 due to new businesses opening during the year. Two major businesses were Wal-Mart and CVS Pharmacy. In addition to a conservative budget forecast based on the economy and unforeseen collections.
- Increase in total expenses of \$3.4 million mainly due to an increase in funding provided to Schools. This was based on an increase in school health care costs and reduction in state and federal stimulus funding.
- Decrease in use of money and property of (\$332,463) due to a decrease in interest earned on investments and reduction in bond proceeds as a result of construction.
- Discretionary spending freeze 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 \$29 million of which forty-eight percent (48%) or \$14 million is restricted for future capital projects. Of the remaining fund balance \$4.7 million is committed and \$10.2 million is assigned. See Note 1-R for details. The fund balance of the County's capital projects fund decreased by (\$5.9) million during the current fiscal year. Some major factors are as follows:

- Completion of a new Animal Control facility and the ongoing construction on a new Sheriff's Office facility totaled \$4.1 million in capital spending.
- An additional \$2.6 million was spent on miscellaneous capital projects.
- Landfill fees collected in fiscal year 2011 totaling \$6.8 million was 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 \$812,465, of which \$700,000 is non-spendable and \$112,465 is committed for library operations. The fund balance of the County's permanent fund decreased by \$17,897 during the current fiscal year. This was due to interest earnings.

**Wireless Authority Fund:** The Wireless Authority project fund balance was \$248,788 at the end of the current fiscal year. This is an increase of \$9,236 which resulted from interest on debt service for a construction loan net of funds transferred from the General Fund for operating expenses.

**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 relatively minor \$198,080 or less than 1% increase in appropriations. Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$330,000 based on an increase expenditures.
- Various public safety grants and additional state and federal funding totaling \$226,321.
- County's contribution to the School Board decreased by (\$500,544) based on an increase in federal funding received.

Of these increases, grants came from Federal and State government with the balance supported by transfers from other departments and fund balances.

Actual revenues were more than the amended budget by \$238,482, reference Exhibit 10.

Actual expenditures were (\$2) 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.
- Welfare which had a favorable expenditure variance of \$583,733 made up primarily of expenditures related to Social Services Administration and Purchase of Services.
- Public safety also had a favorable expenditure variance of \$494,201 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.
- King George Public Schools returned \$553,736 to the General Fund.

## **Capital Asset and Debt Administration**

**Capital assets** - The County's investment in capital assets for its governmental activities as of June 30, 2011 totaled \$71.5 million (net of accumulated depreciation). Governmental capital assets increased a total of \$2.6 million. For the same period, business-type activities decreased by (\$2 million). Major highlights of governmental capital assets include:

The County completed construction of the new animal control facility. The new Sherriff's building is ongoing, to date the County has expended more than \$4 million and is expected to complete construction in early 2012.

**Business Type Capital Assets** - The Authority's investment in capital assets as of June 30, 2011 totals \$36 million (net of accumulated depreciation). Investment in capital assets decreased (\$2 million). This is due to multiple projects now in progress.

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 \$71.1 million and the King George Service Authority has outstanding obligations of \$25.1 million.

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

Of the County's debt, \$10.5 million comprises debt backed by the full faith and credit of the County and \$59 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations did not increase during the current fiscal year. There was one refunding during the year and debt was reduced by a net amount of \$3.4 million.

The King George Service Authority decreased its long-term obligations by \$17,800 during the year. Two bond refundings were undertaken during the year to restructure cash flow and reduce interest rates.

The County maintains to Aa credit rating from Standard and Poor's, and remain at A+ from Fitch as well as Moody's during fiscal year 2011.

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 7.3% at June 30, 2011. The local unemployment rate compares favorably to the June 30, 2011 national rate of 9.3%. 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 9,896 in 2011. 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, 2011 totaled \$32.2, million which is basically the same as the prior year. Revenue from the general property taxes accounts for the majority of this stabilization.

### **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, King George, Virginia 22485.



## **BASIC FINANCIAL STATEMENTS**

This page intentionally left blank

## **Government-wide Financial Statements**

This page intentionally left blank

Statement of Net Assets  
At June 30, 2011

	Primary Government			Component Unit School Board
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 51,038,901	\$ 4,023,134	\$ 55,062,035	\$ 166,927
Receivables (net of allowance for uncollectibles):				
Property taxes	7,663,256	-	7,663,256	-
Accounts receivable	1,637,451	581,887	2,219,338	-
Notes receivable	501,115	-	501,115	-
Due from other governments	2,897,437	-	2,897,437	1,012,933
Restricted cash	3,789,880	913,092	4,702,972	-
Due from primary government	-	-	-	3,006,787
Total Current Assets	\$ 67,528,040	\$ 5,518,113	\$ 73,046,153	\$ 4,186,647
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134
Infrastructure	-	33,038,390	33,038,390	-
Buildings	7,782,517	-	7,782,517	15,727,800
Equipment	3,315,874	193,818	3,509,692	1,810,178
Jointly owned assets	40,420,669	-	40,420,669	8,863,794
Construction in progress	13,923,437	551,168	14,474,605	-
Total capital assets	\$ 71,493,303	\$ 36,045,730	\$ 107,539,033	\$ 26,574,906
Other assets	851,629	505,077	1,356,706	-
Total Noncurrent Assets	\$ 72,344,932	\$ 36,550,807	\$ 108,895,739	\$ 26,574,906
Total Assets	\$ 139,872,972	\$ 42,068,920	\$ 181,941,892	\$ 30,761,553
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,654,739	\$ 258,860	\$ 1,913,599	\$ 514,574
Accrued liabilities	-	-	-	3,560,786
Due to component unit - School Board	3,006,787	-	3,006,787	-
Unearned revenue	6,345,246	846,225	7,191,471	-
Accrued interest payable	1,100,486	227,677	1,328,163	-
Current portion of long-term obligations	2,816,828	202,268	3,019,096	163,380
Total Current Liabilities	\$ 14,924,086	\$ 1,535,030	\$ 16,459,116	\$ 4,238,740
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	68,252,493	24,903,492	93,155,985	504,261
Total Liabilities	\$ 83,176,579	\$ 26,438,522	\$ 109,615,101	\$ 4,743,001
NET ASSETS				
Invested in capital assets, net of related debt	\$ 14,637,383	\$ 12,286,312	\$ 26,923,695	\$ 26,376,300
Restricted for:				
Debt service	1,149,880	-	1,149,880	-
Smoot library:				
Nonexpendable	700,000	-	700,000	-
Natatorium	1,940,000	-	1,940,000	-
Unrestricted assets	38,269,130	3,344,086	41,613,216	(357,748)
Total Net Assets	\$ 56,696,393	\$ 15,630,398	\$ 72,326,791	\$ 26,018,552
Total Liabilities and Net Assets	\$ 139,872,972	\$ 42,068,920	\$ 181,941,892	\$ 30,761,553

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,588,510	\$ -	\$ 286,613	\$ -
Judicial administration	1,031,293	275,441	467,991	-
Public safety	8,013,107	63,301	1,073,398	-
Public works	1,348,751	6,862,268	-	-
Health and welfare	4,138,279	-	2,250,300	-
Education	16,939,617	-	-	-
Parks, recreation, and cultural	1,254,355	412,729	96,862	-
Community development	1,282,707	81,273	-	-
Interest on long-term debt	3,431,545	-	-	-
Total governmental activities	\$ 40,028,164	\$ 7,695,012	\$ 4,175,164	\$ -
Business-type activities:				
Water and sewer	\$ 4,964,308	\$ 3,695,446	\$ -	\$ -
Total primary government	\$ 44,992,472	\$ 11,390,458	\$ 4,175,164	\$ -
COMPONENT UNIT:				
School Board	\$ 36,159,788	\$ 644,986	\$ 20,732,765	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle licenses				
Recordation taxes				
Meals tax				
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 assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	
\$ (2,301,897)	\$ -	\$ (2,301,897)	\$ -
(287,861)	-	(287,861)	-
(6,876,408)	-	(6,876,408)	-
5,513,517	-	5,513,517	-
(1,887,979)	-	(1,887,979)	-
(16,939,617)	-	(16,939,617)	-
(744,764)	-	(744,764)	-
(1,201,434)	-	(1,201,434)	-
(3,431,545)	-	(3,431,545)	-
\$ (28,157,988)	\$ -	\$ (28,157,988)	\$ -
\$ -	\$ (1,268,862)	\$ (1,268,862)	\$ -
\$ -	\$ (1,268,862)	\$ (29,426,850)	\$ -
\$ -	\$ -	\$ -	\$ (14,782,037)
18,576,128	-	18,576,128	-
1,343,016	-	1,343,016	-
246,993	-	246,993	-
1,450,388	-	1,450,388	-
552,436	-	552,436	-
231,589	-	231,589	-
793,459	-	793,459	-
802,920	-	802,920	-
2,682,408	-	2,682,408	-
469,926	4,068	473,994	19,995
-	-	-	15,724,841
202,740	253,974	456,714	240,721
(328,214)	328,214	-	-
\$ 27,023,789	\$ 586,256	\$ 27,610,045	\$ 15,985,557
\$ (1,134,199)	\$ (682,606)	\$ (1,816,805)	\$ 1,203,520
57,830,592	16,313,004	74,143,596	24,815,032
\$ 56,696,393	\$ 15,630,398	\$ 72,326,791	\$ 26,018,552

This page intentionally left blank



## **Fund Financial Statements**

This page intentionally left blank

Balance Sheet - Governmental Funds  
At June 30, 2011

	Governmental Funds				
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 25,266,432	\$ 25,411,216	\$ 112,465	\$ 248,788	\$ 51,038,901
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	7,663,256	-	-	-	7,663,256
Accounts	154,517	1,482,934	-	-	1,637,451
Note receivable	501,115	-	-	-	501,115
Restricted cash	1,149,880	1,940,000	700,000	-	3,789,880
Due from other governmental units	1,897,437	1,000,000	-	-	2,897,437
Total assets	\$ 36,632,637	\$ 29,834,150	\$ 812,465	\$ 248,788	\$ 67,528,040
LIABILITIES					
Accounts payable	\$ 864,620	\$ 790,119	\$ -	\$ -	\$ 1,654,739
Due to component unit - School Board	3,006,787	-	-	-	3,006,787
Deferred revenue	7,424,456	-	-	-	7,424,456
Total liabilities	\$ 11,295,863	\$ 790,119	\$ -	\$ -	\$ 12,085,982
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Restricted	1,401,766	14,093,832	-	-	15,495,598
Committed	695,197	4,747,897	112,465	248,788	5,804,347
Assigned	6,050,000	10,202,302	-	-	16,252,302
Unassigned	17,189,811	-	-	-	17,189,811
Total fund balances	\$ 25,336,774	\$ 29,044,031	\$ 812,465	\$ 248,788	\$ 55,442,058
Total liabilities and fund balances	\$ 36,632,637	\$ 29,834,150	\$ 812,465	\$ 248,788	\$ 67,528,040

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

Total fund balances, balance sheet, governmental funds	\$ 55,442,058
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 assets includes those capital assets among the assets of the County as a whole.	71,493,303
Bond issuance costs are reported as expenditures in governmental funds. However, the statement of net assets includes these issuance costs among the assets of the County as a whole.	851,629
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,100,486)
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 deferred revenues in the governmental funds and thus are not included in the fund balance.	1,079,210
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 assets.	(71,069,321)
Net assets of governmental activities	<u>\$ 56,696,393</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, 2011

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 18,354,709	\$ -	\$ -	\$ -	\$ 18,354,709
Other local taxes	5,420,801	-	-	-	5,420,801
Permits, privilege fees and regulatory licenses	459,049	6,488,564	-	-	6,947,613
Fines and forfeitures	237,714	-	-	-	237,714
Revenue from use of money and property	261,010	208,531	-	385	469,926
Charges for services	509,685	-	-	-	509,685
Miscellaneous	128,454	74,286	-	-	202,740
Intergovernmental:					
Commonwealth	5,878,173	-	-	-	5,878,173
Federal	979,399	-	-	-	979,399
Total revenues	\$ 32,228,994	\$ 6,771,381	\$ -	\$ 385	\$ 39,000,760
Expenditures:					
Current:					
General government administration	\$ 2,345,981	\$ 79,248	\$ -	\$ -	\$ 2,425,229
Judicial administration	1,021,657	6,043	-	-	1,027,700
Public safety	7,516,974	4,464,549	-	-	11,981,523
Public works	1,318,553	1,268,582	-	-	2,587,135
Health and welfare	4,100,525	-	-	-	4,100,525
Education	13,668,711	648,848	-	-	14,317,559
Parks, recreation, and cultural	1,164,002	185,971	19,048	-	1,369,021
Community development	1,245,892	192	-	38,129	1,284,213
Debt service:					
Principal retirement	2,713,288	-	-	-	2,713,288
Interest and other fiscal charges	3,342,004	116,638	-	41,384	3,500,026
Total expenditures	\$ 38,437,587	\$ 6,770,071	\$ 19,048	\$ 79,513	\$ 45,306,219
Excess (deficiency) of revenues over expenditures	\$ (6,208,593)	\$ 1,310	\$ (19,048)	\$ (79,128)	\$ (6,305,459)
Other financing sources (uses):					
Transfers in	\$ 4,963,029	\$ -	\$ 1,151	\$ 828,364	\$ 5,792,544
Transfers out	(171,637)	(5,949,121)	-	-	(6,120,758)
Early retirement of indebtedness	-	(2,041,000)	-	(740,000)	(2,781,000)
Long-term debt issued	-	2,155,900	-	-	2,155,900
Total other financing sources (uses)	\$ 4,791,392	\$ (5,834,221)	\$ 1,151	\$ 88,364	\$ (953,314)
Net changes in fund balances	\$ (1,417,201)	\$ (5,832,911)	\$ (17,897)	\$ 9,236	\$ (7,258,773)
Fund balances at beginning of year	26,753,975	34,876,942	830,362	239,552	62,700,831
Fund balances at end of year	\$ 25,336,774	\$ 29,044,031	\$ 812,465	\$ 248,788	\$ 55,442,058

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, 2011

		<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	\$	(7,258,773)
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	\$ 6,279,466	
Depreciation expense	<u>(2,086,242)</u>	4,193,224
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,701,660)
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.		221,419
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Proceeds from issuance of long-term obligations	\$ (2,155,900)	
Amortization of bond premium	39,695	
Amortization of bond issuance costs	(34,065)	
Amortization of deferred amount on refunding	(15,011)	
Principal retired on general obligation and lease revenue bonds	5,244,288	
Principal retired on state literary fund loans	<u>250,000</u>	3,329,007
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 accrued leave	\$ 4,722	
Change in interest payable	<u>77,862</u>	82,584
Change in net assets of governmental activities	\$	<u><u>(1,134,199)</u></u>

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

Statement of Net Assets - Proprietary Fund  
At June 30, 2011

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 4,023,134
Receivables (net of allowance for uncollectibles):	
Accounts receivable	581,887
Restricted cash	<u>913,092</u>
Total Current Assets	\$ <u>5,518,113</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	42,480,921
Equipment	791,809
Construction in progress	551,168
Accumulated depreciation	<u>(10,040,522)</u>
Total Capital Assets	\$ <u>36,045,730</u>
Bond issue costs, net of amortization	\$ <u>505,077</u>
Total Noncurrent Assets	\$ <u>36,550,807</u>
Total Assets	\$ <u><u>42,068,920</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 258,860
Deferred revenue	846,225
Accrued interest payable	227,677
Current portion of long-term obligations	<u>202,268</u>
Total Current Liabilities	\$ <u>1,535,030</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>24,903,492</u>
Total Liabilities	\$ <u>26,438,522</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 12,286,312
Unrestricted assets	<u>3,344,086</u>
Total Net Assets	\$ <u>15,630,398</u>
Total Liabilities and Net Assets	\$ <u><u>42,068,920</u></u>

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

Statement of Revenues, Expenses and Change in Net Assets -  
 Proprietary Fund  
 Year Ended June 30, 2011

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 911,718
Sewer revenues	1,156,796
Availability fees	508,921
Debt fees	1,118,011
Other revenues	<u>253,974</u>
Total operating revenues	\$ <u>3,949,420</u>
Operating expenses:	
Personnel services	\$ 984,738
Fringe benefits	423,065
Contractual services	397,762
Depreciation and amortization	1,125,701
Other operating expenses	<u>868,955</u>
Total operating expenses	\$ <u>3,800,221</u>
Net income (loss) from operations	\$ <u>149,199</u>
Nonoperating revenues (expenses):	
Interest income	\$ 4,068
Interest expense	<u>(1,164,087)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,160,019)</u>
Net income (loss) before transfers	\$ (1,010,820)
Transfers:	
Transfers in	<u>328,214</u>
Change in net assets	\$ (682,606)
Net assets, beginning of year	<u>16,313,004</u>
Net assets, end of year	<u>\$ 15,630,398</u>

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

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2011

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,707,466
Payments to employees (including fringe benefits)	(1,418,786)
Payments for operating activities	<u>(1,361,285)</u>
Net cash provided by operating activities	\$ <u>927,395</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (547,871)
Proceeds from issuance of refunding debt	12,875,388
Costs of issuance of refunding debt	(359,853)
Capital grants and contributions	328,214
Payment to refunded bonds escrow agent	(12,515,535)
Retirement of indebtedness	(120,985)
Interest paid on loans	<u>(1,160,392)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,501,034)</u>
Cash flows from investing activities:	
Interest received	\$ <u>4,068</u>
Net increase (decrease) in cash and cash equivalents	\$ (569,571)
Cash and cash equivalents (including restricted) at beginning of year	<u>5,505,797</u>
Cash and cash equivalents (including restricted) at end of year	\$ <u><u>4,936,226</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 149,199
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,125,701
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(52,469)
(Decrease) in accounts payable and accrued liabilities	(94,568)
(Decrease) in deferred revenue	(189,485)
(Decrease) in compensated absences	<u>(10,983)</u>
Net cash provided by operating activities	\$ <u><u>927,395</u></u>

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



Statement of Fiduciary Net Assets  
At June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,608,225
Accounts receivable	<u>39,629</u>
Total assets	<u>\$ 4,647,854</u>
LIABILITIES	
Accounts payable	\$ 15,416
Amounts held for others	561,747
Amounts held for landfill closure and postclosure costs	3,986,582
Amounts held for social services' clients	<u>84,109</u>
Total liabilities	<u>\$ 4,647,854</u>

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

This page intentionally left blank

## COUNTY OF KING GEORGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2011

---

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

---

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

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

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

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### 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. 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. The Authority does not issue a separate financial report.

Discretely Presented Component Unit - 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 for the fiscal year ended June 30, 2011.

#### Other Related Organizations

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

None

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### **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 County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

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.

##### **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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

##### 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.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

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



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### **D. 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.

#### **E. Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is utilized as part of the County's accounting system.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### F. 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.

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.

#### G. 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.

#### H. 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 \$530,244 at June 30, 2011 and is comprised of the following:

Property taxes	\$ 373,129
Water & sewer accounts	<u>157,115</u>
Total	<u>\$ 530,244</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 5<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, 2011 (Continued)

---

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

---

#### I. Capital Assets:

Capital assets, which include property, plant and equipment, 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 assets lives 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.

Property, plant and equipment 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

#### J. 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 Assets. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### **J. Compensated Absences: (Continued)**

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.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **L. 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.

#### **M. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### **N. Bond Issuance Costs:**

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Costs relative to each bond issue are amortized over the life of the bonds. Amortization expense for the year ended June 30, 2011 totaled \$7,261 in the Enterprise funds and \$34,065 in the Governmental Funds.

#### **O. 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.

#### **P. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

#### **Q. 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 Assets, this scenario presents a dilemma for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### R. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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. Assigned fund balance is established by the Board of Supervisors or the Deputy County Administrator/Finance Director as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

#### R. 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
<b>Restricted for:</b>					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Library expansion	-	4,840,453	-	-	4,840,453
Natatorium	-	2,308,287	-	-	2,308,287
Capital projects	-	6,945,092	-	-	6,945,092
Emergency services grants	251,886	-	-	-	251,886
<b>Total Restricted Fund Balance</b>	<b>\$ 1,401,766</b>	<b>\$ 14,093,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,495,598</b>
<b>Committed to:</b>					
Education	\$ 537,103	\$ -	\$ -	\$ -	\$ 537,103
Wireless project	-	-	-	248,788	248,788
Library	-	-	112,465	-	112,465
Emergency services equipment	-	238,185	-	-	238,185
New high school stadium	-	173,681	-	-	173,681
Government center/animal control/ sheriffs office	-	1,385,905	-	-	1,385,905
Capital projects	-	2,950,126	-	-	2,950,126
Other purposes	158,094	-	-	-	158,094
<b>Total Committed Fund Balance</b>	<b>\$ 695,197</b>	<b>\$ 4,747,897</b>	<b>\$ 112,465</b>	<b>\$ 248,788</b>	<b>\$ 5,804,347</b>
<b>Assigned to:</b>					
Economic development incentives	\$ 4,500,000	\$ -	\$ -	\$ -	\$ 4,500,000
Vehicle maintenance facility improvements	1,290,000	-	-	-	1,290,000
Landfill	-	750,000	-	-	750,000
Capital projects	-	9,452,302	-	-	9,452,302
Other purposes	260,000	-	-	-	260,000
<b>Total Assigned Fund Balance</b>	<b>\$ 6,050,000</b>	<b>\$ 10,202,302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,252,302</b>
<b>Unassigned Fund Balance</b>	<b>\$ 17,189,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,189,811</b>
<b>Total Fund Balances</b>	<b>\$ 25,336,774</b>	<b>\$ 29,044,031</b>	<b>\$ 812,465</b>	<b>\$ 248,788</b>	<b>\$ 55,442,058</b>

### 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, 2011 (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, 2011 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Locality's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AAA	AA+	AA
U.S. Agencies	\$ -	\$ 13,529,206	\$ -	\$ -
Local Government Investment Pool	4,583,817	-	-	-
State Non-Arbitrage Pool	16,509,009	-	-	-
Corporate Notes	-	702,092	799,018	263,434
U.S. Government Corporate Debt	-	523,210	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	16,804,040	-	-
Total	\$ 21,092,826	\$ 31,558,548	\$ 799,018	\$ 263,434

#### 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	Greater Than 10 Years
Repurchase Agreements	\$ 16,804,040	\$ -	\$ 375,959	\$ 16,428,081
Corporate Notes	1,764,544	-	1,764,544	-
U.S. Government Corporate Debt	523,210	523,210	-	-
U.S. Agencies	13,529,206	2,498,211	10,234,644	796,351
U.S. Treasuries	3,130,286	1,633,185	1,497,101	-
Total	\$ 35,751,286	\$ 4,654,606	\$ 13,872,248	\$ 17,224,432



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### 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.

### Note 3—Due From Other Governments:

---

At June 30, 2011, the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	282,313
PPTRA	1,088,066	-
Local sales taxes	111,754	-
Communications tax	61,387	-
Public assistance	30,708	-
Shared expenses	133,396	-
CSA	291,272	-
Fire program	48,517	-
Other	69,337	-
Federal Government:		
School funds	-	730,620
Second chance grant	14,336	-
Public assistance	48,664	-
Totals	<u>\$ 2,897,437</u>	<u>\$ 1,012,933</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 3,006,787	\$ -
School	-	3,006,787
Totals	<u>\$ 3,006,787</u>	<u>\$ 3,006,787</u>

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

### Note 5—Interfund Transfers:

---

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 4,963,029	\$ 171,637
Service Authority	328,214	-
Wireless Project Fund	828,364	-
Permanent Fund	1,151	-
Capital Improvements Fund	-	5,949,121
Total	<u>\$ 6,120,758</u>	<u>\$ 6,120,758</u>

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

### Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2011:

#### Primary Government:

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 5,252,043	\$ 798,763	\$ -	\$ 6,050,806
Construction in progress-jointly owned assets	964,463	289,476	939,740	314,199
Construction in progress	<u>9,372,913</u>	<u>4,289,465</u>	<u>53,140</u>	<u>13,609,238</u>
Total capital assets not being depreciated	<u>\$ 15,589,419</u>	<u>\$ 5,377,704</u>	<u>\$ 992,880</u>	<u>\$ 19,974,243</u>
Capital assets being depreciated:				
Buildings	\$ 11,148,375	\$ 505,870	\$ -	\$ 11,654,245
Equipment	8,008,301	449,032	114,097	8,343,236
Jointly owned assets	<u>45,770,145</u>	<u>939,740</u>	<u>2,164,791</u>	<u>44,545,094</u>
Total capital assets being depreciated	<u>\$ 64,926,821</u>	<u>\$ 1,894,642</u>	<u>\$ 2,278,888</u>	<u>\$ 64,542,575</u>
Less accumulated depreciation for:				
Buildings	\$ 3,646,546	\$ 225,182	\$ -	\$ 3,871,728
Equipment	4,490,273	651,186	114,097	5,027,362
Jointly owned assets	<u>3,377,682</u>	<u>1,209,874</u>	<u>463,131</u>	<u>4,124,425</u>
Total accumulated depreciation	<u>\$ 11,514,501</u>	<u>\$ 2,086,242</u>	<u>\$ 577,228</u>	<u>\$ 13,023,515</u>
Total capital assets being depreciated, net	<u>\$ 53,412,320</u>	<u>\$ (191,600)</u>	<u>\$ 1,701,660</u>	<u>\$ 51,519,060</u>
Governmental activities capital assets, net	<u><u>\$ 69,001,739</u></u>	<u><u>\$ 5,186,104</u></u>	<u><u>\$ 2,694,540</u></u>	<u><u>\$ 71,493,303</u></u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</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>780,835</u>	<u>547,871</u>	<u>777,538</u>	<u>551,168</u>
Total capital assets not being depreciated	<u>\$ 3,043,189</u>	<u>\$ 547,871</u>	<u>\$ 777,538</u>	<u>\$ 2,813,522</u>
Capital assets being depreciated:				
Infrastructure	\$ 41,703,383	\$ 777,538	\$ -	\$ 42,480,921
Equipment	<u>791,809</u>	<u>-</u>	<u>-</u>	<u>791,809</u>
Total capital assets being depreciated	<u>\$ 42,495,192</u>	<u>\$ 777,538</u>	<u>\$ -</u>	<u>\$ 43,272,730</u>
Less accumulated depreciation for:				
Infrastructure	\$ 8,375,402	\$ 1,067,129	\$ -	\$ 9,442,531
Equipment	<u>546,680</u>	<u>51,311</u>	<u>-</u>	<u>597,991</u>
Total accumulated depreciation	<u>\$ 8,922,082</u>	<u>\$ 1,118,440</u>	<u>\$ -</u>	<u>\$ 10,040,522</u>
Total capital assets being depreciated, net	<u>\$ 33,573,110</u>	<u>\$ (340,902)</u>	<u>\$ -</u>	<u>\$ 33,232,208</u>
Business-type activities capital assets, net	<u><u>\$ 36,616,299</u></u>	<u><u>\$ 206,969</u></u>	<u><u>\$ 777,538</u></u>	<u><u>\$ 36,045,730</u></u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

## Note 6—Capital Assets: (Continued)

### Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 173,134	\$ -	\$ -	\$ 173,134
Total capital assets not being depreciated	\$ 173,134	\$ -	\$ -	\$ 173,134
Capital assets, being depreciated:				
Buildings	\$ 26,184,332	\$ -	\$ -	\$ 26,184,332
Equipment	4,329,373	488,037	-	4,817,410
Jointly owned assets	9,452,026	2,164,791	-	11,616,817
Total capital assets being depreciated	\$ 39,965,731	\$ 2,652,828	\$ -	\$ 42,618,559
Less accumulated depreciation for:				
Buildings	\$ 9,677,595	\$ 778,937	\$ -	\$ 10,456,532
Equipment	2,715,049	292,183	-	3,007,232
Jointly owned assets	2,289,892	463,131	-	2,753,023
Total accumulated depreciation	\$ 14,682,536	\$ 1,534,251	\$ -	\$ 16,216,787
Total capital assets being depreciated, net	\$ 25,283,195	\$ 1,118,577	\$ -	\$ 26,401,772
School Board capital assets, net	\$ 25,456,329	\$ 1,118,577	\$ -	\$ 26,574,906

### Reconciliation of primary government net assets invested in capital assets, net of related debt:

Net capital assets	\$ 71,493,303
Long-term debt applicable to capital assets at June 30, 2011	\$ 70,739,071
Less - debt proceeds received but not expended on capital assets at June 30, 2011	(13,883,151)
Net long-term debt, as adjusted	\$ 56,855,920
Net assets invested in capital assets, less related debt	\$ 14,637,383

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

Governmental activities:	
General government	\$ 202,539
Judicial administration	7,593
Public safety	576,714
Public works	28,807
Health and Welfare	31,025
Education	1,209,874
Parks, recreation and cultural	26,822
Community development	<u>2,868</u>
Total	\$ <u>2,086,242</u>
Component Unit-School Board	\$ <u>1,071,120</u> (1)
King George Service Authority	\$ <u>1,118,440</u>
(1) Depreciation expense	\$ 1,071,120
Accumulated depreciation on Joint tenancy asset transfer	<u>463,131</u>
Total increase in accumulated depreciation, page 49	\$ <u>1,534,251</u>

### Note 7—Restricted Assets:

---

Restricted assets at June 30, 2011 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 913,092
Permanent fund corpus	700,000
Natatorium donation	1,940,000
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>4,702,972</u>

### Note 8—Other Assets:

---

#### Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 84,449
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>416,666</u>
Total notes receivable	\$ <u>501,115</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

### Note 8—Other Assets: (Continued)

#### Bond Issuance Costs:

The County's issuance costs for governmental funds are as follows:

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
2004 IDA Bonds	\$ <u>1,021,954</u>	30	\$ <u>34,065</u>	\$ <u>170,325</u>	\$ <u>851,629</u>

The Authority's issuance costs for the VRA bonds are as follows:

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Issuance costs:					
2011 Refunding Bond	\$ 134,227	21	\$ -	\$ -	\$ 134,227
2010 Refunding Bond	152,486	21	7,261	7,261	145,225
2011 Refunding Bond	<u>225,625</u>	23	<u>-</u>	<u>-</u>	<u>225,625</u>
Total	\$ <u>512,338</u>		\$ <u>7,261</u>	\$ <u>7,261</u>	\$ <u>505,077</u>

### Note 9—Long-Term Obligations:

#### Governmental Funds:

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 11,261,764	\$ -	\$ 755,791	\$ 10,505,973	\$ 588,098
Revenue Bonds	59,002,468	2,155,900	3,748,497	57,409,871	1,874,487
Deferred amount on refunding	(330,239)	-	(15,011)	(315,228)	-
Wireless Authority Bonds	740,000	-	740,000	-	-
State Literary Fund Loans	2,250,000	-	250,000	2,000,000	250,000
Compensated Absences	650,200	60,298	65,020	645,478	64,548
Premium on bonds payable	<u>862,922</u>	<u>-</u>	<u>39,695</u>	<u>823,227</u>	<u>39,695</u>
Total	\$ <u>74,437,115</u>	\$ <u>2,216,198</u>	\$ <u>5,583,992</u>	\$ <u>71,069,321</u>	\$ <u>2,816,828</u>

The general fund revenues are used to liquidate compensated absences.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

### 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,	Governmental Funds			
	General Obligation and Revenue Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2012	\$ 2,462,585	\$ 3,185,638	\$ 250,000	\$ 60,000
2013	2,574,220	3,079,659	250,000	52,500
2014	2,676,302	2,972,982	250,000	45,000
2015	2,788,919	2,873,911	250,000	37,500
2016	2,899,200	2,764,206	250,000	30,000
2017	2,359,036	2,650,949	250,000	22,500
2018	2,427,905	2,541,113	250,000	15,000
2019	2,499,633	2,429,483	250,000	7,500
2020	2,571,900	2,317,355	-	-
2021	2,654,728	2,189,440	-	-
2022	2,742,565	2,054,415	-	-
2023	2,839,140	1,916,121	-	-
2024	2,943,029	1,775,411	-	-
2025	3,045,672	1,628,303	-	-
2026	3,153,345	1,473,022	-	-
2027	2,895,189	1,324,900	-	-
2028	3,008,887	1,180,526	-	-
2029	2,744,222	1,041,385	-	-
2030	2,864,846	906,173	-	-
2031	2,983,406	759,771	-	-
2032	3,118,445	607,043	-	-
2033	2,850,433	457,601	-	-
2034	2,997,237	311,150	-	-
2035	1,860,000	190,750	-	-
2036	1,955,000	97,747	-	-
Total	\$ <u>67,915,844</u>	\$ <u>42,729,054</u>	\$ <u>2,000,000</u>	\$ <u>270,000</u>



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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%	\$ 1,845,900	\$ 85,000
\$2,045,000 IDA Revenue Refunding Bonds, issued May 1, 2001 due in various principal annual installments through December 15, 2012, interest payable semiannually at rates ranging from 3.75% to 5.00%	560,000	275,000
\$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%	17,229,871	437,037
\$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%	4,065,100	193,450
\$5,100,000 IDA Lease Revenue Bonds Series 2006, payable in annual installments of \$204,000 through September 1, 2031, interest payable semiannually at 4.75%	4,284,000	204,000
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2036, interest payable semiannually at 4.76%	<u>29,425,000</u>	<u>680,000</u>
Total Revenue Bonds	\$ <u>57,409,871</u>	\$ <u>1,874,487</u>
<u>General Obligation Bonds:</u>		
\$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%.	\$ 4,978,232	\$ 299,489
\$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>5,527,741</u>	<u>288,609</u>
Total General Obligation Bonds	\$ <u>10,505,973</u>	\$ <u>588,098</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>67,915,844</u>	\$ <u>2,462,585</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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%	\$ 2,000,000	\$ 250,000
Compensated Absences	\$ 645,478	\$ 64,548
Premium on bonds payable	\$ 823,227	\$ 39,695
Deferred amount on refunding	\$ (315,228)	\$ -
Total	<u>\$ 71,069,321</u>	<u>\$ 2,816,828</u>

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 306,855	\$ -	\$ 306,855
Total	<u>\$ 306,855</u>	<u>\$ -</u>	<u>\$ 306,855</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, 2011:

<u>Proprietary Funds</u>	<u>Balance July 1, 2010</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Notes Payable	\$ 545,932	\$ -	\$ 44,817	\$ 501,115	\$ 44,817
Virginia Water Facilities Loan	66,215	-	66,215	-	-
VRA Water Revenue Bond	6,255,000	-	5,980,000	275,000	-
VRA Infrastructure Revenue Bonds	5,382,982	-	9,953	5,373,029	57,963
Compensated absences	81,062	4,053	15,036	70,079	10,512
Virginia Revenue Refunding Bond	6,915,000	-	-	6,915,000	-
Water and Sewer Refunding Bonds	5,971,000	11,695,000	5,971,000	11,695,000	-
Deferred amount on refunding	(829,969)	(1,163,806)	(388,450)	(1,605,325)	-
Premium on bonds payable	736,338	1,180,387	34,863	1,881,862	88,976
Total	<u>\$ 25,123,560</u>	<u>\$ 11,715,634</u>	<u>\$ 11,733,434</u>	<u>\$ 25,105,760</u>	<u>\$ 202,268</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

Year Ending June 30,	VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest
2012	\$ -	\$ 14,025	\$ -	\$ 329,161
2013	-	14,025	-	329,161
2014	-	14,025	-	329,161
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>308,550</u>	\$ <u>6,915,000</u>	\$ <u>4,487,850</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

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

Year Ending June 30,	Notes Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 44,817	\$ 3,378	\$ -	\$ 534,716	\$ 57,963	273,711
2013	44,817	2,258	45,000	557,827	60,890	266,782
2014	44,817	1,126	75,000	556,077	62,646	261,269
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	\$ 501,115	\$ 6,762	\$ 11,695,000	\$ 7,691,739	\$ 5,373,029	\$ 3,503,611

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (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>
\$281,498 note payable issued February 2, 2004 payable in annual principal installments of \$28,150 through February 2, 2013, interest at 4.00%	\$ 84,449	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	416,666	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%	5,790,000	-
\$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	-
\$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	-
\$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%	2,285,129	57,963
Total long-term debt	\$ 24,759,144	\$ 102,780
Compensated absences	\$ 70,079	\$ 10,512
Premium on bonds payable	\$ 1,881,862	\$ 88,976
Deferred amount on refunding	\$ (1,605,325)	\$ -
Total long-term obligations	\$ 25,105,760	\$ 202,268

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

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

#### Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2011:

	<u>Amounts Payable July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Capital Leases	\$ 327,375	\$ -	\$ 128,769	\$ 198,606	\$ 134,919
Other post employment benefits	139,652	102,774	58,000	184,426	-
Compensated absences payable	<u>277,396</u>	<u>34,953</u>	<u>27,740</u>	<u>284,609</u>	<u>28,461</u>
Total	<u>\$ 744,423</u>	<u>\$ 137,727</u>	<u>\$ 214,509</u>	<u>\$ 667,641</u>	<u>\$ 163,380</u>

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

<u>Year Ending June 30,</u>	<u>Component Unit School Board</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 134,919	\$ 9,430
2013	31,113	2,987
2014	<u>32,574</u>	<u>1,527</u>
Total	<u>\$ 198,606</u>	<u>\$ 13,944</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Capital Lease Obligations:		
\$479,970 lease obligation due in annual installments of \$110,249 through June 14, 2012, interest payable annually at 4.80%, secured by school buses	\$ 105,200	\$ 105,200
\$148,910 lease obligation due in annual installments of \$34,100 through July 18, 2013, interest payable annually at 4.96%, secured by school buses	93,406	29,719
Total Capital Lease Obligations	\$ 198,606	\$ 134,919
Compensated Absences	\$ 284,609	\$ 28,461
Other post employment benefits	184,426	-
Total	<u>\$ 667,641</u>	<u>\$ 163,380</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

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

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 628,880	\$ 52,407	\$ 197,219
Total	<u>\$ 628,880</u>	<u>\$ 52,407</u>	<u>\$ 197,219</u>

### Note 10—Claims, Judgments, and Compensated Absences:

---

In accordance with GASB statement 16 “Accounting and Financial Reporting Principal for Claims and Judgments and 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>645,478</u>
King George Service Authority	\$ <u>70,079</u>
Component Unit School Board	\$ <u>284,609</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 11–Deferred Revenue/Unearned Revenue:

---

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

<b>Government-wide Statements</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Deferred property tax revenue:	
Deferred revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 6,345,246 \$ -
Prepaid connections	- 846,225
Total unearned revenue	\$ 6,345,246 \$ 846,225
<b>Balance Sheet</b>	
<b>Governmental Funds</b>	
Deferred property tax revenue:	
Deferred 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.	\$ 7,424,456
Total deferred revenue	\$ 7,424,456

### Note 12–Litigation:

---

At June 30, 2011, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 13—Defined Benefit Pension Plan:

---

#### A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

The County contributes to the Virginia Retirement System (VRS).

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 13—Defined Benefit Pension Plan:

---

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### 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. 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 2011 were 8.06% and 7.09% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$706,283, \$1,191,593 and \$1,570,458 to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009. The contribution rate for 2009 was 8.81%. The contribution rate from July 2009 through March 2010 was 8.81% while the rate was 0.00% for April through June 2010 and 3.93% in 2011.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

### Note 13—Defined Benefit Pension Plan: (Continued)

#### C. Annual Pension Cost:

For fiscal year 2011, the County's annual pension cost of \$647,124 was equal to the County's required and actual contributions.

For fiscal year 2011, the School Board's annual pension cost for the non-professional employees was \$155,974, which was equal to the Board's required and actual contributions.

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2011	\$	647,124	100%	\$	-
June 30, 2010		649,665	100%		-
June 30, 2009		650,560	100%		-
School Board:					
Non-professional:					
June 30, 2011	\$	155,974	100%	\$	-
June 30, 2010		174,060	100%		-
June 30, 2009		178,971	100%		-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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. 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 payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 79.82% funded. The actuarial accrued liability for benefits was \$23,273,507, and the actuarial value of assets was \$18,577,561, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,695,946. The covered payroll (annual payroll of active employees covered by the plan) was \$8,151,639, and ratio of the UAAL to the covered payroll was 57.61%.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

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

---

#### **D. Funded Status and Funding Progress: (Continued)**

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 82.25% funded. The actuarial accrued liability for benefits was \$4,870,106, and the actuarial value of assets was \$4,005,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$864,511. The covered payroll (annual payroll of active employees covered by the plan) was \$2,137,036, and ratio of the UAAL to the covered payroll was 40.45%.

The schedule of funding progress, presented as Required Supplementary Information 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:**

---

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

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

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

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

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

---

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2011 the County has set aside escrow funds in the amount of \$3,986,582 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 16—Commitments and Contingencies:

---

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:

---

At June 30, 2011 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Medical examiner	\$ -	\$ 40	\$ (40)
Capital Projects Fund:			
Courthouse roof project	-	54	(54)
Vehicle maintenance facility	1,250,000	1,253,788	(3,788)
Interest and fiscal charges	-	116,638	(116,638)
School Operating Fund:			
Administration, attendance and health	1,054,179	1,059,997	(5,818)

### Note 18—Surety Bond:

---

	<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
Faye Lumpkin, 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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 19—Construction Commitments:

---

At June 30, 2011 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2011</u>	<u>Contract Balance</u>
King George Sheriff's Office	\$ 7,438,450	\$ 5,682,646	\$ 1,755,804
Oakland Park WWTP/Purkins Corner WWTP	<u>960,000</u>	<u>123,738</u>	<u>836,262</u>
Total	<u>\$ 8,398,450</u>	<u>\$ 5,806,384</u>	<u>\$ 2,592,066</u>

### Note 20—Debt Refunding:

---

On May 2, 2011 the County of King George, Virginia issued \$5,790,000 in Water and Sewer Revenue Refunding Bonds, with an effective interest rate ranging from 2.125% to 5.125%. The bonds were issued to refund \$5,971,000 of Water and Sewer Refunding Bonds. The bonds will be repaid in various installments beginning October 1, 2011 to 2033. The reacquisition price exceeded the carrying amount of the old debt by \$99,583. The current refunding increased the total debt service payments over the next 23 years by \$1,511,197 and resulted in an economic gain of \$184,481.

On October 23, 2010 the County of King George, Virginia issued \$5,905,000 in Water and Sewer Revenue Refunding Bonds, Series, 2010 with an effective interest rate ranging from 4.1% to 5.1%. The Series 2010 bonds were issued to refund \$5,980,000 of VRA Revenue Bonds. The bonds will be repaid in various installments beginning October 1, 2014 to October 1, 2031. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$464,950. The advance refunding reduced the total debt service payments over the next 22 years by \$344,301 and resulted in an economic gain of \$180,110. At June 30, 2011 the defeased bonds had balances outstanding of \$5,980,000.

In prior years, the County defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2011, \$20,759,561 of bonds outstanding are considered defeased from refunding transactions in prior years.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 21—Other Post-Employment Benefit Program:

---

#### School Board:

##### A. Plan Description:

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

##### B. Funding Policy:

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

##### 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	\$	102,200
Interest on net OPEB obligation		5,586
Adjustment to annual required contribution		(5,012)
Annual OPEB cost (expense)	\$	102,774
Contributions made		(58,000)
Increase in net OPEB obligation	\$	44,774
Net OPEB obligation-beginning of year		139,652
Net OPEB obligation-end of year	\$	<u>184,426</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### Note 21—Other Post-Employment Benefit Program: (Continued)

---

#### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 102,774	56.43%	184,426
June 30, 2010	108,452	\$ 32.73%	\$ 139,652
June 30, 2009	105,400	36.72%	66,700

#### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011 is as follows:

Actuarial accrued liability (AAL)	\$ 824,400
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	824,400
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	21,202,100
UAAL as a percentage of covered payroll	3.89%

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.

#### 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.



## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### **Note 21—Other Post-Employment Benefit Program: (Continued)**

---

#### **C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

##### 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.

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, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.40% initially, reduced by decrements to an ultimate rate of 4.70% after eighty years. Both rates included a 3.75% 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, 2011, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 4.00%
Payroll growth	3.75%

The County does not offer other post employment benefits to its employees.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2011 (Continued)

---

### **Note 22—Health Insurance Credit Program-Other Post-Employment Benefit Program (OPEB):**

---

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

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 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, 2011 and 2010 were \$107,830 and \$187,279 respectively and equaled the required contributions for each year.

### **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.

This page intentionally left blank

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2011

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 17,453,211	\$ 17,453,211	\$ 18,354,709	\$ 901,498
Other local taxes	4,979,711	4,979,711	5,420,801	441,090
Permits, privilege fees and regulatory licenses	401,300	401,300	459,049	57,749
Fines and forfeitures	244,000	244,000	237,714	(6,286)
Revenue from use of money and property	525,580	525,580	261,010	(264,570)
Charges for services	399,800	482,395	509,685	27,290
Miscellaneous	167,900	196,650	128,454	(68,196)
Recovered costs	175,000	175,000	-	(175,000)
Intergovernmental:				
Commonwealth	6,095,135	6,390,509	5,878,173	(512,336)
Federal	950,156	1,142,156	979,399	(162,757)
Total revenues	\$ 31,391,793	\$ 31,990,512	\$ 32,228,994	\$ 238,482
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 62,595	\$ 67,595	\$ 66,802	\$ 793
General and financial administration:				
County administration	\$ 384,805	\$ 387,370	\$ 380,158	\$ 7,212
Legal services	100,642	100,642	93,734	6,908
Human resources	28,619	19,204	15,460	3,744
Commissioner of the Revenue	376,870	376,870	371,322	5,548
Treasurer	304,683	304,683	295,220	9,463
Information technology	242,301	235,601	211,119	24,482
Department of finance	771,872	782,317	777,094	5,223
Total general and financial administration	\$ 2,209,792	\$ 2,206,687	\$ 2,144,107	\$ 62,580
Board of Elections:				
Electoral board and officials	\$ 33,543	\$ 33,543	\$ 29,618	\$ 3,925
Registrar	115,817	115,817	105,454	10,363
Total board of elections	\$ 149,360	\$ 149,360	\$ 135,072	\$ 14,288
Total general government administration	\$ 2,421,747	\$ 2,423,642	\$ 2,345,981	\$ 77,661

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2011 (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	\$ 87,133	\$ 87,133	\$ 46,867	\$ 40,266
Combined courts	21,522	21,522	18,199	3,323
Magistrates	3,650	3,650	3,367	283
Clerk of the circuit court	395,454	423,878	415,646	8,232
Law library	3,500	3,500	-	3,500
Victim assistance program	22,629	22,629	18,612	4,017
Total courts	\$ 533,888	\$ 562,312	\$ 502,691	\$ 59,621
Commonwealth's attorney:				
Commonwealth's attorney	\$ 521,152	\$ 520,952	\$ 518,966	\$ 1,986
Total judicial administration	\$ 1,055,040	\$ 1,083,264	\$ 1,021,657	\$ 61,607
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,027,781	\$ 3,028,781	\$ 2,930,503	\$ 98,278
VJCCCA / CHINS	54,536	54,536	54,270	266
E-911	582,868	582,868	559,145	23,723
Law enforcement	22,200	24,000	6,700	17,300
Public safety grants	15,500	90,500	62,940	27,560
Total law enforcement and traffic control	\$ 3,702,885	\$ 3,780,685	\$ 3,613,558	\$ 167,127
Fire and rescue services:				
Emergency services	\$ 2,013,996	\$ 2,033,867	\$ 1,997,248	\$ 36,619
Ambulance services	28,800	28,800	28,012	788
Fire and rescue grants	130,320	334,532	82,667	251,865
King George fire and rescue	359,264	361,502	327,362	34,140
Total fire and rescue services	\$ 2,532,380	\$ 2,758,701	\$ 2,435,289	\$ 323,412
Correction and detention:				
Juvenile detention	\$ 215,583	\$ 245,503	\$ 241,954	\$ 3,549
Regional jail	1,032,349	1,007,473	1,007,473	-
Court service unit - juvenile court	3,190	3,190	3,179	11
Total correction and detention	\$ 1,251,122	\$ 1,256,166	\$ 1,252,606	\$ 3,560

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2011 (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	\$ 192,723	\$ 215,623	\$ 215,481	\$ 142
Medical examiner	-	-	40	(40)
Total other protection	\$ 192,723	\$ 215,623	\$ 215,521	\$ 102
Total public safety	\$ 7,679,110	\$ 8,011,175	\$ 7,516,974	\$ 494,201
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 105,781	\$ 105,881	\$ 98,753	\$ 7,128
Sanitation and waste removal:				
Landfill	\$ 218,325	\$ 220,625	\$ 220,529	\$ 96
Maintenance of general buildings and grounds:				
General properties	\$ 928,355	\$ 936,655	\$ 911,206	\$ 25,449
Miscellaneous	93,500	101,450	40,656	60,794
Citizen's center	46,299	47,499	47,409	90
Total maintenance of general buildings and grounds	\$ 1,068,154	\$ 1,085,604	\$ 999,271	\$ 86,333
Total public works	\$ 1,392,260	\$ 1,412,110	\$ 1,318,553	\$ 93,557
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	\$ 2,455,628	\$ 2,458,528	\$ 1,879,019	\$ 579,509
Comprehensive services	1,510,640	1,840,640	1,836,416	4,224
Total welfare	\$ 3,966,268	\$ 4,299,168	\$ 3,715,435	\$ 583,733
Total health and welfare	\$ 4,351,358	\$ 4,684,258	\$ 4,100,525	\$ 583,733

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2011 (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	14,718,089	14,217,545	13,663,809	553,736
Total education	\$ 14,722,991	\$ 14,222,447	\$ 13,668,711	\$ 553,736
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 287,755	\$ 287,755	\$ 284,137	\$ 3,618
Bluemont concert series	8,000	8,000	8,000	-
Recreation programs and events	321,239	421,135	384,531	36,604
Total parks and recreation	\$ 616,994	\$ 716,890	\$ 676,668	\$ 40,222
Library:				
Library	\$ 502,102	\$ 502,102	\$ 487,334	\$ 14,768
Total parks, recreation and cultural	\$ 1,119,096	\$ 1,218,992	\$ 1,164,002	\$ 54,990
Community development:				
Planning and community development:				
Community development	\$ 722,993	\$ 722,993	\$ 670,908	\$ 52,085
Economic development	161,549	162,649	132,243	30,406
Planning / community zoning boards	26,765	26,765	10,266	16,499
Community organizations	305,132	310,132	308,007	2,125
Total planning and community development	\$ 1,216,439	\$ 1,222,539	\$ 1,121,424	\$ 101,115
Environmental management:				
Litter control	\$ -	\$ 6,200	\$ 6,198	\$ 2
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 32,248	\$ 38,448	\$ 38,446	\$ 2



Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2011 (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	\$ 107,327	\$ 102,327	\$ 86,022	\$ 16,305
Total community development	\$ 1,356,014	\$ 1,363,314	\$ 1,245,892	\$ 117,422
Debt service:				
Principal retirement	\$ 2,726,241	\$ 2,716,287	\$ 2,713,288	\$ 2,999
Interest and fiscal charges	3,486,788	3,373,236	3,342,004	31,232
Total debt service	\$ 6,213,029	\$ 6,089,523	\$ 6,055,292	\$ 34,231
Total expenditures	\$ 40,310,645	\$ 40,508,725	\$ 38,437,587	\$ 2,071,138
Excess (deficiency) of revenues over expenditures	\$ (8,918,852)	\$ (8,518,213)	\$ (6,208,593)	\$ 2,309,620
Other financing sources (uses):				
Operating transfers in	\$ 6,213,029	\$ 4,963,029	\$ 4,963,029	\$ -
Operating transfers (out)	(46,980)	(170,486)	(171,637)	(1,151)
Total other financing sources (uses)	\$ 6,166,049	\$ 4,792,543	\$ 4,791,392	\$ (1,151)
Net changes in fund balance	\$ (2,752,803)	\$ (3,725,670)	\$ (1,417,201)	\$ 2,308,469
Fund balance at beginning of year	2,752,803	3,725,670	26,753,975	23,028,305
Fund balance at end of year	\$ -	\$ -	\$ 25,336,774	\$ 25,336,774

Schedule of Pension and OPEB Funding Progress  
Last Three Fiscal Years

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 18,577,561	\$ 23,273,507	\$ 4,695,946	79.82%	\$ 8,151,639	57.61%
6/30/2009	17,647,777	20,356,701	2,708,924	86.69%	8,113,892	33.39%
6/30/2008	16,419,383	19,035,779	2,616,396	86.26%	8,242,742	31.74%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 4,005,595	\$ 4,870,106	\$ 864,511	82.25%	\$ 2,137,036	40.45%
6/30/2009	3,715,531	4,234,954	519,423	87.73%	2,193,292	23.68%
6/30/2008	3,335,949	3,881,182	545,233	85.95%	2,175,928	25.06%

**Other Post Employment Benefits:**  
**Discretely Presented Component Unit - School Board:**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2009	\$ -	\$ 684,300	\$ 684,300	0.00%	\$ 20,991,600	3.26%
1/1/2011	-	824,400	824,400	0.00%	21,202,100	3.89%

**OTHER SUPPLEMENTARY INFORMATION**

This page intentionally left blank

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

This page intentionally left blank

Capital Improvements Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,940,000	\$ 6,940,000	\$ 6,488,564	\$ (451,436)
Revenue from use of money and property	320,000	320,000	208,531	(111,469)
Miscellaneous	-	-	74,286	74,286
Total revenues	<u>\$ 7,260,000</u>	<u>\$ 7,260,000</u>	<u>\$ 6,771,381</u>	<u>\$ (488,619)</u>
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 65,000	\$ 46,496	\$ 18,504
Total general government administration	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 46,496</u>	<u>\$ 18,504</u>
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 40,757	\$ 36,250	\$ 4,507
Vehicle acquisition - EMS	-	572,496	324,766	247,730
Total public safety	<u>\$ -</u>	<u>\$ 613,253</u>	<u>\$ 361,016</u>	<u>\$ 252,237</u>
Education:				
Equipment additions	\$ -	\$ 467,870	\$ 359,372	\$ 108,498
Total education	<u>\$ -</u>	<u>\$ 467,870</u>	<u>\$ 359,372</u>	<u>\$ 108,498</u>
Capital projects:				
General government administration:				
Construction program	\$ 842,263	\$ 2,700,281	\$ -	\$ 2,700,281
Operations and human services center	-	300,000	-	300,000
Land purchase	-	11,606	6,249	5,357
County complex	-	1,507,762	26,503	1,481,259
Total general government administration	<u>\$ 842,263</u>	<u>\$ 4,519,649</u>	<u>\$ 32,752</u>	<u>\$ 4,486,897</u>
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 93,815	\$ 5,989	\$ 87,826
Courthouse roof project	-	-	54	(54)
Total judicial administration	<u>\$ -</u>	<u>\$ 93,815</u>	<u>\$ 6,043</u>	<u>\$ 87,772</u>
Public safety:				
Sheriff's office at county complex	\$ -	\$ 6,858,917	\$ 4,082,545	\$ 2,776,372
Animal pound	-	109,930	20,988	88,942
Total public safety	<u>\$ -</u>	<u>\$ 6,968,847</u>	<u>\$ 4,103,533</u>	<u>\$ 2,865,314</u>
Public works:				
New service authority facility	\$ -	\$ 21,481	\$ 14,621	\$ 6,860
Purkins corner landfill site	-	90,000	173	89,827
Vehicle maintenance facility	-	1,250,000	1,253,788	(3,788)
Total public works	<u>\$ -</u>	<u>\$ 1,361,481</u>	<u>\$ 1,268,582</u>	<u>\$ 92,899</u>

## Capital Improvements Fund

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

Year Ended June 30, 2011 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Connecting roads high school/middle school	\$ -	\$ 25,000	\$ -	\$ 25,000
New high school stadium	-	1,255,184	258,790	996,394
New high school irrigation well	-	59,027	11,186	47,841
Roof admin complex	-	342,297	-	342,297
Middle school HVAC	-	25,000	-	25,000
Old high school renovations	-	124,418	-	124,418
High school vo-tech wing	-	3,222	-	3,222
Tennis courts - old high school	-	10,795	10,750	45
Potomac elementary school renovations	-	273,557	8,750	264,807
Ralph Bunche renovations	-	13,512	-	13,512
Total education	\$ -	\$ 2,132,012	\$ 289,476	\$ 1,842,536
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 402,505	\$ 3,923	\$ 398,582
Library expansion	-	5,039,929	182,048	4,857,881
Total parks and recreation	\$ -	\$ 5,442,434	\$ 185,971	\$ 5,256,463
Community development:				
Citizens center renovations	\$ -	\$ 10,728	\$ -	\$ 10,728
Anglewood project	-	82,573	192	82,381
Total community development	\$ -	\$ 93,301	\$ 192	\$ 93,109
Debt service:				
Interest and fiscal charges	\$ -	\$ -	\$ 116,638	(116,638)
Total expenditures	\$ 842,263	\$ 21,757,662	\$ 6,770,071	\$ 14,987,591
Excess (deficiency) of revenues over expenditures	\$ 6,417,737	\$ (14,497,662)	\$ 1,310	\$ 14,498,972
Other financing sources (uses):				
Transfers (out)	\$ (6,417,737)	\$ (5,167,737)	\$ (5,949,121)	\$ (781,384)
Early retirement of indebtedness	-	-	(2,041,000)	(2,041,000)
Long-term debt issued	-	-	2,155,900	2,155,900
Net changes in fund balance	\$ -	\$ (19,665,399)	\$ (5,832,911)	\$ 13,832,488
Fund balance at beginning of year	-	19,665,399	34,876,942	15,211,543
Fund balance at end of year	\$ -	\$ -	\$ 29,044,031	\$ 29,044,031



Combining Statement of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2011

---

	<b>Special Welfare Fund</b>	<b>Payroll Taxes Fund</b>	<b>Landfill Escrow Fund</b>	<b>EDA Fund</b>	<b>Totals</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 84,109	\$ -	\$ 3,986,582	\$ 537,534	\$ 4,608,225
Accounts receivable	<u>-</u>	<u>39,629</u>	<u>-</u>	<u>-</u>	<u>39,629</u>
Total assets	<u>\$ 84,109</u>	<u>\$ 39,629</u>	<u>\$ 3,986,582</u>	<u>\$ 537,534</u>	<u>\$ 4,647,854</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 15,416	\$ 15,416
Amounts held for others	-	39,629	-	522,118	561,747
Amounts held for landfill closure and postclosure costs	-	-	3,986,582	-	3,986,582
Amounts held for social services' clients	<u>84,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,109</u>
Total liabilities	<u>\$ 84,109</u>	<u>\$ 39,629</u>	<u>\$ 3,986,582</u>	<u>\$ 537,534</u>	<u>\$ 4,647,854</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2011

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ <u>41,149</u>	\$ <u>69,217</u>	\$ <u>26,257</u>	\$ <u>84,109</u>
Liabilities:				
Amounts held for social services' clients	\$ <u>41,149</u>	\$ <u>69,217</u>	\$ <u>26,257</u>	\$ <u>84,109</u>
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,226,469	\$ 1,226,469	\$ -
Accounts receivable	<u>48,616</u>	<u>39,629</u>	<u>48,616</u>	<u>39,629</u>
Total assets	\$ <u>48,616</u>	\$ <u>1,266,098</u>	\$ <u>1,275,085</u>	\$ <u>39,629</u>
Liabilities:				
Amounts held for others	\$ <u>48,616</u>	\$ <u>1,266,098</u>	\$ <u>1,275,085</u>	\$ <u>39,629</u>
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ <u>3,990,513</u>	\$ -	\$ <u>3,931</u>	\$ <u>3,986,582</u>
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ <u>3,990,513</u>	\$ -	\$ <u>3,931</u>	\$ <u>3,986,582</u>
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ <u>1,156,980</u>	\$ <u>45,146</u>	\$ <u>664,592</u>	\$ <u>537,534</u>
Liabilities:				
Accounts payable	\$ 23,225	\$ 15,416	\$ 23,225	\$ 15,416
Amounts held for others	<u>1,133,755</u>	<u>29,730</u>	<u>641,367</u>	<u>522,118</u>
Total liabilities	\$ <u>1,156,980</u>	\$ <u>45,146</u>	\$ <u>664,592</u>	\$ <u>537,534</u>
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 5,188,642	\$ 1,340,832	\$ 1,921,249	\$ 4,608,225
Accounts receivable	<u>48,616</u>	<u>39,629</u>	<u>48,616</u>	<u>39,629</u>
Total assets	\$ <u>5,237,258</u>	\$ <u>1,380,461</u>	\$ <u>1,969,865</u>	\$ <u>4,647,854</u>
Liabilities:				
Accounts payable	\$ 23,225	\$ 15,416	\$ 23,225	\$ 15,416
Amounts held for social services' clients	41,149	69,217	26,257	84,109
Amounts held for landfill closure and postclosure costs	3,990,513	-	3,931	3,986,582
Amounts held for others	<u>1,182,371</u>	<u>1,295,828</u>	<u>1,916,452</u>	<u>561,747</u>
Total liabilities	\$ <u>5,237,258</u>	\$ <u>1,380,461</u>	\$ <u>1,969,865</u>	\$ <u>4,647,854</u>

## **Discretely Presented Component Unit-School Board**

This page intentionally left blank

Balance Sheet - Discretely Presented Component Unit - School Board  
At June 30, 2011

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,000	\$ 164,927	\$ 166,927
Due from primary government	3,006,787	-	3,006,787
Due from other governmental units	<u>986,497</u>	<u>26,436</u>	<u>1,012,933</u>
Total assets	<u>\$ 3,995,284</u>	<u>\$ 191,363</u>	<u>\$ 4,186,647</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 514,451	\$ 123	\$ 514,574
Accrued liabilities	<u>3,478,833</u>	<u>81,953</u>	<u>3,560,786</u>
Total liabilities	<u>\$ 3,993,284</u>	<u>\$ 82,076</u>	<u>\$ 4,075,360</u>
<b>FUND BALANCES</b>			
Committed - cafeteria	\$ -	\$ 109,287	\$ 109,287
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 109,287</u>	<u>\$ 111,287</u>
Total liabilities and fund balances	<u>\$ 3,995,284</u>	<u>\$ 191,363</u>	<u>\$ 4,186,647</u>

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

Total fund balances, balance sheet, governmental funds \$ 111,287

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 assets includes those capital assets among the assets of the School Board as a whole.

26,574,906

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 assets.

(667,641)

Net assets of Governmental Activities \$ 26,018,552

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2011

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 19,995	\$ -	\$ 19,995
Charges for services	25,221	619,765	644,986
Miscellaneous	226,184	14,537	240,721
Intergovernmental:			
County contribution to School Board	13,663,809	-	13,663,809
Commonwealth	17,258,061	16,120	17,274,181
Federal	<u>2,848,235</u>	<u>610,349</u>	<u>3,458,584</u>
Total revenues	<u>\$ 34,041,505</u>	<u>\$ 1,260,771</u>	<u>\$ 35,302,276</u>
Expenditures:			
Current:			
Education	\$ 33,897,156	\$ 1,252,610	\$ 35,149,766
Debt service:			
Principal retirement	128,769	-	128,769
Interest and fiscal charges	<u>15,580</u>	<u>-</u>	<u>15,580</u>
Total expenditures	<u>\$ 34,041,505</u>	<u>\$ 1,252,610</u>	<u>\$ 35,294,115</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 8,161	\$ 8,161
Net changes in fund balances	\$ -	\$ 8,161	\$ 8,161
Fund balances at beginning of year	<u>2,000</u>	<u>101,126</u>	<u>103,126</u>
Fund balances at end of year	<u>\$ 2,000</u>	<u>\$ 109,287</u>	<u>\$ 111,287</u>

Reconciliation of Schedule of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit - School Board  
Year Ended June 30, 2011

**Component  
Unit  
School  
Board**

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

Net changes in fund balances - total governmental funds \$ 8,161

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 capital outlays exceeded depreciation in the current period is computed as follows:

Capital additions	\$ 488,037	
Depreciation expense	<u>(1,071,120)</u>	(583,083)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:

Other post employment benefits	(44,774)
Principal retired on capital lease obligations	128,769

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. This amount reflects the change in accrued leave.

(7,213)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board

1,701,660

Change in net assets of governmental activities

\$ 1,203,520

**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, 2011

	<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	\$ 10,000	\$ 10,000	\$ 19,995	\$ 9,995
Charges for services	26,000	28,858	25,221	(3,637)
Miscellaneous	60,000	217,084	226,184	9,100
Intergovernmental:				
County contribution to School Board	14,718,089	14,217,545	13,663,809	(553,736)
Commonwealth	17,046,877	17,251,628	17,258,061	6,433
Federal	2,139,035	3,427,142	2,848,235	(578,907)
Total revenues	\$ 34,000,001	\$ 35,152,257	\$ 34,041,505	\$ (1,110,752)
Expenditures:				
Current:				
Instruction	\$ 25,071,897	\$ 25,998,813	\$ 25,242,923	\$ 755,890
Administration, attendance and health	1,054,179	1,054,179	1,059,997	(5,818)
Pupil transportation	2,551,942	2,535,811	2,404,342	131,469
Operation and maintenance	3,431,867	3,468,840	3,430,855	37,985
School food service costs	-	-	-	-
Facilities	181,766	182,754	105,036	77,718
Technology	1,564,001	1,767,511	1,654,003	113,508
Total education	\$ 33,855,652	\$ 35,007,908	\$ 33,897,156	\$ 1,110,752
Debt service:				
Principal retirement	128,769	128,769	128,769	-
Interest and fiscal charges	15,580	15,580	15,580	-
Total expenditures	\$ 34,000,001	\$ 35,152,257	\$ 34,041,505	\$ 1,110,752
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -
Net changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	2,000	2,000
Fund balances at end of year	\$ -	\$ -	\$ 2,000	\$ 2,000



Exhibit 18

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
782,100	782,100	619,765	(162,335)
5,000	5,000	14,537	9,537
-	-	-	-
19,396	19,396	16,120	(3,276)
510,000	510,000	610,349	100,349
\$ 1,316,496	\$ 1,316,496	\$ 1,260,771	\$ (55,725)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,316,496	1,316,496	1,252,610	63,886
-	-	-	-
-	-	-	-
\$ 1,316,496	\$ 1,316,496	\$ 1,252,610	\$ 63,886
-	-	-	-
-	-	-	-
\$ 1,316,496	\$ 1,316,496	\$ 1,252,610	\$ 63,886
\$ -	\$ -	\$ 8,161	\$ 8,161
\$ -	\$ -	\$ 8,161	\$ 8,161
-	-	101,126	101,126
\$ -	\$ -	\$ 109,287	\$ 109,287

This page intentionally left blank

## **Supporting Schedules**

This page intentionally left blank

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011

<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	\$ 11,712,462	\$ 11,712,462	\$ 12,590,485	\$ 878,023
Public service taxes	1,330,085	1,330,085	1,479,668	149,583
Personal property taxes	3,985,828	3,985,828	3,787,025	(198,803)
Mobile home taxes	23,520	23,520	22,263	(1,257)
Machinery and tools taxes	141,316	141,316	158,773	17,457
Penalties	160,000	160,000	205,216	45,216
Interest	100,000	100,000	111,279	11,279
Total general property taxes	\$ 17,453,211	\$ 17,453,211	\$ 18,354,709	\$ 901,498
Other local taxes:				
Local sales and use taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,343,016	\$ 43,016
Consumer utility taxes	220,000	220,000	246,993	26,993
Local consumption tax	65,000	65,000	78,774	13,774
Business license taxes	1,100,000	1,100,000	1,450,388	350,388
Motor vehicle licenses	500,761	500,761	552,436	51,675
Bank franchise taxes	70,000	70,000	54,265	(15,735)
Recordation taxes	350,000	350,000	231,589	(118,411)
Local tax from clerk	61,570	61,570	71,943	10,373
Interest on fines	2,800	2,800	3,203	403
Transient occupancy tax	110,000	110,000	140,181	30,181
Meals tax	719,580	719,580	793,459	73,879
Ambulance fees	480,000	480,000	454,554	(25,446)
Total other local taxes	\$ 4,979,711	\$ 4,979,711	\$ 5,420,801	\$ 441,090
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 6,062	\$ (438)
Building and related permits	115,000	115,000	182,374	67,374
Landfill inspection fees	188,000	188,000	191,330	3,330
Other permits and licenses	91,800	91,800	79,283	(12,517)
Total permits, privilege fees and regulatory licenses	\$ 401,300	\$ 401,300	\$ 459,049	\$ 57,749
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 244,000	\$ 244,000	\$ 237,714	\$ (6,286)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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	\$ 466,530	\$ 466,530	\$ 197,379	\$ (269,151)
Revenue from use of property	59,050	59,050	63,631	4,581
Total revenue from use of money and property	\$ 525,580	\$ 525,580	\$ 261,010	\$ (264,570)
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ 1,055	\$ 134
Law library fees	600	600	4,037	3,437
Local court appointed attorney fees	2,000	2,000	2,843	843
Courthouse maintenance fees	10,400	10,400	28,767	18,367
Commonwealth attorney fees	1,180	1,180	2,080	900
Courthouse security personnel fee	60,000	60,000	51,266	(8,734)
Jail admission fee	3,000	3,000	3,465	465
Charges for parks and recreation	321,239	403,834	412,729	8,895
Charges for maps / publications	460	460	1,990	1,530
Other charges for services	-	-	1,453	1,453
Total charges for services	\$ 399,800	\$ 482,395	\$ 509,685	\$ 27,290
Miscellaneous revenue:				
Miscellaneous	\$ 137,900	\$ 166,650	\$ 96,280	\$ (70,370)
Insurance recoveries	30,000	30,000	32,174	2,174
Total miscellaneous revenue	\$ 167,900	\$ 196,650	\$ 128,454	\$ (68,196)
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	-	(175,000)
Total revenue from local sources	\$ 24,346,502	\$ 24,457,847	\$ 25,371,422	\$ 913,575

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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 the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,000	\$ 3,000	\$ 3,654	\$ 654
Mobile home titling taxes	15,490	15,490	9,819	(5,671)
Recordation tax	90,000	90,000	96,488	6,488
Auto rental tax	25,000	25,000	21,464	(3,536)
Communication tax	400,000	400,000	403,115	3,115
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,681,358	\$ 2,681,358	\$ 2,682,408	\$ 1,050
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 248,697	\$ 248,697	\$ 240,594	\$ (8,103)
Sheriff	921,471	921,471	896,559	(24,912)
Commissioner of the Revenue	105,847	105,847	106,674	827
Treasurer	81,726	81,726	81,693	(33)
Registrar/electoral board	39,501	39,501	35,233	(4,268)
Clerk of the Circuit Court	198,636	198,636	199,173	537
Total shared expenses	\$ 1,595,878	\$ 1,595,878	\$ 1,559,926	\$ (35,952)
Other categorical aid:				
Welfare administration and assistance	\$ 630,405	\$ 630,405	\$ 373,590	\$ (256,815)
Litter control	-	6,200	6,200	-
Four for life funds	25,000	25,000	25,584	584
Comprehensive services	907,858	1,115,758	962,800	(152,958)
VJCCCA grant	14,082	14,082	14,334	252
VA commission of the arts	4,000	4,000	4,000	-
Fire programs	46,500	46,500	48,517	2,017
Drug asset seizure	-	-	5,629	5,629

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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 the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,896	\$ 19,896	\$ 18,612	\$ (1,284)
Library grant	98,158	98,158	92,862	(5,296)
RAOOY my life grant	-	71,250	45,109	(26,141)
Technology trust funds	-	28,224	28,224	-
Other categorical aid	<u>72,000</u>	<u>53,800</u>	<u>10,378</u>	<u>(43,422)</u>
Total other categorical aid	\$ <u>1,817,899</u>	\$ <u>2,113,273</u>	\$ <u>1,635,839</u>	\$ <u>(477,434)</u>
Total categorical aid	\$ <u>3,413,777</u>	\$ <u>3,709,151</u>	\$ <u>3,195,765</u>	\$ <u>(513,386)</u>
Total revenue from the Commonwealth	\$ <u>6,095,135</u>	\$ <u>6,390,509</u>	\$ <u>5,878,173</u>	\$ <u>(512,336)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 928,836	\$ 928,836	\$ 868,801	\$ (60,035)
Department of homeland security grant	-	35,000	19,900	(15,100)
Law enforcement grants	16,320	28,320	27,685	(635)
Other categorical aid	<u>5,000</u>	<u>150,000</u>	<u>63,013</u>	<u>(86,987)</u>
Total revenue from the federal government	\$ <u>950,156</u>	\$ <u>1,142,156</u>	\$ <u>979,399</u>	\$ <u>(162,757)</u>
Total General Fund	\$ <u>31,391,793</u>	\$ <u>31,990,512</u>	\$ <u>32,228,994</u>	\$ <u>238,482</u>
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,146,742	\$ (253,258)
Landfill fees - beneficial use	240,000	240,000	219,255	(20,745)
Power plant revenue	<u>300,000</u>	<u>300,000</u>	<u>122,567</u>	<u>(177,433)</u>
Total permits, privilege fees and regulatory licenses	\$ <u>6,940,000</u>	\$ <u>6,940,000</u>	\$ <u>6,488,564</u>	\$ <u>(451,436)</u>



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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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 Improvements Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 320,000	\$ 320,000	\$ 208,531	\$ (111,469)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 74,286	\$ 74,286
Total miscellaneous revenue	\$ -	\$ -	\$ 74,286	\$ 74,286
Total revenue from local sources	\$ 7,260,000	\$ 7,260,000	\$ 6,771,381	\$ (488,619)
Total Capital Improvements Fund	\$ 7,260,000	\$ 7,260,000	\$ 6,771,381	\$ (488,619)
Wireless Authority Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 385	\$ 385
Grand Total Revenues -- Primary Government	\$ 38,651,793	\$ 39,250,512	\$ 39,000,760	\$ (249,752)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 10,000	\$ 10,000	\$ 19,995	\$ 9,995
Total revenue from use of money and property	\$ 10,000	\$ 10,000	\$ 19,995	\$ 9,995
Charges for services:				
Charges for education	\$ 26,000	\$ 28,858	\$ 25,221	\$ (3,637)
Total charges for services	\$ 26,000	\$ 28,858	\$ 25,221	\$ (3,637)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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 Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 30,000	\$ 60,483	\$ 69,583	\$ 9,100
Other reimbursements and recoveries	30,000	156,601	156,601	-
Total miscellaneous revenue	\$ 60,000	\$ 217,084	\$ 226,184	\$ 9,100
Total revenue from local sources	\$ 96,000	\$ 255,942	\$ 271,400	\$ 15,458
Intergovernmental revenue:				
County contribution to School Board	\$ 14,718,089	\$ 14,217,545	\$ 13,663,809	\$ (553,736)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,426,558	\$ 3,507,267	\$ 3,576,741	\$ 69,474
Basic school aid	10,409,056	10,480,810	10,489,885	9,075
Remedial education	166,202	166,202	168,180	1,978
Vocational education SOQ	121,551	121,551	122,998	1,447
Special education	1,148,529	1,162,201	1,162,201	-
Fringe benefits	982,328	989,503	994,020	4,517
Technology grant	180,000	180,000	180,000	-
Gifted education	111,628	111,628	112,957	1,329
Other state funds	501,025	532,466	451,079	(81,387)
Total categorical aid	\$ 17,046,877	\$ 17,251,628	\$ 17,258,061	\$ 6,433
Total revenue from the Commonwealth	\$ 17,046,877	\$ 17,251,628	\$ 17,258,061	\$ 6,433
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 638,125	\$ 798,504	\$ 634,816	\$ (163,688)
ARRA - Title I	-	192,832	158,739	(34,093)
Title VI - B	737,362	1,145,944	778,635	(367,309)
ARRA - Title VI - B	-	471,310	459,577	(11,733)
ARRA - SFSF - education	468,328	468,328	455,613	(12,715)
Title II - A	112,116	122,804	100,002	(22,802)
Other federal assistance	183,104	227,420	260,853	33,433
Total categorical aid	\$ 2,139,035	\$ 3,427,142	\$ 2,848,235	\$ (578,907)
Total revenue from the federal government	\$ 2,139,035	\$ 3,427,142	\$ 2,848,235	\$ (578,907)
Total School Operating Fund	\$ 34,000,001	\$ 35,152,257	\$ 34,041,505	\$ (1,110,752)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (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 Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 782,100	\$ 782,100	\$ 619,765	\$ (162,335)
Miscellaneous revenue:				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 14,537	\$ 9,537
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 19,396	\$ 19,396	\$ 16,120	\$ (3,276)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 510,000	\$ 510,000	\$ 610,349	\$ 100,349
Total School Cafeteria Fund	\$ 1,316,496	\$ 1,316,496	\$ 1,260,771	\$ (55,725)
Grand Total Revenues--Component Unit-School Board	\$ 35,316,497	\$ 36,468,753	\$ 35,302,276	\$ (1,166,477)

This page intentionally left blank

# 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.	
Net Assets by Component	1
Changes in Net Assets	2
Fund Balances of Governmental Funds	3
Changes in Fund Balances of Governmental Funds	4
<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.	
Assessed Value of Taxable Property	5
Property Tax Rates	6
Principal Taxpayers	7
Property Tax Levies and Collections	8
<b>Debt Capacity</b>	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	9
Ratio of Net General Bonded Debt to Assessed Value and Net General	
Obligation Bonded Debt per Capita	10
Computation of Direct and Overlapping Bonded Debt	11
Pledged-Revenue Coverage	12
<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.	
Demographic and Economic Statistics	13
Principal Employers	14
<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
Operating Indicators by Function	16
Capital Asset Statistics by Function	17

### Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

**COUNTY OF KING GEORGE, VIRGINIA**

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 675,920	\$ 1,731,053	\$ 3,327,685	\$ 8,164,881
Restricted	16,962,297	8,336,059	19,676,870	1,090,604
Unrestricted	11,011,148	12,648,884	13,502,050	34,789,461
Total governmental activities net assets	<u>\$ 28,649,365</u>	<u>\$ 22,715,996</u>	<u>\$ 36,506,605</u>	<u>\$ 44,044,946</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 4,921,921	\$ 5,505,139	\$ 9,507,244	\$ 10,843,832
Unrestricted	481,599	1,063,433	(851,067)	(495,069)
Total business-type net assets	<u>\$ 5,403,520</u>	<u>\$ 6,568,572</u>	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 5,597,841	\$ 7,236,192	\$ 12,834,929	\$ 19,008,713
Restricted	16,962,297	8,336,059	19,676,870	1,090,604
Unrestricted	11,492,747	13,712,317	12,650,983	34,294,392
Total primary government net assets	<u>\$ 34,052,885</u>	<u>\$ 29,284,568</u>	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>

Table 1

<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>	
\$	10,144,772	\$	14,446,035	\$	14,166,206	\$	13,355,755	\$	12,019,419	\$	14,637,383
	1,095,309		1,113,229		3,335,777		3,354,693		3,350,043		3,789,880
	<u>34,535,361</u>		<u>34,057,246</u>		<u>35,118,549</u>		<u>38,353,717</u>		<u>42,461,130</u>		<u>38,269,130</u>
\$	<u><u>45,775,442</u></u>	\$	<u><u>49,616,510</u></u>	\$	<u><u>52,620,532</u></u>	\$	<u><u>55,064,165</u></u>	\$	<u><u>57,830,592</u></u>	\$	<u><u>56,696,393</u></u>
\$	11,307,604	\$	16,032,120	\$	16,422,476	\$	16,166,998	\$	14,228,621	\$	12,286,312
	1,424,196		1,047,467		809,229		835,327		2,084,383		3,344,086
\$	<u><u>12,731,800</u></u>	\$	<u><u>17,079,587</u></u>	\$	<u><u>17,231,705</u></u>	\$	<u><u>17,002,325</u></u>	\$	<u><u>16,313,004</u></u>	\$	<u><u>15,630,398</u></u>
\$	21,452,376	\$	30,478,155	\$	30,588,682	\$	29,522,753	\$	26,248,040	\$	26,923,695
	1,095,309		1,113,229		3,335,777		3,354,693		3,350,043		3,789,880
	<u>35,959,557</u>		<u>35,104,713</u>		<u>35,927,778</u>		<u>39,189,044</u>		<u>44,545,513</u>		<u>41,613,216</u>
\$	<u><u>58,507,242</u></u>	\$	<u><u>66,696,097</u></u>	\$	<u><u>69,852,237</u></u>	\$	<u><u>72,066,490</u></u>	\$	<u><u>74,143,596</u></u>	\$	<u><u>72,326,791</u></u>

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 1,664,322	\$ 1,670,290	\$ 1,849,874	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510
Judicial administration	573,647	525,825	677,795	690,419	822,200	1,029,314	759,823	1,140,286	1,100,016	1,031,293
Public safety	3,444,046	3,915,821	4,630,196	5,510,533	6,052,406	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107
Public works	1,269,716	1,686,464	640,060	829,157	817,142	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751
Health and welfare	1,658,895	2,081,684	2,452,852	2,674,443	3,301,427	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279
Education	9,390,953	22,783,569	4,585,292	9,378,083	12,866,014	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617
Parks, recreation, and cultural	813,369	954,301	973,255	1,021,219	1,184,066	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355
Community development	786,177	865,855	899,621	1,022,069	6,149,803	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707
Capital outlays	594,523	150,747	-	-	-	-	-	-	-	-
Interest and other fiscal charges	1,128,152	753,898	1,178,484	1,991,875	2,159,093	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545
Total governmental activities expenses	\$ 21,323,800	\$ 35,388,454	\$ 17,887,429	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164
Business-type activities:										
Water and sewer	1,974,251	2,282,953	2,687,122	2,741,913	3,139,797	4,696,891	5,238,869	5,091,165	5,012,413	4,964,308
Total primary government expenses	\$ 23,298,051	\$ 37,671,407	\$ 20,574,551	\$ 28,275,897	\$ 38,911,730	\$ 40,017,561	\$ 45,698,186	\$ 42,262,704	\$ 41,666,414	\$ 44,992,472
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 140,405	\$ 205,779	\$ 237,879	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441
Public safety	184,884	308,009	397,896	444,281	468,579	399,206	302,013	74,689	77,782	63,301
Public works	7,137,675	7,568,193	7,001,573	6,838,203	6,900,871	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268
Parks, recreation, and cultural	129,548	153,859	186,397	206,766	304,635	329,970	364,795	326,969	355,557	412,729
Community development	45,762	77,859	166,228	177,588	203,819	305,066	90,253	100,864	94,038	81,273
Operating grants and contributions:										
General government administration	189,173	205,563	201,783	221,922	224,212	266,564	296,199	272,914	260,936	286,613
Judicial administration	392,684	294,437	432,244	434,475	528,744	611,895	551,648	514,220	491,009	467,991
Public safety	1,042,841	1,006,160	1,115,955	1,024,800	1,298,468	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398
Public works	-	1,840	4,495	4,375	6,568	-	-	-	-	-
Health and welfare	1,068,865	1,362,179	1,641,217	1,754,522	1,964,992	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300
Education	-	170,027	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	79,003	59,878	80,051	68,120	75,624	103,747	96,339	107,412	104,949	96,862
Community development	5,754	15,815	17,250	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	-
Total governmental activities program revenues	\$ 10,416,594	\$ 11,429,598	\$ 11,482,968	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176
Business-type activities:										
Charges for services:										
Water and sewer	\$ 1,311,942	\$ 1,657,299	\$ 2,547,694	\$ 1,950,443	\$ 2,631,444	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,695,446
Operating grants and contributions	-	-	-	-	-	12,093	10,650	-	-	-
Capital grants and contributions	1,322,033	1,790,706	1,328,038	63,290	-	3,286,792	-	1,340,934	-	-
Total business-type activities program revenues	\$ 2,633,975	\$ 3,448,005	\$ 3,875,732	\$ 2,013,733	\$ 2,631,444	\$ 6,407,697	\$ 3,263,486	\$ 3,859,611	\$ 3,661,026	\$ 3,695,446
Total primary government program revenues	\$ 13,050,569	\$ 14,877,603	\$ 15,358,700	\$ 14,381,372	\$ 16,388,549	\$ 19,086,498	\$ 16,959,971	\$ 16,010,440	\$ 16,407,356	\$ 15,565,622
Net (expense) / revenue										
Governmental activities	\$ (10,907,206)	\$ (23,958,856)	\$ (6,404,461)	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)
Business-type activities	659,724	1,165,052	1,188,610	(728,180)	(508,353)	1,710,806	(1,975,383)	(1,231,554)	(1,351,387)	(1,268,862)
Total primary government net expense	\$ (10,247,482)	\$ (22,793,804)	\$ (5,215,851)	\$ (13,894,525)	\$ (22,523,181)	\$ (20,931,063)	\$ (28,738,215)	\$ (26,252,264)	\$ (25,259,058)	\$ (29,426,850)



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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
General property taxes	\$ 9,427,227	\$ 11,685,962	\$ 12,621,512	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128
Local sales and use taxes	883,908	947,874	1,030,237	1,103,560	1,185,968	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016
Communication sales taxes	-	-	-	-	-	-	450,124	403,435	-	-
Consumer utility taxes	322,347	306,359	324,936	334,509	372,235	301,276	229,585	238,428	245,177	246,993
Business license taxes	840,367	881,947	1,044,156	1,052,792	1,171,729	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388
Motor vehicle licenses	374,152	395,760	426,854	456,906	483,352	446,312	493,466	522,202	509,925	552,436
Recordation taxes	117,575	173,998	241,285	485,706	741,770	607,113	434,099	290,079	275,511	231,589
Meals tax	438,032	457,174	520,961	640,118	635,687	674,535	702,153	752,391	769,662	793,459
E-911 taxes	217,788	219,806	223,770	227,575	230,387	200,141	-	-	-	-
Other local taxes	199,060	246,301	336,802	416,180	450,673	522,896	575,123	815,105	853,751	802,920
Grants and contributions not restricted to specific programs	-	1,957,494	2,184,442	2,365,848	2,637,595	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408
Unrestricted revenues from use of money and property	621,796	626,202	399,015	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653	802,389	469,926
Miscellaneous	166,487	126,611	860,599	390,189	427,254	557,181	2,470,865	899,705	405,413	202,740
Transfers	-	-	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)
Total governmental activities	\$ 13,608,739	\$ 18,025,488	\$ 19,508,092	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ 99,431	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068
Miscellaneous	-	-	361,451	574,623	1,211,493	1,318,584	1,424,469	525,385	285,501	253,974
Transfers	-	-	706,477	1,678,298	1,699,783	1,108,173	569,857	455,885	365,507	328,214
Total business-type activities	\$ -	\$ -	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 586,256
Total primary government	\$ 13,608,739	\$ 18,025,488	\$ 20,675,451	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 27,610,045
<b>Change in Net Assets</b>										
Governmental activities	\$ 2,701,533	\$ (5,933,368)	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)
Business-type activities	659,724	1,165,052	2,355,969	1,691,686	2,514,902	4,347,787	152,118	(229,380)	(689,321)	(682,606)
Total primary government	\$ 3,361,257	\$ (4,768,316)	\$ 15,459,600	\$ 9,230,028	\$ 4,245,398	\$ 8,188,855	\$ 3,156,140	\$ 2,214,253	\$ 2,077,106	\$ (1,816,805)

**COUNTY OF KING GEORGE, VIRGINIA**

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 252,734	\$ 1,381,447	\$ 1,703,385	\$ 1,450,717	\$ 1,261,813
Unreserved	11,108,069	12,532,709	13,755,238	19,059,078	17,619,894
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 11,360,803</u>	<u>\$ 13,914,156</u>	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>
All other Governmental Funds					
Reserved for capital projects	\$ 16,138,304	\$ 6,323,709	\$ 17,196,042	\$ 53,871,288	\$ 53,852,195
Reserved for natatorium	-	-	-	-	-
Reserved for library operations	715,836	719,816	1,149,272	1,086,385	1,073,649
Reserved for wireless authority operations	-	-	-	-	-
Unreserved - capital projects fund					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 16,854,140</u>	<u>\$ 7,043,525</u>	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>

Table 3

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,113,229	\$ 1,135,777	\$ 1,154,693	\$ 1,150,043	\$ -
18,312,583	20,434,481	22,317,265	25,603,932	-
-	-	-	-	1,401,766
-	-	-	-	695,197
-	-	-	-	6,050,000
-	-	-	-	17,189,811
<u>\$ 19,425,812</u>	<u>\$ 21,570,258</u>	<u>\$ 23,471,958</u>	<u>\$ 26,753,975</u>	<u>\$ 25,336,774</u>
\$ 51,546,624	\$ 15,228,296	\$ 18,379,524	\$ 13,737,529	\$ -
-	2,200,000	2,200,000	2,200,000	-
1,078,067	768,694	810,644	830,362	-
-	560,243	265,008	239,552	-
-	12,298,990	20,299,755	18,939,413	-
-	-	-	-	700,000
-	-	-	-	14,093,832
-	-	-	-	5,109,150
-	-	-	-	10,202,302
<u>\$ 52,624,691</u>	<u>\$ 31,056,223</u>	<u>\$ 41,954,931</u>	<u>\$ 35,946,856</u>	<u>\$ 30,105,284</u>

# COUNTY OF KING GEORGE, VIRGINIA

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

	2002	2003	2004	2005
Revenues:				
General property taxes	\$ 9,561,119	\$ 11,644,240	\$ 12,391,790	\$ 13,555,599
Other local taxes	3,393,229	3,629,219	4,149,001	4,717,346
Permits, privilege fees and regulatory licenses	7,289,227	7,866,325	7,553,367	7,437,075
Fines and forfeitures	131,065	187,635	193,299	292,217
Revenue from use of money and property	621,796	626,202	399,015	1,341,213
Charges for services	217,982	259,739	243,307	271,847
Miscellaneous	166,487	126,611	860,599	260,832
Recovered costs	178,815	-	129,953	159,314
Intergovernmental:				
School Board	-	170,027	-	141,685
Commonwealth	3,918,268	4,099,294	4,669,116	4,858,819
Federal	784,521	804,072	1,008,321	1,033,529
Total revenues	\$ 26,262,509	\$ 29,413,364	\$ 31,597,768	\$ 34,069,476
Expenditures:				
General government administration	\$ 1,540,980	\$ 1,526,946	\$ 1,691,011	\$ 2,432,055
Judicial administration	571,430	523,670	631,216	684,282
Public safety	3,563,653	3,826,071	4,552,953	7,697,855
Public works	599,590	761,308	724,495	947,689
Health and welfare	1,654,251	2,077,203	2,462,346	2,670,886
Education	7,677,143	21,190,220	8,850,378	12,464,331
Parks, recreation, and cultural	772,020	928,529	952,483	1,238,568
Community development	773,992	864,064	898,036	1,021,505
Capital outlays and projects	1,821,680	2,097,260	2,737,547	-
Debt service:				
Principal retirement	1,245,520	1,230,829	1,161,983	1,119,800
Interest and other fiscal charges	1,106,426	782,048	882,588	889,860
Total expenditures	\$ 21,326,685	\$ 35,808,148	\$ 25,545,036	\$ 31,166,831
Excess (deficiency) of revenues over expenditures	\$ 4,935,824	\$ (6,394,784)	\$ 6,052,732	\$ 2,902,645
Other financing sources (uses):				
Transfers in	\$ 240,015	\$ 279,900	\$ 1,583,277	\$ 3,077,927
Transfers (out)	(823,380)	(1,142,378)	(2,289,754)	(4,756,225)
Sale of property	-	-	-	145,561
Premium on bonds issued	-	-	-	444,067
Early retirement of indebtedness	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(2,641,444)
Long-term debt issued	-	-	7,500,000	42,491,000
Total other financing sources (uses)	\$ (583,365)	\$ (862,478)	\$ 6,793,523	\$ 38,760,886
Net changes in fund balances	\$ 4,352,459	\$ (7,257,262)	\$ 12,846,255	\$ 41,663,531
Debt service as a percentage of noncapital expenditures	12.17%	9.50%	9.02%	8.19%

Table 4

<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>	
\$	14,424,491	\$	15,174,874	\$	17,092,704	\$	17,381,006	\$	17,776,623	\$	18,354,709
	5,271,801		5,214,995		5,311,646		5,656,482		5,452,334		5,420,801
	7,563,053		7,301,776		7,936,085		7,112,084		7,424,894		6,947,613
	332,871		300,583		236,338		255,499		257,999		237,714
	2,653,602		3,980,793		3,160,698		1,515,653		802,389		469,926
	372,406		396,444		441,050		410,123		460,555		509,685
	427,254		557,181		2,470,865		899,705		405,413		202,740
	177,900		-		175,200		-		175,000		-
	-		-		-		226,971		-		-
	6,758,941		5,642,960		6,414,676		5,740,816		6,231,998		5,878,173
	1,367,429		1,495,401		984,460		969,895		1,089,059		979,399
\$	<u>39,349,748</u>	\$	<u>40,065,007</u>	\$	<u>44,223,722</u>	\$	<u>40,168,234</u>	\$	<u>40,076,264</u>	\$	<u>39,000,760</u>
\$	2,413,529	\$	3,834,032	\$	3,994,241	\$	2,898,289	\$	2,766,421	\$	2,425,229
	818,117		1,025,967		1,086,764		1,127,473		1,087,706		1,027,700
	7,049,962		11,176,769		7,903,243		8,349,727		12,618,491		11,981,523
	982,312		1,594,220		1,685,536		1,779,055		1,255,124		2,587,135
	3,285,612		3,518,011		3,530,265		4,001,766		4,382,789		4,100,525
	11,919,739		22,034,801		36,189,527		16,985,114		11,040,558		14,317,559
	1,149,277		1,216,147		1,885,728		1,717,251		1,265,906		1,369,021
	5,887,223		1,519,877		1,391,591		1,666,723		1,414,185		1,284,213
	-		-		-		-		-		-
	1,194,852		1,959,618		2,401,440		2,685,742		3,054,211		2,713,288
	2,666,216		2,721,295		2,957,614		3,195,197		3,551,424		3,500,026
\$	<u>37,366,839</u>	\$	<u>50,600,737</u>	\$	<u>63,025,949</u>	\$	<u>44,406,337</u>	\$	<u>42,436,815</u>	\$	<u>45,306,219</u>
\$	<u>1,982,909</u>	\$	<u>(10,535,730)</u>	\$	<u>(18,802,227)</u>	\$	<u>(4,238,103)</u>	\$	<u>(2,360,551)</u>	\$	<u>(6,305,459)</u>
\$	1,568,980	\$	2,823,173	\$	4,969,447	\$	5,763,828	\$	6,636,320	\$	5,792,544
	(3,268,763)		(3,931,346)		(5,539,304)		(6,219,713)		(7,001,827)		(6,120,758)
	-		-		-		-		-		-
	-		-		343,349		181,528		-		-
	(7,500,000)		-		(7,500,000)		-		-		(2,781,000)
	(855,000)		-		-		(4,465,250)		-		-
	6,411,957		9,886,855		7,104,713		21,778,118		-		2,155,900
\$	<u>(3,642,826)</u>	\$	<u>8,778,682</u>	\$	<u>(621,795)</u>	\$	<u>17,038,511</u>	\$	<u>(365,507)</u>	\$	<u>(953,314)</u>
\$	<u>(1,659,917)</u>	\$	<u>(1,757,048)</u>	\$	<u>(19,424,022)</u>	\$	<u>12,800,408</u>	\$	<u>(2,726,058)</u>	\$	<u>(7,258,773)</u>
	<u>10.79%</u>		<u>13.45%</u>		<u>13.06%</u>		<u>15.89%</u>		<u>18.42%</u>		<u>15.92%</u>

This page intentionally left blank

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

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Direct Tax Rate</b>	<b>Personal Property</b>	<b>Direct Tax Rate</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total Direct Tax Rate</b>	<b>Total</b>
2001-02	\$ 855,894,803	\$ 0.75	\$ 104,253,943	\$ 3.10	\$ 37,680,535	\$ 44,177,050	\$ 1.00	\$ 1,042,006,331
2002-03	1,041,571,270	0.72	112,915,457	3.10	4,020,860	304,800,899	0.95	1,463,308,486
2003-04	1,120,896,350	0.72	118,008,072	3.10	3,753,075	288,954,628	0.95	1,531,612,125
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

(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>Farm Machinery and Tools</b>	<b>Machinery and Tools</b>	<b>Mobile Homes First Half</b>	<b>Mobile Homes Second Half</b>
2001-02	\$ 0.75	\$ 0.75	\$ 3.10	\$ 1.00	\$ 2.50	\$ 0.75	\$ 0.72
2002-03	0.72	0.72	3.10	1.00	2.50	0.72	0.77
2003-04	0.77	0.72	3.10	-	2.50	0.77	0.72
2004-05	0.77	0.77	3.10	-	2.50	0.77	0.77
2005-06	0.77	0.40	3.10	-	2.50	0.77	0.40
2006-07	0.40	0.44	3.20	-	2.50	0.40	0.44
2007-08	0.44	0.45	3.20	-	2.50	0.44	0.45
2008-09	0.45	0.45	3.20	-	2.50	0.45	0.45
2009-10	0.45	0.50	3.20	-	2.50	0.45	0.50
2010-11	0.50	0.50	3.20	-	2.50	0.50	0.50

(1) Per \$100 of assessed value.



Principal Taxpayers  
Current Year and Nine Years Prior

Taxpayer	Taxes Paid	Fiscal Year 2011	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,169,256	\$ 233,851,212	8.27%
Virginia Electric & Power Company	137,421	27,484,286	0.97%
Verizon South, Inc.	83,904	16,780,812	0.59%
Birchwood Power Partners, LLC	80,753	16,150,600	0.57%
Hilliard & Bartko	48,080	9,616,000	0.34%
Monmouth Woods Associates	46,186	9,237,100	0.33%
Payne Street, LLC	44,187	8,837,428	0.31%
Dahlgren Office Building, LLC	37,695	7,539,000	0.27%
Northern Neck Electric Cooperative	37,198	7,439,518	0.26%
Sierra Ridge Properties	34,839	6,967,800	0.25%
TOTAL	\$ <u>1,719,519</u>	\$ <u>343,903,756</u>	<u>12.16%</u>

Source - Commissioner of the Revenue

Note: Principal taxpayers for the period nine years prior is unavailable.

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

---

<b>Fiscal Year</b>	<b>Total (1) Tax Levy</b>	<b>Current Tax (1)(4) Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent (1) Tax (2) Collections</b>
2001-02	\$ 11,054,691	\$ 10,752,105	97.26%	\$ 287,335
2002-03	13,414,768	12,932,809	96.41%	231,664
2003-04	14,431,070	13,909,897	96.39%	268,162
2004-05	15,673,264	15,195,623	96.95%	461,526
2005-06	16,478,637	16,138,236	97.93%	340,401
2006-07	17,388,433	16,720,812	96.16%	386,797
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%	272,037
2010-11	20,270,753	19,769,446	97.53%	-

(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>	
\$	11,039,440	99.86%	\$	905,910	8.19%
	13,164,155	98.13%		918,312	6.85%
	14,178,059	98.25%		1,014,078	7.03%
	15,657,149	99.90%		1,103,844	7.04%
	16,478,637	100.00%		1,131,343	6.87%
	17,107,609	98.38%		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%
	19,327,466	99.28%		1,743,426	8.96%
	19,769,446	97.53%		1,691,138	8.34%

**COUNTY OF KING GEORGE, VIRGINIA**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	State Literary Loans	Capital Leases	Virginia Water Facilities Loan	Revenue Bonds	Notes Payable
2001-02	\$ 10,560,000	\$ 4,518,800	\$ 277,591	\$ 965,257	\$ 15,132,074	\$ -
2002-03	9,715,000	4,224,000	213,481	867,825	18,730,000	1,000,000
2003-04	8,945,000	3,929,200	7,645,371	766,457	20,495,986	948,165
2004-05	40,636,000	3,634,400	15,073,052	660,993	20,068,450	496,099
2005-06	45,365,957	3,339,600	7,500,000	551,269	19,627,374	725,198
2006-07	53,357,853	3,044,800	7,730,141	437,112	23,203,178	680,381
2007-08	58,432,640	2,750,000	153,427	318,343	22,569,525	635,564
2008-09	73,386,480	2,500,000	76,713	194,775	24,219,604	590,749
2009-10	71,004,232	2,250,000	-	66,215	24,523,982	545,932
2010-11	67,915,844	2,000,000	-	-	24,258,029	501,115

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>Total Primary Government</b>		<b>Per Capita Personal Income (1)</b>	<b>Percentage of Personal Income</b>	<b>Population (1)</b>	<b>Per Capita</b>
\$	31,453,722	\$ 31,196	5.90%	17,088	\$ 1,841
	34,750,306	N/A	N/A	17,657	1,968
	42,730,179	N/A	N/A	18,213	2,346
	80,568,994	30,425	13.68%	19,355	4,163
	77,109,398	31,338	11.92%	20,637	3,736
	88,453,465	33,778	12.02%	21,780	4,061
	84,859,499	33,778	11.31%	22,205	3,822
	100,968,321	33,778	12.90%	23,170	4,358
	98,390,361	33,690	12.22%	23,891	4,118
	94,674,988	33,690	11.92%	23,584	4,014

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001-02	17,088	\$ 1,042,006,331	\$ 15,078,800	\$ -	\$ 15,078,800	1.45%	\$ 882
2002-03	17,657	1,463,308,486	13,939,000	-	13,939,000	0.95%	789
2003-04	18,213	1,531,612,125	12,874,200	-	12,874,200	0.84%	707
2004-05	19,355	1,590,070,189	44,270,400	1,090,604	43,179,796	2.72%	2,231
2005-06	20,637	2,201,826,217	48,705,557	1,095,309	47,610,248	2.16%	2,307
2006-07	21,780	2,941,002,174	56,402,653	1,113,229	55,289,424	1.88%	2,539
2007-08	22,205	3,074,677,546	61,182,640	1,135,777	60,046,863	1.95%	2,704
2008-09	23,170	3,133,234,239	75,886,480	1,154,693	74,731,787	2.39%	3,225
2009-10	23,891	2,959,203,992	73,254,232	1,150,043	72,104,189	2.44%	3,018
2010-11	23,584	3,036,965,841	69,915,844	1,149,880	68,765,964	2.26%	2,916

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 Bonded Debt  
At June 30, 2011

---

Direct: (1)

County of King George	\$	68,765,964	100%	\$	68,765,964
-----------------------	----	------------	------	----	------------

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	
2001-02	\$	2,050,609	\$	1,557,588	\$	493,021	\$ 93,649	\$ 41,428	3.65
2002-03		2,413,565		1,669,250		744,315	342,432	364,531	1.05
2003-04		3,008,576		2,456,146		552,430	451,368	926,310	0.40
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

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>
2001-02	17,088	2.10	\$ 31,196	\$ 533,077,248	3,107
2002-03	17,657	2.60	N/A	N/A	3,235
2003-04	18,213	2.20	N/A	N/A	3,356
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

NA - Not available

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

## Principal Employers

Current Year and Nine Years Prior

Employer	Fiscal Year 2011 (2)		Percentage of Total Employment	Fiscal Year 2002 (1)	
	Employees	Rank		Employees	Rank
U.S. Department of Defense	3,270	1	34.08%	1000 and over	1
King George County Public School Board	672	2	7.00%	250 to 499	2
Northrup Grumman(formerly TRW)	303	3	3.30%	-	-
King George County Government	265	4	2.76%	100 to 249	10
EG & G, Inc.	281	5	2.93%	100 to 249	5
Bowhead Information Tech Inc.	176	6	1.83%	-	-
Marconi Technology	203	7	2.12%	100 to 249	3
Integrated Microcomputer System, Lockheed Martin	253	8	2.64%	-	-
Solutions Development Corporation	N/A	9	N/A	-	-
General Dynamics Inc (formerly Anteon)	149	10	N/A	-	-
Village Farms of Virginia Inc.	-	-	N/A	100 to 249	7
Syscon Corporation	-	-	N/A	100 to 249	9
White Packing Company	-	-	N/A	100 to 249	6
Computer Sciences Corporation	-	-	N/A	100 to 249	4
Synetics	-	-	N/A	100 to 249	8

Source: Virginia Employment Commission

(1) For fiscal year 2002 only ranges were available from the Virginia Employment Commission.

(2) These numbers have not been verified by VEC - the VEC is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	21	29	27	31	30	29	29	29	29	29
Judicial administration	7	7	8	9	10	13	12	12	12	12
Public safety										
Sheriffs department	34	36	36	39	38	43	43	43	43	43
Fire & rescue	5	9	14	17	20	21	25	25	25	25
Animal control	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	25	6	3	5	9	9	9	9	9	11
Landfill	3	3	3	3	2	3	3	3	3	3
Engineering	-	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	-	-	-	13	14	14	16	16	16	16
Culture and recreation										
Parks and recreation	6	7	7	8	4	4	4	4	4	4
Library	-	3	3	3	3	4	4	4	4	4
Community development										
Planning	5	7	9	9	10	11	11	11	11	11
Totals	108	111	114	141	144	155	160	160	160	162

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Sheriffs department:										
Physical arrests	854	1,341	2,129	1,410	908	892	652	601	856	1,313
Traffic violations	1,975	2,354	2,882	3,744	5,418	3,093	3,038	3,172	3,847	2,724
Civil papers	7,097	7,077	7,125	6,994	7,713	7,940	7,914	7,800	8,146	8,051
Fire and rescue:										
Number of calls answered	N/A	N/A	1,668	2,828	3,188	3,256	3,291	3,005	2,782	2,921
Building inspections:										
Permits issued	190	242	385	388	484	340	160	78	83	64
Animal control:										
Number of calls answered	869	850	776	636	452	488	705	636	974	1039
Public works										
General maintenance:										
Trucks/vehicles	12	12	12	12	12	3	3	3	3	3
Component Unit - School Board										
Education:										
School age population	3,050	3,163	3,400	3,524	3,830	3,791	3,882	3,997	4,029	4,075
Number of teachers	N/A	260	255	257	257	283	285	279	282	283
Local expenditures per pupil	6,845	7,107	7,178	7,084	7,529	7,823	9,281	8,585	8,438	7,465

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	-	1	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	15	21	28	29	29	29	31	36	36	32
Other vehicles	4	4	6	7	7	7	7	7	8	8
Building inspections:										
Vehicles	-	-	-	-	-	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	12	12	12	3	3	3	3	4
Landfill:										
Vehicles	1	1	1	1	1	2	2	2	2	2
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	5	5	5	6	6	6	6	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	10	10	10	10	10	6	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.63	159.63	159.93
Community development										
Planning:										
Vehicles	4	4	5	6	6	6	6	6	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	8	8	8	8	10	10	17
School buses	56	57	62	64	67	58	65	71	74	60

Source: Individual county departments

This page intentionally left blank

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## **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 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 the County of King George, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of King George, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County of King George, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of King George, Virginia's internal control over financial reporting.

*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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of King George, Virginia's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Supervisors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

November 15, 2011



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

---

## **Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

---

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

### **Compliance**

We have audited the County of King George, Virginia's Compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County of King George, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of King George, Virginia's management. Our responsibility is to express an opinion on the County of King George, Virginia's compliance based on our audit.

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 the County of King George, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of King George, Virginia complied, in all material respects, with the 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, 2011.

## **Internal Control Over Compliance**

The management of the County of King George, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of King George, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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 deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

November 15, 2011

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2011

<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 CRIMINAL JUSTICE:</u>			
<u>Direct payments:</u>			
Second chance act prisoner reentry initiative	16.812	N/A	\$ 14,336
<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	77501-52600	\$ 20,000
Virginia Department of Rail and Public Transportation: Alcohol impaired driving countermeasures incentive grants I	20.601	60507-51329	6,708
State and community highway safety program	20.600	60507-50161	8,157
Total Department of Transportation			\$ 34,865
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services: State homeland security program	97.073	77501-52707	\$ 19,900
Disaster grants public assistance (presidentially declared disasters)	97.036	77602-40040	25,519
Emergency management performance grants	97.042	77501-52740	12,820
Total U.S. Department of Homeland Security			\$ 58,239
<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	0010111/0010110	\$ 166,893
ARRA - state administrative matching grants for the supplemental nutrition assistance program	10.561	0040111/0040110	7,463
Total Department of Agriculture			\$ 174,356
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass Through Payments:</u>			
State Board of Elections: Voting access for individuals with disabilities - grants to states	93.617	72320-40040	\$ 3,158
Department of Social Services: CCDF Cluster:			
Child care and development block grant	93.575	770110	\$ 101,302
Child care mandatory and matching funds of the child care and development fund	93.596	0760111/0760110	68,915
ARRA - child care and development block grant	93.713	0740109/0780109	11,324
Total CCDF Cluster			\$ 181,541
Foster care-title IV-E	93.658	1100111/1100110	\$ 125,022
ARRA - foster care-title IV-E	93.658	1100111/1100110	6,149
Total 93.658			\$ 131,171
Adoption assistance	93.659	1120111/1120110	\$ 49,428
ARRA - adoption assistance	93.659	1120111/1120110	3,518
Total 93.659			\$ 52,946
Chafee education and training vouchers program	93.599	9160111	\$ 838
Promoting safe and stable families	93.556	0950111/0950110	20,545
Temporary assistance for needy families	93.558	0400111/0400110	112,343
Refugee and entrant assistance - state administered programs	93.566	0500111/0500110	377
Low-income home energy assistance	93.568	0600411/0600410	8,843
Social services block grant	93.667	1000111/1000110	74,569
Stephanie Tubbs Jones child welfare services program	93.645	0900111/0900110	403
Chafee foster care independence program	93.674	9150111/9150110	4,764
Children's health insurance program	93.767	0540111/0540110	5,332
Medical assistance program	93.778	1200111/1200110	100,773
Total Department of Health and Human Services			\$ 697,603
<b>Total Primary Government</b>			<b>\$ 979,399</b>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2011 (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>COMPONENT UNIT-SCHOOL BOARD:</b>			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	10.555/2010/2011	\$ 87,268
Department of Education:			
National school lunch program	10.555	10.555/2010/2011	425,523
Total 10.555			\$ 512,791
National school breakfast program	10.553	10.553/2010/2011	\$ 97,558
Total Department of Agriculture			\$ 610,349
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 68,337
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid	84.041	N/A	\$ 79,764
<u>Pass through payments:</u>			
The College of William and Mary:			
ARRA - education for homeless children and youth	84.387	G048ARRA	\$ 4,920
Department of Education:			
Title I, Part A Cluster:			
Title I grants to local educational agencies	84.010	S010A090046/ S010A080046/ S010A100046	\$ 634,816
ARRA - Title I grants to local educational agencies	84.389	S389A090046	158,739
Total Title I, Part A Cluster			\$ 793,555
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A090107/ H027A080107/ H027A100107	\$ 778,635
Special education - preschool grants	84.173	H173A090112/ H173A100112	21,449
ARRA - special education - grants to states	84.391	H391A090107	459,577
ARRA - special education - preschool grants	84.392	H392A090112	10,411
Total Special Education Cluster (IDEA)			\$ 1,270,072
Education technology state grants	84.318	S318X090046/ S318X080046/ S318X100046	\$ 7,866
Safe and drug-free schools and communities - state grants	84.186	Q186A090048/ Q186A080048	462
School improvement grant	84.377	S377A080047	26,512
ARRA - state fiscal stabilization fund - education state grants, recovery act	84.394	S394A090047	455,613
Improving teacher quality state grants	84.367	S367A090044/ S367A100044	100,002
Career and technical education - basic grants to states	84.048	V048A100046	41,132
Total Department of Education			\$ 2,779,898
<b>Total Component Unit School Board</b>			\$ 3,458,584
<b>Total Expenditures of Federal Awards</b>			\$ 4,437,983

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, 2011

---

### 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, 2011. 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 assets, 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 - 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	\$ 979,399
Component Unit Public Schools:	
School Operating Fund	\$ 2,848,235
School Cafeteria Fund	610,349
Total component unit public schools	\$ 3,458,584
Total federal expenditures per basic financial statements	\$ 4,437,983
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,437,983

## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

---

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010/84.389	Title I, part A cluster
84.027/84.173/84.391/84.392	Special education cluster (IDEA)
84.394	ARRA - state fiscal stabilization fund - education state grants, recovery act
93.575/93.596/93.713	Child Care Cluster

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

Auditee qualified as low-risk auditee? Yes

### Section II - Financial Statement Findings

There are no financial statement findings to report.

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

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

### Section IV - Prior Audit Findings

There were no prior year audit findings.