



# County of King George, Virginia



## **Comprehensive Annual Financial Report**

### **Fiscal Year June 30, 2010**



# **COUNTY OF KING GEORGE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2010**

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**PREPARED BY:**

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Donita Harper, Deputy County Administrator/Finance Director



# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2010

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**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, 2010

**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, 2010 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, 2010, 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, 2010 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 6th among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 38% during the past decade with a total estimated population in 2008 of 23,170. Additionally, based upon annual estimates provided by the Weldon Cooper Center for Public Service, the County's population for the period of July 1, 2008 through July 1, 2009 grew by 4.3%. 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 Naval Network and Space Operations Command, the Joint Warfare Analysis Center, and the AEGIS Training and Readiness Center. 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:** The County expended more than \$45 million for the construction of a new High School. The high school can hold 1,700 students and was completed in fiscal year 2009 and is now occupied by students.

**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. An Economic Development Director was hired with sole focus 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 70.35 acres are still available for development. In addition, a strategic plan will be developed within the next fiscal year.

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

**Former American Glass Warehouse:** An unfinished 75,000-square-foot warehouse building built on ten (10) acres and located in the King George Industrial Park was purchased by a group of well known Fredericksburg, VA investors, King George Warehouse Associates LLC. (KGWA). The King George County Economic Development Authority approved a cash incentive equivalent to the back taxes owed on the property in the amount \$26,436. This incentive is available to KGWA upon them leasing the building at 50% and within two (2) years from settlement.

**Mid-Atlantic Precast, LLC:** In May 2008, the King George County Economic Development Authority sold 18.180 acres to Mid-Atlantic Precast, LLC. Mid-Atlantic manufacturers hollow-core precast concrete at their new plant resulting in an \$8.8 capital investment and an added workforce of approximately 18 production workers and 16 administrative staff. Plant construction was completed in the summer of 2009; the plant is capable of producing more than 4 million square feet of floor slabs and wall panels.

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 50,000 sq. ft. facility that will house full-time resident professors combining research and teaching. A groundbreaking was held in September 2010 and project completion is expected by May 2011.

**Gateway Medical Urgent Care Clinic:** The Gateway Medical Urgent Care Clinic which is located on Route 3 (Kings Highway) was developed by Harenc Associates, L.L.C. Highlights of the urgent care clinic, which is managed by SA Medical, include nine patient exam rooms, two patient procedure/exam rooms, in addition to an ambulance patient "Pick-Up" entrance.

**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 June 2011. The construction of a new animal control facility is complete. The remaining facilities; a fleet maintenance facility and fuel depot (a facility serving both the county and school board), 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.

**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, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

**Acknowledgments:** The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance, 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

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# 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, 2009

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.



A stylized, handwritten signature in black ink.

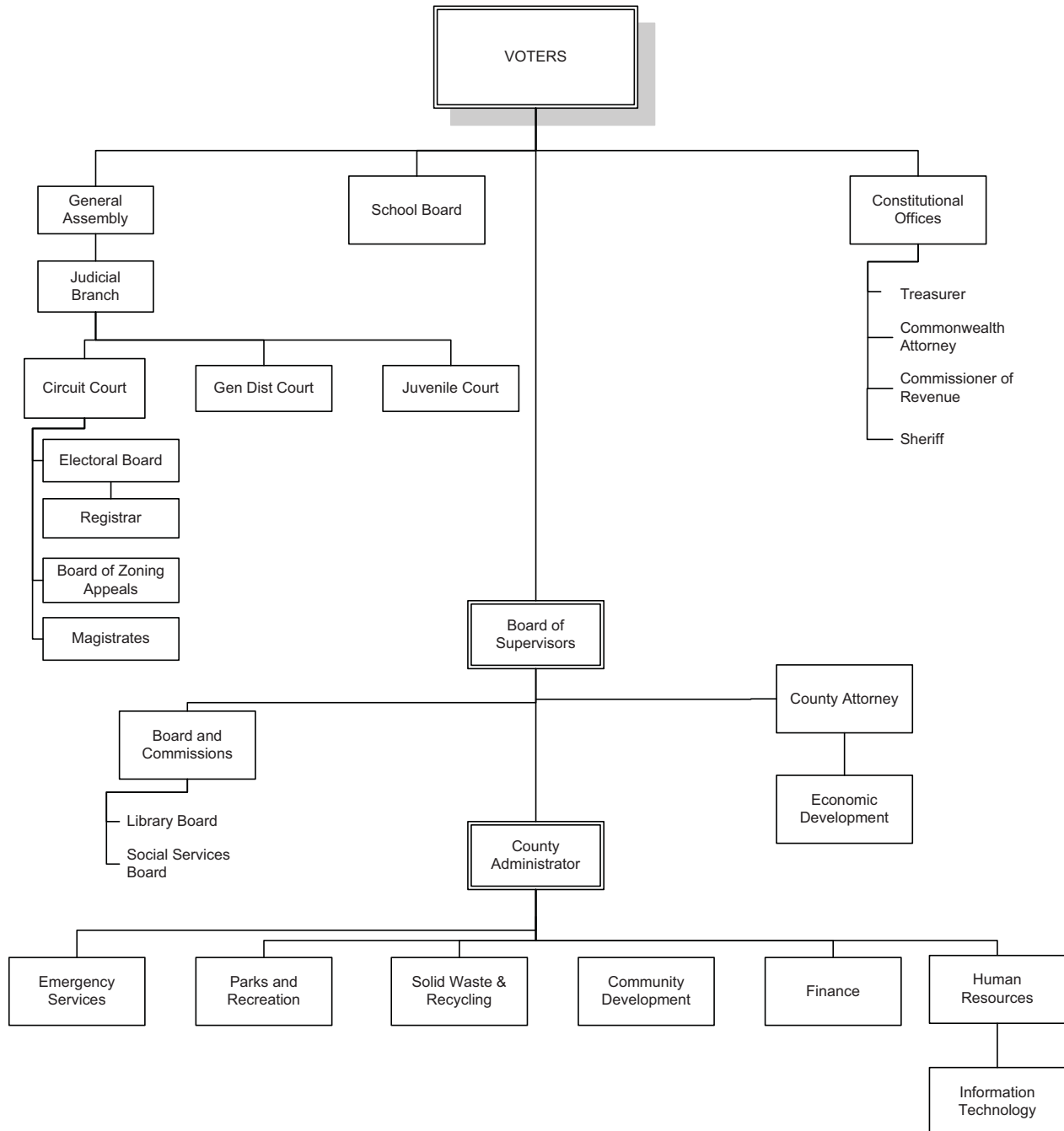
President

A stylized, handwritten signature in black ink.

Executive Director

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## KING GEORGE COUNTY ORGANIZATIONAL CHART



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## COUNTY OF KING GEORGE, VIRGINIA

June 30, 2010

### **Board of Supervisors**

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

### **County School Board**

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

### **Board of Social Services**

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

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

Tina Sisson, Chairman  
Cindy Sexton, Vice-Chairman

Evelyn Durling  
Robert Gates  
Michael Gallier, Finance Officer  
Linda Kramer

Leon J. Fontenot  
Amy Robie  
Cindy Sexton  
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 .....	C. W. Dobson
Superintendent of Schools .....	Dr. Candace Brown
Director of Department of Social Services .....	David Coman
County Administrator .....	A. Travis Quesenberry

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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**To The Honorable Members of 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 the County of King George, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County'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 *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. 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 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, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010, 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 the 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.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County of King George, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supporting schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of King George, Virginia. The combining and individual fund financial statements, supporting schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
November 15, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010. 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 2010 by \$57.8 million (net assets). This represents an increase of \$2.7 million over the prior fiscal year.
- Of the total net assets \$3.3 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$62.7 million, a decrease of (\$2.7) million in comparison with the prior year.
- Approximately forty-one percent (41%) of this total amount or \$25.6 million is General Fund unreserved fund balance and available for spending at the County's discretion (unreserved fund balance).
- The County's net debt decreased by \$3 million during the current fiscal year. There was no new debt issued during the current fiscal year. Therefore the decrease was a result of debt service payments in the amount of \$3.1 million.

### **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)**

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 \$57.8 million at the close of fiscal year 2010.

The County's net investment in capital assets such as land, buildings and equipment totals \$12 million at June 30, 2010, a decrease of (\$1.3) 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, 2010 and 2009**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 75,286,050	\$ 71,994,094	\$ 6,420,171	\$ 7,272,258	\$ 81,706,221	\$ 79,266,352
Capital assets	69,001,739	66,384,437	36,616,299	36,813,315	105,618,038	103,197,752
Total assets	<u>\$ 144,287,789</u>	<u>\$ 138,378,531</u>	<u>\$ 43,036,470</u>	<u>\$ 44,085,573</u>	<u>\$ 187,324,259</u>	<u>\$ 182,464,104</u>
Long-term liabilities outstanding	\$ 71,616,112	\$ 74,290,751	\$ 24,959,606	\$ 24,285,664	\$ 96,575,718	\$ 98,576,415
Current liabilities	14,841,085	9,023,615	1,763,860	2,797,584	16,604,945	11,821,199
Total liabilities	<u>\$ 86,457,197</u>	<u>\$ 83,314,366</u>	<u>\$ 26,723,466</u>	<u>\$ 27,083,248</u>	<u>\$ 113,180,663</u>	<u>\$ 110,397,614</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 12,019,419	\$ 13,355,755	\$ 14,228,621	\$ 16,166,998	\$ 26,248,040	\$ 29,522,753
Restricted	3,350,043	3,354,693	-	-	3,350,043	3,354,693
Unrestricted	42,461,130	38,353,717	2,084,383	835,327	44,545,513	39,189,044
Total net assets	<u>\$ 57,830,592</u>	<u>\$ 55,064,165</u>	<u>\$ 16,313,004</u>	<u>\$ 17,002,325</u>	<u>\$ 74,143,596</u>	<u>\$ 72,066,490</u>

Restricted net assets represent resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service, and for a natatorium donation. The County's restricted net assets amounts to \$3.3 million or six percent (6%) of total net assets.

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

Governmental and business-type activities reflect changes in net assets of \$2.7million and \$(689,321) 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, 2010 and 2009</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues:						
Program revenues:						
Charges for services	\$ 8,143,448	\$ 7,777,706	\$ 3,661,026	\$ 2,518,677	\$ 11,804,474	\$ 10,296,383
Operating grants and contributions	4,464,537	4,326,946	-	-	4,464,537	4,326,946
Capital grants and contributions	138,345	46,177	-	1,340,934	138,345	1,387,111
General revenues:						
General property taxes	17,661,294	17,510,800	-	-	17,661,294	17,510,800
Other local taxes	5,452,334	5,656,482	-	-	5,452,334	5,656,482
Use of money and property	802,389	1,515,653	11,058	20,904	813,447	1,536,557
C/VA non-categorical aid	2,718,175	2,337,588	-	-	2,718,175	2,337,588
Other general revenues	405,413	899,705	285,501	525,385	690,914	1,425,090
Total revenues	\$ 39,785,935	\$ 40,071,057	\$ 3,957,585	\$ 4,405,900	\$ 43,743,520	\$ 44,476,957
Expenses:						
General government administration	\$ 2,368,002	\$ 2,984,895	\$ -	\$ -	\$ 2,368,002	\$ 2,984,895
Judicial administration	1,100,016	1,140,286	-	-	1,100,016	1,140,286
Public safety	7,934,875	8,468,031	-	-	7,934,875	8,468,031
Public works	1,238,734	1,328,152	-	-	1,238,734	1,328,152
Health and welfare	4,446,308	4,051,416	-	-	4,446,308	4,051,416
Education	13,519,775	13,146,962	-	-	13,519,775	13,146,962
Parks, recreation, and cultural	1,081,312	1,091,834	-	-	1,081,312	1,091,834
Community development	1,423,559	1,630,889	-	-	1,423,559	1,630,889
Interest and other fiscal charges	3,541,420	3,329,074	-	-	3,541,420	3,329,074
Water and sewer	-	-	5,012,413	5,091,165	5,012,413	5,091,165
Total expenses	\$ 36,654,001	\$ 37,171,539	\$ 5,012,413	\$ 5,091,165	\$ 41,666,414	\$ 42,262,704
Increase in net assets before transfers	\$ 3,131,934	\$ 2,899,518	\$ (1,054,828)	\$ (685,265)	\$ 2,077,106	\$ 2,214,253
Transfers	(365,507)	(455,885)	365,507	455,885	-	-
Increase in net assets	\$ 2,766,427	\$ 2,443,633	\$ (689,321)	\$ (229,380)	\$ 2,077,106	\$ 2,214,253
Net assets, July 1, 2009, as restated	55,064,165	52,620,532	17,002,325	17,231,705	72,066,490	69,852,237
Net assets, June 30, 2010	\$ 57,830,592	\$ 55,064,165	\$ 16,313,004	\$ 17,002,325	\$ 74,143,596	\$ 72,066,490

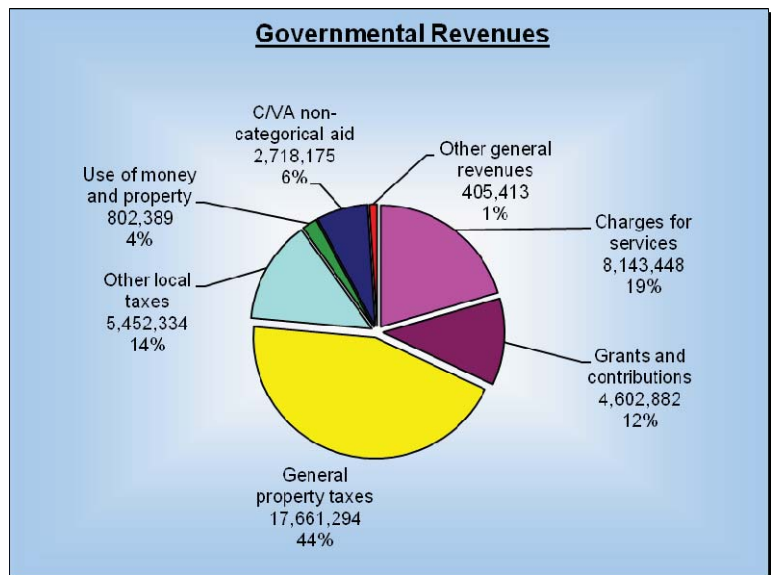
## Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$39.8 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$17.7 million
- Charges for services totaled \$8.1 million (this includes \$6.9 million of landfill revenues)
- Other local taxes totaled \$5.4 million.
- Operating grants and contributions totaled \$4.5 million

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



Expenses for governmental activities totaled \$36.7 million for the fiscal year. Major categories were as follows:

- Education totaled – \$13.5 million
- Public Safety totaled – \$7.9 million
- Health and Welfare totaled – \$4.4 million

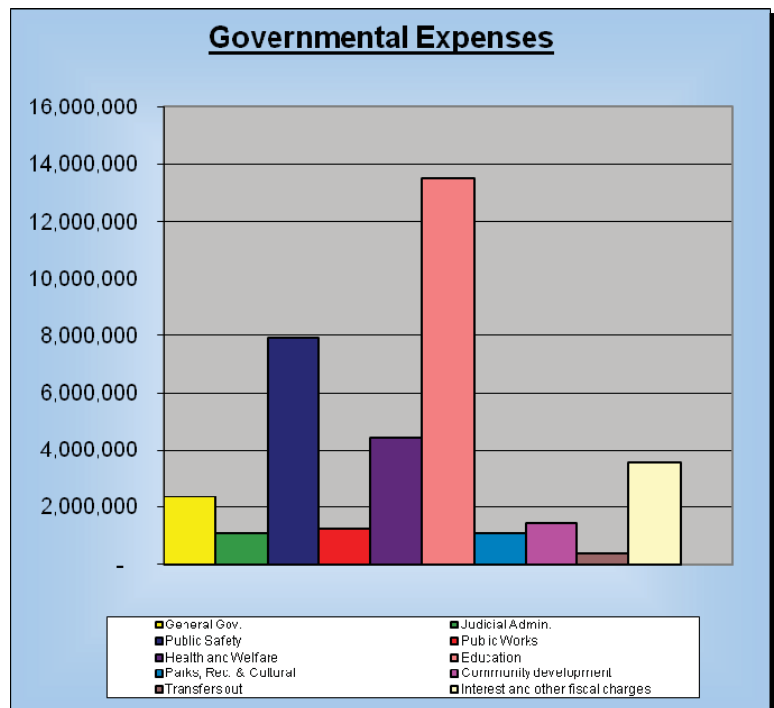
The graph below denotes expenses by major categories.

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

- General property taxes increased \$150,494; this is a minor increase due to the increase in the real tax rate from \$0.45 to \$0.50, which is the equalized rate.
- Use of money and property decreased \$713,264 during the year mainly due to a decrease in interest income.
- Capital Grants and contributions increased by \$92,168. This is mainly due to CDBG planning grant received and additional revenues from the state.

### ***Significant changes in expenses were:***

- Education expenses increased by \$372,183 additional federal funding received.
- Public Safety expenses decreased by (\$533,156) due and overall decrease in spending.
- Health and Welfare increased by \$394,892 due to an increase in Comprehensive Services Act (CSA) costs.



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

Business-type activities - Business-type activities net assets decreased by \$(689,321) during the current year.

Major reasons are as follows:

- Operating revenues increased from \$3.0 million to \$3.9 million during the year.
- There was an increase in Charges for Service of \$1.1 million due to rate increases and restructuring how debt fees were applied
- Operating expenses increased slightly from \$3.9 million to \$4.0 million during the year. A net increase of \$95,645.
- The largest notable increase in expenses was the payment to Governmental Activities in the amount of \$175,000 which covers a portion of expenses due to shared resources.
- Non-operating revenues (expenses) decreased by \$1.2 million as a result of a state Water Quality Improvement (WQIF) grant was received in the amount of \$1.3 million during fiscal year 2009.
- The County transferred \$365,507 to the business-type activities fund to assist in funding operating expenditures as a capital contribution. This amount will decrease by 20% in the next year and the intent is to result in assisted 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, unreserved 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 \$62.7 million, a decrease of (\$2.7) in comparison with the prior year. Approximately seventy-one percent (71%) of this amount (\$44.5 million) constitutes unreserved fund balance. General fund unreserved balance equals \$25.6 million which is available for spending at the County's discretion. \$18.9 million constitutes unreserved capital projects fund balance. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for library operations (\$830,362), debt service (\$1.1 million), Wireless Authority (\$239,552), natatorium (\$2.2 million) and for specific capital projects (\$13.7 million).

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$25.6 million, while the total fund balance was \$26.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents seventy-two percent (72%) of total general fund expenditures, while total fund balance represents seventy-five percent (75%) of that same amount.

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

General Fund: The fund balance of the County's general fund increased by \$3.2 million during the current fiscal year. Some factors which are significant contributors to this increase are as follows:

- Increase in general property taxes of \$1,498,079 due to conservative budget forecast based on the economy and unforeseen collections.
- Return of unspent funds in the amount of \$686,436 from the School Board.
- Increase in other local taxes by \$729,264 due to conservative budget forecast based on the economy and unforeseen collections.
- Decrease in use of money and property of (\$713,264) due to a decrease in interest earned on investments and reduction in bond proceeds as a result of construction.
- Decrease in overall other local taxes category by (\$204,168).
- 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 \$34.9 million of which thirty-nine percent (39%) is reserved for future capital projects. The fund balance of the County's capital projects fund decreased by \$6 million during the current fiscal year. Some major factors are as follows:

- Substantial completion of a new Animal Control facility and the start of construction on a new Sheriff's Office facility totaled \$5.1 million in capital spending.
- Landfill fees collected in fiscal year 2010 totaled \$6.9 million which was used to fund debt service. In addition, \$6.5 million was spent on various capital projects.

Permanent Fund: At the end of the current fiscal year the fund balance for the County's permanent fund was \$830,362 which is all reserved for library operations. The fund balance of the County's permanent fund increased by \$19,718 during the current fiscal year. This was due to interest earnings.

Wireless Authority Fund: The Wireless Authority project fund balance was \$239,552 at the end of the current fiscal year. This is a decrease of (\$25,456) used to pay 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 budget and the final amended budget were relatively minor (\$746,220 or 2% increase in appropriations). Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$564,430 based on an increase expenditures.
- Various public safety grants and additional state and federal funding totaling \$200,000.

### **General Fund Budgetary Highlights: (Continued)**

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

Actual revenues were more than the amended budget by 1.7 million, reference Exhibit 10.

Actual expenditures were \$1.9 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 implemented a spending freeze with special consideration on discretionary spending for the entire year. In addition, employees did not receive salary increases.
- Welfare which had a favorable expenditure variance of \$257,788 made up primarily of expenditures relating to related to Social Services Administration and Purchase of Services.
- Public safety also had a favorable expenditure variance of \$456,765 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.
- The largest savings in expenditures was Schools returned \$686,436 to the General Fund due to remaining funds from transfer.

### **Capital Asset and Debt Administration**

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2010 totals \$69 million (net of accumulated depreciation). Governmental capital assets increased a total of \$2.6 million. For the same period business-type activities decreased \$197,016. Major highlights of governmental capital assets include:

- The County completed construction of the new high school and substantially completed the new animal control facility. To date the County has expended more than \$45 million on the new high school; and more than \$4 million in renovations to the old high school (which is now the new middle school).

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2010 totals \$36.6 million (net of accumulated depreciation). Investment in capital assets decreased \$197,016. 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 \$74.4 million and the King George Service Authority has outstanding obligations of \$25.1 million.

Of the County's debt, \$11.3 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. No new bonds were issued and debt was reduced in the amount of \$3 million.

The King George Service Authority decreased its long-term obligations by \$45,970 during the year. There were two refundings undertaken during the year to restructure cash flow.

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 2010.

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 8.3 at June 30, 2010. The local unemployment rate compares favorably to the June 30, 2010 national rates. The County's favorable employment conditions are supported by the continued growth of jobs over the last seven years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 9,594 in 2010. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenue budget for the fiscal year ending June 30, 2010 totals \$32.5, 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.

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## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
At June 30, 2010

	Primary Government			Component Unit School Board
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 57,909,487	\$ 4,134,145	\$ 62,043,632	\$ 152,431
Receivables (net of allowance for uncollectibles):				
Property taxes	7,406,847	-	7,406,847	-
Accounts receivable	2,057,167	529,418	2,586,585	-
Notes receivable	545,932	-	545,932	-
Due from other governments	3,130,880	-	3,130,880	863,373
Restricted cash	3,350,043	1,371,652	4,721,695	-
Due from primary government	-	-	-	3,205,750
Total Current Assets	\$ 74,400,356	\$ 6,035,215	\$ 80,435,571	\$ 4,221,554
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 5,252,043	\$ 2,262,354	\$ 7,514,397	\$ 173,134
Infrastructure	-	33,327,981	33,327,981	-
Buildings	7,501,829	-	7,501,829	16,506,737
Equipment	3,518,028	245,129	3,763,157	1,614,324
Jointly owned assets	42,392,463	-	42,392,463	7,162,134
Construction in progress	10,337,376	780,835	11,118,211	-
Total capital assets	\$ 69,001,739	\$ 36,616,299	\$ 105,618,038	\$ 25,456,329
Other assets	885,694	384,956	1,270,650	-
Total Noncurrent Assets	\$ 69,887,433	\$ 37,001,255	\$ 106,888,688	\$ 25,456,329
Total Assets	\$ 144,287,789	\$ 43,036,470	\$ 187,324,259	\$ 29,677,883
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,390,428	\$ 353,428	\$ 1,743,856	\$ 603,671
Accrued liabilities	-	-	-	3,514,757
Due to component unit - School Board	3,205,750	-	3,205,750	-
Unearned revenue	6,245,556	1,035,710	7,281,266	-
Accrued interest payable	1,178,348	210,768	1,389,116	-
Current portion of long-term obligations	2,821,003	163,954	2,984,957	156,509
Total Current Liabilities	\$ 14,841,085	\$ 1,763,860	\$ 16,604,945	\$ 4,274,937
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	71,616,112	24,959,606	96,575,718	587,914
Total Liabilities	\$ 86,457,197	\$ 26,723,466	\$ 113,180,663	\$ 4,862,851
NET ASSETS				
Invested in capital assets, net of related debt	\$ 12,019,419	\$ 14,228,621	\$ 26,248,040	\$ 25,128,954
Restricted for:				
Debt service	1,150,043	-	1,150,043	-
Natatorium	2,200,000	-	2,200,000	-
Unrestricted assets	42,461,130	2,084,383	44,545,513	(313,922)
Total Net Assets	\$ 57,830,592	\$ 16,313,004	\$ 74,143,596	\$ 24,815,032
Total Liabilities and Net Assets	\$ 144,287,789	\$ 43,036,470	\$ 187,324,259	\$ 29,677,883

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,368,002	\$ -	\$ 260,936	\$ -
Judicial administration	1,100,016	291,302	491,009	-
Public safety	7,934,875	77,782	1,110,195	-
Public works	1,238,734	7,324,769	-	113,345
Health and welfare	4,446,308	-	2,467,269	-
Education	13,519,775	-	-	-
Parks, recreation, and cultural	1,081,312	355,557	104,949	-
Community development	1,423,559	94,038	30,179	25,000
Interest on long-term debt	3,541,420	-	-	-
Total governmental activities	\$ 36,654,001	\$ 8,143,448	\$ 4,464,537	\$ 138,345
Business-type activities:				
Water and sewer	\$ 5,012,413	\$ 3,661,026	\$ -	\$ -
Total primary government	\$ 41,666,414	\$ 11,804,474	\$ 4,464,537	\$ 138,345
COMPONENT UNIT:				
School Board	\$ 34,353,669	\$ 654,622	\$ 22,295,426	\$ 275,621
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, as restated				
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	
\$ (2,107,066)	\$ -	\$ (2,107,066)	\$ -
(317,705)	-	(317,705)	-
(6,746,898)	-	(6,746,898)	-
6,199,380	-	6,199,380	-
(1,979,039)	-	(1,979,039)	-
(13,519,775)	-	(13,519,775)	-
(620,806)	-	(620,806)	-
(1,274,342)	-	(1,274,342)	-
(3,541,420)	-	(3,541,420)	-
\$ (23,907,671)	\$ -	\$ (23,907,671)	\$ -
\$ -	\$ (1,351,387)	\$ (1,351,387)	\$ -
\$ -	\$ (1,351,387)	\$ (25,259,058)	\$ -
\$ -	\$ -	\$ -	\$ (11,128,000)
17,661,294	-	17,661,294	-
1,323,482	-	1,323,482	-
245,177	-	245,177	-
1,474,826	-	1,474,826	-
509,925	-	509,925	-
275,511	-	275,511	-
769,662	-	769,662	-
853,751	-	853,751	-
2,718,175	-	2,718,175	-
802,389	11,058	813,447	11,553
-	-	-	12,045,129
405,413	285,501	690,914	183,973
(365,507)	365,507	-	-
\$ 26,674,098	\$ 662,066	\$ 27,336,164	\$ 12,240,655
\$ 2,766,427	\$ (689,321)	\$ 2,077,106	\$ 1,112,655
55,064,165	17,002,325	72,066,490	23,702,377
\$ 57,830,592	\$ 16,313,004	\$ 74,143,596	\$ 24,815,032

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## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2010

	Governmental Funds				Total
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 26,293,186	\$ 30,546,387	\$ 830,362	\$ 239,552	\$ 57,909,487
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	7,406,847	-	-	-	7,406,847
Accounts	188,771	1,868,396	-	-	2,057,167
Note receivable	545,932	-	-	-	545,932
Restricted cash	1,150,043	2,200,000	-	-	3,350,043
Due from other governmental units	2,115,780	1,015,100	-	-	3,130,880
Total assets	<u>\$ 37,700,559</u>	<u>\$ 35,629,883</u>	<u>\$ 830,362</u>	<u>\$ 239,552</u>	<u>\$ 74,400,356</u>
LIABILITIES					
Accounts payable	\$ 637,487	\$ 752,941	\$ -	\$ -	\$ 1,390,428
Due to component unit - School Board	3,205,750	-	-	-	3,205,750
Deferred revenue	7,103,347	-	-	-	7,103,347
Total liabilities	<u>\$ 10,946,584</u>	<u>\$ 752,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,699,525</u>
FUND BALANCES					
Reserved for:					
Library operations	\$ -	\$ -	\$ 830,362	\$ -	\$ 830,362
Natatorium	-	2,200,000	-	-	2,200,000
Specific capital projects	-	13,737,529	-	-	13,737,529
Debt service	1,150,043	-	-	-	1,150,043
Wireless authority	-	-	-	239,552	239,552
Unreserved	25,603,932	18,939,413	-	-	44,543,345
Total fund balances	<u>\$ 26,753,975</u>	<u>\$ 34,876,942</u>	<u>\$ 830,362</u>	<u>\$ 239,552</u>	<u>\$ 62,700,831</u>
Total liabilities and fund balances	<u>\$ 37,700,559</u>	<u>\$ 35,629,883</u>	<u>\$ 830,362</u>	<u>\$ 239,552</u>	<u>\$ 74,400,356</u>

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

Total fund balances, balance sheet, governmental funds	\$ 62,700,831
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.	69,001,739
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.	885,694
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,178,348)
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.	857,791
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.	(74,437,115)
Net assets of governmental activities	<u>\$ 57,830,592</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, 2010

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 17,776,623	\$ -	\$ -	\$ -	\$ 17,776,623
Other local taxes	5,452,334	-	-	-	5,452,334
Permits, privilege fees and regulatory licenses	471,199	6,953,695	-	-	7,424,894
Fines and forfeitures	257,999	-	-	-	257,999
Revenue from use of money and property	376,269	405,838	19,718	564	802,389
Charges for services	460,555	-	-	-	460,555
Miscellaneous	384,583	20,830	-	-	405,413
Recovered costs	175,000	-	-	-	175,000
Intergovernmental:					
Commonwealth	6,118,653	113,345	-	-	6,231,998
Federal	1,064,059	25,000	-	-	1,089,059
Total revenues	<u>\$ 32,537,274</u>	<u>\$ 7,518,708</u>	<u>\$ 19,718</u>	<u>\$ 564</u>	<u>\$ 40,076,264</u>
Expenditures:					
Current:					
General government administration	\$ 2,378,151	\$ 388,270	\$ -	\$ -	\$ 2,766,421
Judicial administration	1,087,706	-	-	-	1,087,706
Public safety	7,466,384	5,152,107	-	-	12,618,491
Public works	1,216,605	38,519	-	-	1,255,124
Health and welfare	4,382,789	-	-	-	4,382,789
Education	10,287,664	752,894	-	-	11,040,558
Parks, recreation, and cultural	1,092,055	173,851	-	-	1,265,906
Community development	1,317,955	62,976	-	33,254	1,414,185
Debt service:					
Principal retirement	3,054,211	-	-	-	3,054,211
Interest and other fiscal charges	3,510,058	-	-	41,366	3,551,424
Total expenditures	<u>\$ 35,793,578</u>	<u>\$ 6,568,617</u>	<u>\$ -</u>	<u>\$ 74,620</u>	<u>\$ 42,436,815</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,256,304)</u>	<u>\$ 950,091</u>	<u>\$ 19,718</u>	<u>\$ (74,056)</u>	<u>\$ (2,360,551)</u>
Other financing sources (uses):					
Transfers in	\$ 6,587,720	\$ -	\$ -	\$ 48,600	\$ 6,636,320
Transfers out	(49,399)	(6,952,428)	-	-	(7,001,827)
Total other financing sources (uses)	<u>\$ 6,538,321</u>	<u>\$ (6,952,428)</u>	<u>\$ -</u>	<u>\$ 48,600</u>	<u>\$ (365,507)</u>
Net changes in fund balances	\$ 3,282,017	\$ (6,002,337)	\$ 19,718	\$ (25,456)	\$ (2,726,058)
Fund balances at beginning of year	23,471,958	40,879,279	810,644	265,008	65,426,889
Fund balances at end of year	<u>\$ 26,753,975</u>	<u>\$ 34,876,942</u>	<u>\$ 830,362</u>	<u>\$ 239,552</u>	<u>\$ 62,700,831</u>

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, 2010

		<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	\$	(2,726,058)
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	\$ 6,560,143	
Depreciation expense	<u>(2,180,474)</u>	4,379,669
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,771,716)
Transfer of assets from Component Unit School Board to the Primary Government		9,349
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.		(115,329)
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:		
Amortization of bond premium	\$ 35,857	
Amortization of bond issuance costs	(34,065)	
Amortization of deferred amount on refunding	(15,011)	
Principal retired on general obligation and lease revenue bonds	2,727,498	
Principal retired on state literary fund loans	250,000	
Principal retired on capital lease obligations	<u>76,713</u>	3,040,992
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	\$ (73,703)	
Change in interest payable	<u>23,223</u>	<u>(50,480)</u>
Change in net assets of governmental activities	\$	<u><u>2,766,427</u></u>

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

Statement of Net Assets - Proprietary Fund  
At June 30, 2010

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 4,134,145
Receivables (net of allowance for uncollectibles):	
Accounts receivable	529,418
Restricted cash	<u>1,371,652</u>
Total Current Assets	\$ <u>6,035,215</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	41,703,383
Equipment	791,809
Construction in progress	780,835
Accumulated depreciation	<u>(8,922,082)</u>
Total Capital Assets	\$ <u>36,616,299</u>
Bond issue costs, net of amortization	\$ <u>384,956</u>
Total Noncurrent Assets	\$ <u>37,001,255</u>
Total Assets	\$ <u><u>43,036,470</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 353,428
Deferred revenue	1,035,710
Accrued interest payable	210,768
Current portion of long-term obligations	<u>163,954</u>
Total Current Liabilities	\$ <u>1,763,860</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>24,959,606</u>
Total Liabilities	\$ <u>26,723,466</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 14,228,621
Unrestricted assets	<u>2,084,383</u>
Total Net Assets	\$ <u>16,313,004</u>
Total Liabilities and Net Assets	\$ <u><u>43,036,470</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, 2010

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 887,823
Sewer revenues	972,562
Availability fees	636,088
Debt fees	1,164,553
Other revenues	<u>285,501</u>
Total operating revenues	\$ <u>3,946,527</u>
Operating expenses:	
Personnel services	\$ 1,023,173
Fringe benefits	419,284
Contractual services	392,439
Depreciation and amortization	1,164,552
Other operating expenses	<u>1,001,799</u>
Total operating expenses	\$ <u>4,001,247</u>
Net income (loss) from operations	\$ <u>(54,720)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 11,058
Interest expense	<u>(1,011,166)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,000,108)</u>
Net income (loss) before transfers	\$ (1,054,828)
Transfers:	
Transfers in	<u>365,507</u>
Change in net assets	\$ (689,321)
Net assets, beginning of year, as restated	<u>17,002,325</u>
Net assets, end of year	<u>\$ 16,313,004</u>

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

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2010

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,565,008
Payments to employees (including fringe benefits)	(1,434,276)
Payments for operating activities	<u>(1,267,676)</u>
Net cash provided by operating activities	\$ <u>863,056</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (901,587)
Proceeds from issuance of refunding debt	13,611,072
Costs of issuance of refunding debt	(304,226)
Capital grants and contributions	365,507
Payment to refunded bonds escrow agent	(13,306,846)
Retirement of indebtedness	(233,377)
Interest paid on loans	<u>(1,118,718)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,888,175)</u>
Cash flows from investing activities:	
Interest received	\$ <u>11,058</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,014,061)
Cash and cash equivalents (including restricted) at beginning of year	<u>6,519,858</u>
Cash and cash equivalents (including restricted) at end of year	\$ <u><u>5,505,797</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ (54,720)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,164,552
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(48,697)
Increase in accounts payable and accrued liabilities	126,562
(Decrease) in deferred revenue	(332,822)
Increase in compensated absences	<u>8,181</u>
Net cash provided by operating activities	\$ <u><u>863,056</u></u>

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

Statement of Fiduciary Net Assets  
At June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 5,188,642
Accounts receivable	<u>48,616</u>
Total assets	<u>\$ 5,237,258</u>
LIABILITIES	
Accounts payable	\$ 23,225
Amounts held for others	1,182,371
Amounts held for landfill closure and postclosure costs	3,990,513
Amounts held for social services' clients	<u>41,149</u>
Total liabilities	<u>\$ 5,237,258</u>

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

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## COUNTY OF KING GEORGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2010

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

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

The financial statements of the County of King George, Virginia have been prepared in conformity with 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, 2010 (Continued)

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

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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, 2010 (Continued)

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

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#### **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, 2010.

#### Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

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

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

The 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.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

##### 1. Governmental Funds

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 all financial transactions and resources except those required to be accounted for 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 government-wide reporting purposes.

##### b. Capital Projects Fund

The Capital Improvements Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital improvements fund is considered a major fund for government-wide reporting purposes.

##### c. Permanent Fund

The Permanent Fund accounts for operations of the Smoot Library Endowment Fund. Transfers of income are made periodically to support library operations.

##### d. Wireless Authority Fund

The Wireless Authority Fund accounts for operations of the King George County Wireless Authority.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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.

#### **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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### 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.

#### 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 \$667,656 at June 30, 2010 and is comprised of the following:

Property taxes	\$ 582,135
Water & sewer accounts	<u>85,521</u>
Total	<u>\$ 667,656</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, 2010 (Continued)

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

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#### 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.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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. Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **M. 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.

#### **N. 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.

#### **O. 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, 2010 totaled \$19,344 in the Enterprise funds and \$34,065 in the Governmental Funds.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **P. Prepaid Connection Fees:**

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

#### **Q. Net 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.

#### **R. 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.

### **Note 2—Deposits and Investments:**

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#### **Deposits**

All cash of the County and its component unit is maintained in accounts collateralized in accordance with the Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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, 2010 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+	
U.S. Agencies	\$ -	\$ 12,851,703	\$ -	
Local Government Investment Pool	4,574,323	-	-	
State Non-Arbitrage Pool	20,509,402	-	-	
Corporate Notes	-	-	769,708	
Repurchase Agreements - Underlying:				
U.S. Agency Securities	-	19,084,106	-	
Total	\$ 25,083,725	\$ 31,935,809	\$ 769,708	

#### Interest Rate Risk

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

Investment Maturities (in years)				
Investment Type	Fair Value	1-5 Years	6-10 Years	Greater Than 10 Years
Repurchase Agreements	\$ 19,084,106	\$ 2,502,267	\$ 3,634,986	\$ 12,946,854
Corporate Notes	769,708	769,708	-	-
U.S. Government Corporate Debt	2,161,971	2,161,971	-	-
U.S. Agencies	12,851,703	12,047,153	-	804,549
U.S. Treasuries	3,291,681	3,291,681	-	-
Total	\$ 38,159,169	\$ 20,772,780	\$ 3,634,986	\$ 13,751,403

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares.

### Note 3—Due From Other Governments:

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At June 30, 2010, 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	-	266,451
PPTRA	1,088,066	-
Local sales taxes	105,893	-
Communications tax	68,381	-
Public assistance	45,523	-
Shared expenses	141,128	-
CSA	524,592	-
Other	77,940	4,924
Federal Government:		
School funds	-	591,998
CDBG	15,100	-
Public assistance	64,257	-
Totals	<u>\$ 3,130,880</u>	<u>\$ 863,373</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 3,205,750	\$ -
School	-	3,205,750
Totals	<u>\$ 3,205,750</u>	<u>\$ 3,205,750</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:

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Interfund transfers for the year ended June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 6,587,720	\$ 49,399
Service Authority	365,507	-
Wireless Project Fund	48,600	-
Capital Improvements Fund	-	6,952,428
Total	<u>\$ 7,001,827</u>	<u>\$ 7,001,827</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, 2010 (Continued)

## Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2010:

### Primary Government:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 5,242,694	\$ 9,349	\$ -	\$ 5,252,043
Construction in progress-jointly owned assets	543,324	547,144	126,005	964,463
Construction in progress	<u>4,219,254</u>	<u>5,153,659</u>	<u>-</u>	<u>9,372,913</u>
Total capital assets not being depreciated	<u>\$ 10,005,272</u>	<u>\$ 5,710,152</u>	<u>\$ 126,005</u>	<u>\$ 15,589,419</u>
Capital assets being depreciated:				
Buildings	\$ 11,108,686	\$ 39,689	\$ -	\$ 11,148,375
Equipment	7,315,974	819,651	127,324	8,008,301
Jointly owned assets	<u>47,841,988</u>	<u>126,005</u>	<u>2,197,848</u>	<u>45,770,145</u>
Total capital assets being depreciated	<u>\$ 66,266,648</u>	<u>\$ 985,345</u>	<u>\$ 2,325,172</u>	<u>\$ 64,926,821</u>
Less accumulated depreciation for:				
Buildings	\$ 3,394,321	\$ 252,225	\$ -	\$ 3,646,546
Equipment	3,953,342	664,255	127,324	4,490,273
Jointly owned assets	<u>2,539,820</u>	<u>1,263,994</u>	<u>426,132</u>	<u>3,377,682</u>
Total accumulated depreciation	<u>\$ 9,887,483</u>	<u>\$ 2,180,474</u>	<u>\$ 553,456</u>	<u>\$ 11,514,501</u>
Total capital assets being depreciated, net	<u>\$ 56,379,165</u>	<u>\$ (1,195,129)</u>	<u>\$ 1,771,716</u>	<u>\$ 53,412,320</u>
Governmental activities capital assets, net	<u><u>\$ 66,384,437</u></u>	<u><u>\$ 4,515,023</u></u>	<u><u>\$ 1,897,721</u></u>	<u><u>\$ 69,001,739</u></u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

#### Primary Government: (Continued)

	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2010</u>
<b><u>Business-type activities-KGSA:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>2,398,222</u>	<u>901,587</u>	<u>2,518,974</u>	<u>780,835</u>
Total capital assets not being depreciated	<u>\$ 4,660,576</u>	<u>\$ 901,587</u>	<u>\$ 2,518,974</u>	<u>\$ 3,043,189</u>
Capital assets being depreciated:				
Infrastructure	\$ 39,184,409	\$ 2,518,974	\$ -	\$ 41,703,383
Equipment	<u>791,809</u>	<u>-</u>	<u>-</u>	<u>791,809</u>
Total capital assets being depreciated	<u>\$ 39,976,218</u>	<u>\$ 2,518,974</u>	<u>\$ -</u>	<u>\$ 42,495,192</u>
Less accumulated depreciation for:				
Infrastructure	\$ 7,328,110	\$ 1,047,292	\$ -	\$ 8,375,402
Equipment	<u>495,369</u>	<u>51,311</u>	<u>-</u>	<u>546,680</u>
Total accumulated depreciation	<u>\$ 7,823,479</u>	<u>\$ 1,098,603</u>	<u>\$ -</u>	<u>\$ 8,922,082</u>
Total capital assets being depreciated, net	<u>\$ 32,152,739</u>	<u>\$ 1,420,371</u>	<u>\$ -</u>	<u>\$ 33,573,110</u>
Business-type activities capital assets, net	<u><u>\$ 36,813,315</u></u>	<u><u>\$ 2,321,958</u></u>	<u><u>\$ 2,518,974</u></u>	<u><u>\$ 36,616,299</u></u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

## Note 6—Capital Assets: (Continued)

### Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 182,483	\$ -	\$ 9,349	\$ 173,134
Total capital assets not being depreciated	\$ 182,483	\$ -	\$ 9,349	\$ 173,134
Capital assets, being depreciated:				
Buildings	\$ 26,224,021	\$ -	\$ 39,689	\$ 26,184,332
Equipment	4,082,230	247,143	-	4,329,373
Jointly owned assets	7,254,178	2,197,848	-	9,452,026
Total capital assets being depreciated	\$ 37,560,429	\$ 2,444,991	\$ 39,689	\$ 39,965,731
Less accumulated depreciation for:				
Buildings	\$ 9,018,326	\$ 698,958	\$ 39,689	\$ 9,677,595
Equipment	2,436,845	278,204	-	2,715,049
Jointly owned assets	1,863,760	426,132	-	2,289,892
Total accumulated depreciation	\$ 13,318,931	\$ 1,403,294	\$ 39,689	\$ 14,682,536
Total capital assets being depreciated, net	\$ 24,241,498	\$ 1,041,697	\$ -	\$ 25,283,195
School Board capital assets, net	\$ 24,423,981	\$ 1,041,697	\$ 9,349	\$ 25,456,329

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

Net capital assets	\$ 69,001,739
Long-term debt applicable to capital assets at June 30, 2010	\$ 74,117,154
Less - debt proceeds received but not expended on capital assets at June 30, 2010	(17,134,834)
Net long-term debt, as adjusted	\$ 56,982,320
Net assets invested in capital assets, less related debt	\$ 12,019,419

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

Governmental activities:	
General government	\$ 238,554
Judicial administration	7,593
Public safety	582,090
Public works	17,660
Health and Welfare	38,238
Education	1,263,994
Parks, recreation and cultural	26,822
Community development	<u>5,523</u>
Total	\$ <u>2,180,474</u>
Component Unit-School Board	\$ <u>977,162</u> (1)
King George Service Authority	\$ <u>1,098,603</u>
(1) Depreciation expense	\$ 977,162
Accumulated depreciation on Joint tenancy asset transfer	<u>426,132</u>
Total increase in accumulated depreciation, page 46	\$ <u>1,403,294</u>

### Note 7—Restricted Assets:

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Restricted assets at June 30, 2010 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 1,371,652
Natatorium donation	2,200,000
Cash reserves for debt service	<u>1,150,043</u>
Total	\$ <u>4,721,695</u>

### Note 8—Other Assets:

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#### Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 112,599
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>433,333</u>
Total notes receivable	\$ <u>545,932</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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>136,260</u>	\$ <u>885,694</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:					
2009 Refunding Bond	\$ 151,740	10	\$ 15,174	\$ 15,174	\$ 136,566
2010 Refunding Bond	152,486	21	-	-	152,486
2002 VRA bonds (unrefunded)	<u>100,074</u>	24	<u>4,170</u>	<u>4,170</u>	<u>95,904</u>
Total	\$ <u>404,300</u>		\$ <u>19,344</u>	\$ <u>19,344</u>	\$ <u>384,956</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, 2010:

	<u>Balance July 1, 2009</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 12,090,612	\$ -	\$ 828,848	\$ 11,261,764	\$ 755,791
Revenue Bonds	60,901,118	-	1,898,650	59,002,468	1,710,497
Deferred amount on refunding	(345,250)	-	(15,011)	(330,239)	-
Wireless Authority Bonds	740,000	-	-	740,000	-
State Literary Fund Loans	2,500,000	-	250,000	2,250,000	250,000
Capital Leases	76,713	-	76,713	-	-
Compensated Absences	576,497	160,178	86,475	650,200	65,020
Premium on bonds payable	<u>898,779</u>	<u>-</u>	<u>35,857</u>	<u>862,922</u>	<u>39,695</u>
Total	\$ <u>77,438,469</u>	\$ <u>160,178</u>	\$ <u>3,161,532</u>	\$ <u>74,437,115</u>	\$ <u>2,821,003</u>

The general fund revenues are used to liquidate compensated absences.

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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		Wireless Authority Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,466,288	\$ 3,312,362	\$ 250,000	\$ 67,500	\$ -	\$ 41,366
2012	2,698,585	3,197,681	250,000	60,000	-	41,366
2013	2,778,220	3,082,534	250,000	52,500	740,000	41,366
2014	2,540,303	2,970,953	250,000	45,000	-	-
2015	2,603,919	2,872,034	250,000	37,500	-	-
2016	2,662,300	2,763,383	250,000	30,000	-	-
2017	2,359,036	2,650,949	250,000	22,500	-	-
2018	2,427,906	2,541,113	250,000	15,000	-	-
2019	2,499,634	2,429,483	250,000	7,500	-	-
2020	2,571,900	2,317,355	-	-	-	-
2021	2,654,728	2,189,440	-	-	-	-
2022	2,742,566	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	2,997,233	311,150	-	-	-	-
2035	1,860,000	190,750	-	-	-	-
2036	1,955,000	97,746	-	-	-	-
Total	\$ <u>70,264,232</u>	\$ <u>46,051,604</u>	\$ <u>2,250,000</u>	\$ <u>337,500</u>	\$ <u>740,000</u>	\$ <u>124,098</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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>		
\$2,476,000 IDA Loan Refunding Bonds issued March 29, 2005 payable in various principal annual installments from August 1, 2005 to August 1, 2015, interest at 3.61%	\$ 2,041,000	\$ 313,000
\$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%	825,000	265,000
\$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%	17,304,918	75,047
\$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%	4,258,550	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%	4,488,000	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>30,085,000</u>	<u>660,000</u>
Total Revenue Bonds	\$ <u>59,002,468</u>	\$ <u>1,710,497</u>
<u>General Obligation Bonds:</u>		
\$1,840,000, Virginia Public School Authority bond issued August 30, 1990 due in various annual installments through July 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	120,000	120,000
\$1,015,000 Virginia Public School Authority bond issued April 25, 1991, due in various installments through December 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	55,000	55,000

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds: (Continued)		
\$6,411,957 VPSSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	\$ 5,273,797	\$ 295,565
\$6,364,713 VPSSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>5,812,967</u>	<u>285,226</u>
Total General Obligation Bonds	\$ <u>11,261,764</u>	\$ <u>755,791</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>70,264,232</u>	\$ <u>2,466,288</u>
<u>Wireless Authority Bonds:</u>		
\$740,000 Revenue Bonds dated January 28, 2008 due in annual installments of interest with principal due December 1, 2012, interest at 5.59%	\$ <u>740,000</u>	\$ <u>-</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ <u>2,250,000</u>	\$ <u>250,000</u>
Compensated Absences	\$ <u>650,200</u>	\$ <u>65,020</u>
Premium on bonds payable	\$ <u>862,922</u>	\$ <u>39,695</u>
Deferred amount on refunding of 2006 revenue bonds	\$ <u>(330,239)</u>	\$ <u>-</u>
Total	\$ <u><u>74,437,115</u></u>	\$ <u><u>2,821,003</u></u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

### Governmental Funds: (Continued)

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, 2010:

<u>Proprietary Funds</u>	<u>Balance July 1, 2009</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Notes Payable	\$ 590,749	\$ -	\$ 44,817	\$ 545,932	\$ 44,817
Virginia Water Facilities Loan	194,775	-	128,560	66,215	66,215
VRA Utility Revenue Bond	9,235,000	-	9,235,000	-	-
VRA Water Revenue Bond	7,235,000	-	980,000	6,255,000	-
VRA Infrastructure Revenue Bonds	6,261,882	-	878,900	5,382,982	9,953
Compensated absences	72,881	19,113	10,932	81,062	8,106
Virginia Revenue Refunding Bond	-	6,915,000	-	6,915,000	-
Water and Sewer Refunding Bond	-	6,031,000	60,000	5,971,000	-
Deferred amount on refunding	(252,150)	(682,976)	(105,157)	(829,969)	-
Water & Sewer Revenue Bond	1,739,872	-	1,739,872	-	-
Premium on bonds payable	91,521	665,072	20,255	736,338	34,863
Total	<u>\$ 25,169,530</u>	<u>\$ 12,947,209</u>	<u>\$ 12,993,179</u>	<u>\$ 25,123,560</u>	<u>\$ 163,954</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

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

Year Ending June 30,	Virginia Water Facilities Loan		VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 66,215	\$ 1,324	\$ -	\$ 303,355	\$ -	\$ 288,016
2012	-	-	-	303,355	-	329,161
2013	-	-	-	303,355	-	329,161
2014	-	-	-	303,355	-	329,161
2015	-	-	220,000	303,356	-	329,161
2016	-	-	230,000	294,116	-	329,161
2017	-	-	240,000	284,224	330,000	323,225
2018	-	-	250,000	273,664	345,000	308,319
2019	-	-	265,000	262,416	360,000	291,039
2020	-	-	275,000	250,226	380,000	273,399
2021	-	-	285,000	237,232	395,000	256,655
2022	-	-	300,000	223,765	410,000	240,869
2023	-	-	315,000	209,365	425,000	222,618
2024	-	-	330,000	194,087	450,000	202,265
2025	-	-	345,000	178,083	470,000	180,708
2026	-	-	360,000	161,350	495,000	157,880
2027	-	-	380,000	143,890	515,000	133,908
2028	-	-	395,000	125,460	540,000	107,640
2029	-	-	415,000	105,315	570,000	78,780
2030	-	-	435,000	84,150	600,000	48,360
2031	-	-	460,000	61,965	630,000	16,380
2032	-	-	480,000	38,505	-	-
2033	-	-	275,000	14,025	-	-
Total	\$ <u>66,215</u>	\$ <u>1,324</u>	\$ <u>6,255,000</u>	\$ <u>4,658,614</u>	\$ <u>6,915,000</u>	\$ <u>4,775,866</u>

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

Year Ending June 30,	Notes Payable		Water and Sewer Refunding Bond		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 44,817	\$ 4,504	\$ -	\$ 296,281	\$ 9,953	\$ 280,110
2012	44,817	3,378	60,000	296,281	57,963	273,711
2013	44,817	2,258	60,000	293,304	60,890	266,782
2014	44,817	1,126	90,000	290,327	62,646	261,269
2015	16,667	-	110,000	285,861	234,188	255,210
2016	16,667	-	275,000	280,403	233,595	245,911
2017	16,667	-	160,000	266,757	237,108	234,196
2018	16,667	-	170,000	258,818	242,970	221,894
2019	16,667	-	5,046,000	250,383	246,483	210,423
2020	16,667	-	-	-	249,996	199,652
2021	16,667	-	-	-	253,509	187,630
2022	16,667	-	-	-	257,607	174,532
2023	16,667	-	-	-	262,291	161,210
2024	16,667	-	-	-	269,325	148,058
2025	16,667	-	-	-	274,009	134,502
2026	16,667	-	-	-	279,278	119,872
2027	16,667	-	-	-	287,483	104,640
2028	16,667	-	-	-	296,273	89,213
2029	16,667	-	-	-	299,778	73,715
2030	16,667	-	-	-	309,154	57,881
2031	16,667	-	-	-	315,594	41,637
2032	16,667	-	-	-	325,556	24,964
2033	16,667	-	-	-	154,567	12,480
2034	16,667	-	-	-	162,766	4,229
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ 545,932	\$ 11,266	\$ 5,971,000	\$ 2,518,415	\$ 5,382,982	\$ 3,783,721

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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%	\$ 112,599	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	433,333	16,667
\$1,816,890, Virginia Water Facilities Revolving Loan Fund issued April 1, 1991, payable in principal and interest semiannual installments of \$67,539 through September 2011, interest at 4%	66,215	66,215
\$6,031,000, Water and Sewer Refunding bond issued September 22, 2009, payable in various principal annual installments through February 1, 2019, interest payable semiannually at 4.962%	5,971,000	-
\$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 rates ranging from 2.1% to 5.1%	6,255,000	-
\$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%	2,295,082	9,953
Total long-term debt	\$ 25,136,129	\$ 120,985
Compensated absences	\$ 81,062	\$ 8,106
Premium on bonds payable	\$ 736,338	\$ 34,863
Deferred amount on refunding	\$ (829,969)	\$ -
Total long-term obligations	\$ 25,123,560	\$ 163,954

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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, 2010:

	<u>Amounts Payable July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Capital Leases	\$ 450,274	\$ -	\$ 122,899	\$ 327,375	\$ 128,769
Other post employment benefits	66,700	108,452	35,500	139,652	-
Compensated absences payable	<u>273,483</u>	<u>44,935</u>	<u>41,022</u>	<u>277,396</u>	<u>27,740</u>
Total	<u>\$ 790,457</u>	<u>\$ 153,387</u>	<u>\$ 199,421</u>	<u>\$ 744,423</u>	<u>\$ 156,509</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>
2011	\$ 128,769	\$ 15,580
2012	134,919	9,430
2013	31,113	2,987
2014	<u>32,574</u>	<u>1,527</u>
Total	<u>\$ 327,375</u>	<u>\$ 29,524</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	\$ <u>205,582</u>	\$ <u>100,381</u>
\$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	<u>121,793</u>	<u>28,388</u>
Total Capital Lease Obligations	\$ <u>327,375</u>	\$ <u>128,769</u>
Compensated Absences	\$ <u>277,396</u>	\$ <u>27,740</u>
Other post employment benefits	<u>139,652</u>	<u>-</u>
Total	<u>\$ 744,423</u>	<u>\$ 156,509</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### 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	\$ 144,812
Total	<u>\$ 628,880</u>	<u>\$ 52,407</u>	<u>\$ 144,812</u>

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

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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>650,200</u>
King George Service Authority	\$ <u>81,062</u>
Component Unit School Board	\$ <u>277,396</u>

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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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:

	<u>Government-wide Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Deferred property tax revenue:		
Deferred revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 6,245,556	\$ -
Prepaid connections	-	1,035,710
Total unearned revenue	<u>\$ 6,245,556</u>	<u>\$ 1,035,710</u>
	<u>Balance Sheet</u>	
	<u>Governmental Funds</u>	
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.	\$ 7,103,347	
Total deferred revenue	<u>\$ 7,103,347</u>	

### Note 12—Litigation:

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At June 30, 2010, 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, 2010 (Continued)

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### Note 13—Defined Benefit Pension Plan:

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#### A. Plan Description:

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

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained 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 annual salary to the VRS. This 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 2010 were 8.05% and 8.02% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,191,593, \$1,570,458 and \$1,754,680 to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2008. The contribution rates for 2009 and 2008 were 8.81% and 10.30% respectively. The contribution rate from July 2009 through March 2010 was 8.81% while the rate was 0.00% for April through June 2010.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### C. Annual Pension Cost:

For fiscal year 2010, the County's annual pension cost of \$649,665 was equal to the County's required and actual contributions.

For fiscal year 2010, the School Board's annual pension cost for the non-professional employees was \$174,060, 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, 2010	\$	649,665	100%	\$	-
June 30, 2009		650,560	100%		-
June 30, 2008		651,513	100%		-
School Board:					
Non-professional:					
June 30, 2010	\$	174,060	100%	\$	-
June 30, 2009		178,971	100%		-
June 30, 2008		111,578	100%		-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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, 2007 was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 86.69% funded. The actuarial accrued liability for benefits was \$20,356,701, and the actuarial value of assets was \$17,647,777, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,708,924. The covered payroll (annual payroll of active employees covered by the plan) was \$8,113,892, and ratio of the UAAL to the covered payroll was 33.39%.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

As of June 30, 2009, the most recent actuarial valuation date, the County School Board's plan was 87.73% funded. The actuarial accrued liability for benefits was \$4,234,954, and the actuarial value of assets was \$3,715,531, resulting in an unfunded actuarial accrued liability (UAAL) of \$519,423. The covered payroll (annual payroll of active employees covered by the plan) was \$2,193,292, and ratio of the UAAL to the covered payroll was 23.68%.

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:**

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

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

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

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

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

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The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2010 the County has set aside escrow funds in the amount of \$3,990,513 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, 2010 (Continued)

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### Note 16—Commitments and Contingencies:

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

### Note 17—Expenditures Over Appropriations:

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At June 30, 2010 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Clerk of the circuit court	\$ 429,654	\$ 450,398	\$ (20,744)
Ambulance services	34,000	34,804	(804)
Regional Jail	974,280	974,516	(236)
Miscellaneous	14,360	34,817	(20,457)
Principal retirement	2,977,498	3,054,211	(76,713)
Capital Projects Fund:			
Vehicle acquisition - sheriff	126,540	129,775	(3,235)
School Operating Fund:			
Interest and fiscal charges	20,178	21,451	(1,273)

### Note 18—Surety Bond:

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Charles V. Mason, Clerk of the Circuit Court	\$ 25,000
Alice L. Moore, Treasurer	400,000
Faye Lumpkin, Commissioner of the Revenue	3,000
Clarence W. Dobson, 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, 2010 (Continued)

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### Note 19—Construction Commitments:

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At June 30, 2010 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2010</u>	<u>Contract Balance</u>
King George Sheriff's Office	\$ <u>7,438,450</u>	\$ <u>2,666,686</u>	\$ <u>4,771,764</u>
Total	\$ <u><u>7,438,450</u></u>	\$ <u><u>2,666,686</u></u>	\$ <u><u>4,771,764</u></u>

### Note 20—Debt Refunding:

---

On September 22, 2009 the County of King George, Virginia issued \$6,031,000 in Water and Sewer Refunding Bonds, with an effective interest rate of 4.962%. The bonds were issued to refund \$5,558,772 of various obligations. The bonds will be repaid in various installments beginning February 1, 2010 to 2019. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds have been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$320,488. The advance refunding increased the total debt service payments over the next 9 years by \$1,847,577 and resulted in an economic loss of \$489,191. At June 30, 2010 the defeased bonds had balances outstanding of \$5,049,319. The refunding was undertaken to improve short-term cash flows.

On June 16, 2010 the County of King George, Virginia issued \$6,915,000 in VRA Revenue Refunding Bonds, Series, 2010D with an effective interest rate ranging from 3.598% to 5.2%. The Series 2010D bonds were issued to refund \$7,275,000 of VRA Revenue Bonds, Series of 2001. The 2010D bonds will be repaid in various installments beginning October 1, 2016 to October 1, 2030. As a result, the 2001 bonds are considered to be defeased in substance and the liability for those bonds have been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$152,586. The advance refunding reduced the total debt service payments over the next 21 years by \$1,115,084 and resulted in an economic gain of \$687,664. At June 30, 2010 the defeased bonds had balances outstanding of \$7,275,000.

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, 2010, \$9,961,400 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, 2010 (Continued)

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

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#### School Board:

##### A. Plan Description:

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

##### B. Funding Policy:

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

##### 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	\$	109,400
Interest on net OPEB obligation		2,668
Adjustment to annual required contribution		(3,616)
Annual OPEB cost (expense)	\$	108,452
Contributions made		(35,500)
Increase in net OPEB obligation	\$	72,952
Net OPEB obligation-beginning of year		66,700
Net OPEB obligation-end of year	\$	<u>139,652</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 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, 2010	\$	108,452	\$	32.73%	\$	139,652

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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

##### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009 is as follows:

Actuarial accrued liability (AAL)	\$	684,300
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		684,300
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)		20,991,600
UAAL as a percentage of covered payroll		3.26%

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.

##### Cost Method

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### **C. Annual Required Contribution (ARC): (Continued)**

##### **Cost Method: (Continued)**

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

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

##### **Interest Assumptions**

In the January 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.10 percent initially, reduced by decrements to an ultimate rate of 5.10 percent after eighty years. Both rates included a 3.75 percent 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, 2009, was thirty years.

##### **Unfunded**

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, 2010 (Continued)

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

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

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 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 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010 was \$187,279 and equaled the required contributions for each year.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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### Note 23—Restatement of Net Assets:

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Beginning net assets were restated as follows:

	<u>Proprietary Fund</u>
Beginning net assets, as previously reported	\$ 16,629,416
Adjustment to prepaid connections	<u>372,909</u>
Beginning net assets, as restated	<u>\$ 17,002,325</u>

### Note 24—Subsequent Event:

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On July 29, 2010 the County issued \$2,155,000 of 2010 Lease Revenue Refunding Bonds.

### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2010

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 16,278,544	\$ 16,278,544	\$ 17,776,623	\$ 1,498,079
Other local taxes	4,723,070	4,723,070	5,452,334	729,264
Permits, privilege fees and regulatory licenses	399,660	399,660	471,199	71,539
Fines and forfeitures	249,000	249,000	257,999	8,999
Revenue from use of money and property	749,760	749,760	376,269	(373,491)
Charges for services	397,759	397,759	460,555	62,796
Miscellaneous	122,900	125,715	384,583	258,868
Recovered costs	175,000	175,000	175,000	-
Intergovernmental:				
Commonwealth	6,736,520	6,963,376	6,118,653	(844,723)
Federal	626,074	726,413	1,064,059	337,646
Total revenues	\$ 30,458,287	\$ 30,788,297	\$ 32,537,274	\$ 1,748,977
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 64,466	\$ 64,466	\$ 63,008	\$ 1,458
General and financial administration:				
County administration	\$ 389,735	\$ 389,735	\$ 381,613	\$ 8,122
Legal services	100,647	96,147	59,286	36,861
Human resources	33,247	33,247	23,991	9,256
Commissioner of the Revenue	374,842	364,604	363,174	1,430
Reassessment	106,051	103,051	72,508	30,543
Treasurer	338,977	331,172	312,482	18,690
Information technology	235,476	260,066	251,529	8,537
Department of finance	770,844	769,594	710,191	59,403
Total general and financial administration	\$ 2,349,819	\$ 2,347,616	\$ 2,174,774	\$ 172,842
Board of Elections:				
Electoral board and officials	\$ 38,132	\$ 37,531	\$ 35,710	\$ 1,821
Registrar	118,412	119,352	104,659	14,693
Total board of elections	\$ 156,544	\$ 156,883	\$ 140,369	\$ 16,514
Total general government administration	\$ 2,570,829	\$ 2,568,965	\$ 2,378,151	\$ 190,814

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2010 (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	\$ 89,955	\$ 89,955	\$ 83,380	\$ 6,575
Combined courts	23,513	23,997	17,268	6,729
Magistrates	3,950	3,950	2,791	1,159
Clerk of the circuit court	454,387	429,654	450,398	(20,744)
Law library	3,000	3,000	1,815	1,185
Victim assistance program	19,895	19,895	18,582	1,313
Total courts	\$ 594,700	\$ 570,451	\$ 574,234	\$ (3,783)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 529,131	\$ 514,261	\$ 513,472	\$ 789
Total judicial administration	\$ 1,123,831	\$ 1,084,712	\$ 1,087,706	\$ (2,994)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,123,371	\$ 3,082,858	\$ 2,988,075	\$ 94,783
VJCCCA / CHINS	52,065	54,880	49,765	5,115
E-911	554,033	584,212	562,854	21,358
Law enforcement	22,200	22,200	577	21,623
Public safety grants	21,576	22,900	11,159	11,741
Total law enforcement and traffic control	\$ 3,773,245	\$ 3,767,050	\$ 3,612,430	\$ 154,620
Fire and rescue services:				
Emergency services	\$ 2,041,612	\$ 2,066,246	\$ 1,987,338	\$ 78,908
Ambulance services	21,000	34,000	34,804	(804)
Fire and rescue grants	88,320	237,002	120,497	116,505
King George fire and rescue	329,600	356,285	333,301	22,984
Total fire and rescue services	\$ 2,480,532	\$ 2,693,533	\$ 2,475,940	\$ 217,593
Correction and detention:				
Juvenile detention	\$ 267,662	\$ 267,662	\$ 209,502	\$ 58,160
Regional jail	974,280	974,280	974,516	(236)
Court service unit - juvenile court	3,190	3,190	3,190	-
Total correction and detention	\$ 1,245,132	\$ 1,245,132	\$ 1,187,208	\$ 57,924

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2010 (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	\$ 217,184	\$ 217,184	\$ 190,746	\$ 26,438
Medical examiner	250	250	60	190
Total other protection	\$ 217,434	\$ 217,434	\$ 190,806	\$ 26,628
Total public safety	\$ 7,716,343	\$ 7,923,149	\$ 7,466,384	\$ 456,765
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 222,853	\$ 229,188	\$ 102,782	\$ 126,406
Sanitation and waste removal:				
Landfill	\$ 219,757	\$ 219,757	\$ 218,944	\$ 813
Maintenance of general buildings and grounds:				
General properties	\$ 837,705	\$ 853,476	\$ 804,974	\$ 48,502
Miscellaneous	18,500	14,360	34,817	(20,457)
Citizen's center	53,466	55,716	55,088	628
Total maintenance of general buildings and grounds	\$ 909,671	\$ 923,552	\$ 894,879	\$ 28,673
Total public works	\$ 1,352,281	\$ 1,372,497	\$ 1,216,605	\$ 155,892
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	\$ 2,291,057	\$ 2,291,057	\$ 2,069,960	\$ 221,097
Comprehensive services	1,400,000	1,964,430	1,927,739	36,691
Total welfare	\$ 3,691,057	\$ 4,255,487	\$ 3,997,699	\$ 257,788
Total health and welfare	\$ 4,076,147	\$ 4,640,577	\$ 4,382,789	\$ 257,788

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2010 (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	10,969,198	10,969,198	10,282,762	686,436
Total education	\$ 10,974,100	\$ 10,974,100	\$ 10,287,664	\$ 686,436
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 289,573	\$ 285,073	\$ 284,391	\$ 682
Bluemont concert series	8,000	8,000	8,000	-
Recreation programs and events	329,458	329,458	328,028	1,430
Total parks and recreation	\$ 627,031	\$ 622,531	\$ 620,419	\$ 2,112
Library:				
Library	\$ 524,964	\$ 521,079	\$ 471,636	\$ 49,443
Total parks, recreation and cultural	\$ 1,151,995	\$ 1,143,610	\$ 1,092,055	\$ 51,555
Community development:				
Planning and community development:				
Community development	\$ 765,420	\$ 765,420	\$ 717,537	\$ 47,883
Economic development	138,400	138,400	128,708	9,692
Planning / community zoning boards	31,147	31,147	13,582	17,565
Community organizations	323,736	324,486	324,454	32
Total planning and community development	\$ 1,258,703	\$ 1,259,453	\$ 1,184,281	\$ 75,172
Environmental management:				
Litter control	\$ 2,500	\$ 5,886	\$ 5,881	\$ 5
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 34,748	\$ 38,134	\$ 38,129	\$ 5

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2010 (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	\$ 107,910	\$ 107,910	\$ 95,545	\$ 12,365
Total community development	\$ 1,401,361	\$ 1,405,497	\$ 1,317,955	\$ 87,542
Debt service:				
Principal retirement	\$ 2,977,498	\$ 2,977,498	\$ 3,054,211	\$ (76,713)
Interest and fiscal charges	3,610,222	3,610,222	3,510,058	100,164
Total debt service	\$ 6,587,720	\$ 6,587,720	\$ 6,564,269	\$ 23,451
Total expenditures	\$ 36,954,607	\$ 37,700,827	\$ 35,793,578	\$ 1,907,249
Excess (deficiency) of revenues over expenditures	\$ (6,496,320)	\$ (6,912,530)	\$ (3,256,304)	\$ 3,656,226
Other financing sources (uses):				
Operating transfers in	\$ 6,587,720	\$ 6,587,720	\$ 6,587,720	\$ -
Operating transfers (out)	(48,600)	(49,399)	(49,399)	-
Total other financing sources (uses)	\$ 6,539,120	\$ 6,538,321	\$ 6,538,321	\$ -
Net changes in fund balance	\$ 42,800	\$ (374,209)	\$ 3,282,017	\$ 3,656,226
Fund balance at beginning of year	(42,800)	374,209	23,471,958	23,097,749
Fund balance at end of year	\$ -	\$ -	\$ 26,753,975	\$ 26,753,975

Schedule of Pension 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)
6/30/2009	\$ 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%
6/30/2007	14,123,472	15,427,286	1,303,814	91.55%	7,562,646	17.24%

**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)
6/30/2009	\$ 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%
6/30/2007	2,870,148	3,511,893	641,745	81.73%	2,134,539	30.06%

**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%

**OTHER SUPPLEMENTARY INFORMATION**

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

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## Capital Improvements Fund

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,640,000	\$ 6,640,000	\$ 6,953,695	\$ 313,695
Revenue from use of money and property	650,000	650,000	405,838	(244,162)
Miscellaneous	-	20,830	20,830	-
Intergovernmental:				
Commonwealth	-	-	113,345	113,345
Federal	-	-	25,000	25,000
Total revenues	\$ 7,290,000	\$ 7,310,830	\$ 7,518,708	\$ 207,878
Expenditures:				
Capital outlay:				
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 55,593	\$ 14,454	\$ 41,139
Vehicle acquisition - EMS	-	583,848	466,352	117,496
Communications equipment - sheriff	-	140,882	-	140,882
Vehicle acquisition - sheriff	-	126,540	129,775	(3,235)
Total public safety	\$ -	\$ 906,863	\$ 610,581	\$ 296,282
Education:				
Equipment additions	\$ -	\$ 170,560	\$ 169,263	\$ 1,297
Total education	\$ -	\$ 170,560	\$ 169,263	\$ 1,297
Capital projects:				
General government administration:				
Construction program	\$ 337,572	\$ 2,458,254	\$ -	\$ 2,458,254
Operations and human services center	-	300,000	-	300,000
Land purchase	-	37,042	25,436	11,606
County complex	-	1,720,691	362,834	1,357,857
Total general government administration	\$ 337,572	\$ 4,515,987	\$ 388,270	\$ 4,127,717
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 93,815	\$ -	\$ 93,815
Total judicial administration	\$ -	\$ 93,815	\$ -	\$ 93,815
Public safety:				
Sheriff's office at county complex	\$ -	\$ 10,025,991	\$ 2,967,074	\$ 7,058,917
Animal pound	-	1,634,288	1,574,452	59,836
Total public safety	\$ -	\$ 11,660,279	\$ 4,541,526	\$ 7,118,753
Public works:				
New service authority facility	\$ -	\$ 60,000	\$ 38,519	\$ 21,481
Total public works	\$ -	\$ 60,000	\$ 38,519	\$ 21,481

## Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2010 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
New high school	\$ -	\$ 398,355	\$ 110,709	\$ 287,646
New high school stadium	-	263,600	8,416	255,184
Roof admin complex	-	342,297	-	342,297
Middle school HVAC	-	25,000	-	25,000
Old high school renovations	-	464,067	339,650	124,417
High school vo-tech wing	-	131,216	15,910	115,306
Tennis courts - old high school	-	56,810	46,015	10,795
Potomac elementary school renovations	-	80,000	26,443	53,557
Ralph Bunche renovations	-	50,000	36,488	13,512
Total education	\$ -	\$ 1,811,345	\$ 583,631	\$ 1,227,714
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 175,176	\$ 22,672	\$ 152,504
Library expansion	-	1,316,108	151,179	1,164,929
Total parks and recreation	\$ -	\$ 1,491,284	\$ 173,851	\$ 1,317,433
Community development:				
Citizens center renovations	\$ -	\$ 58,190	\$ 47,463	\$ 10,727
Anglewood project	-	17,850	15,513	2,337
Total community development	\$ -	\$ 76,040	\$ 62,976	\$ 13,064
Total expenditures	\$ 337,572	\$ 20,786,173	\$ 6,568,617	\$ 14,217,556
Excess (deficiency) of revenues over expenditures	\$ 6,952,428	\$ (13,475,343)	\$ 950,091	\$ 14,425,434
Other financing sources (uses):				
Transfers (out)	\$ (6,952,428)	\$ (6,952,428)	\$ (6,952,428)	\$ -
Net changes in fund balance	\$ -	\$ (20,427,771)	\$ (6,002,337)	\$ 14,425,434
Fund balance at beginning of year	-	20,427,771	40,879,279	20,451,508
Fund balance at end of year	\$ -	\$ -	\$ 34,876,942	\$ 34,876,942

Combining Statement of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2010

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	<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	\$ 41,149	\$ -	\$ 3,990,513	\$ 1,156,980	\$ 5,188,642
Accounts receivable	-	48,616	-	-	48,616
	<u>-</u>	<u>48,616</u>	<u>-</u>	<u>-</u>	<u>48,616</u>
Total assets	<u>\$ 41,149</u>	<u>\$ 48,616</u>	<u>\$ 3,990,513</u>	<u>\$ 1,156,980</u>	<u>\$ 5,237,258</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 23,225	\$ 23,225
Amounts held for others	-	48,616	-	1,133,755	1,182,371
Amounts held for landfill closure and postclosure costs	-	-	3,990,513	-	3,990,513
Amounts held for social services' clients	41,149	-	-	-	41,149
	<u>41,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,149</u>
Total liabilities	<u>\$ 41,149</u>	<u>\$ 48,616</u>	<u>\$ 3,990,513</u>	<u>\$ 1,156,980</u>	<u>\$ 5,237,258</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2010

	<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>30,975</u>	\$ <u>31,842</u>	\$ <u>21,668</u>	\$ <u>41,149</u>
Liabilities:				
Amounts held for social services' clients	\$ <u>30,975</u>	\$ <u>31,842</u>	\$ <u>21,668</u>	\$ <u>41,149</u>
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,305,637	\$ 1,305,637	\$ -
Accounts receivable	<u>67,405</u>	<u>48,616</u>	<u>67,405</u>	<u>48,616</u>
Total assets	\$ <u>67,405</u>	\$ <u>1,354,253</u>	\$ <u>1,373,042</u>	\$ <u>48,616</u>
Liabilities:				
Amounts held for others	\$ <u>67,405</u>	\$ <u>1,354,253</u>	\$ <u>1,373,042</u>	\$ <u>48,616</u>
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ <u>3,993,829</u>	\$ -	\$ <u>3,316</u>	\$ <u>3,990,513</u>
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ <u>3,993,829</u>	\$ -	\$ <u>3,316</u>	\$ <u>3,990,513</u>
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ <u>1,231,447</u>	\$ <u>297,472</u>	\$ <u>371,939</u>	\$ <u>1,156,980</u>
Liabilities:				
Accounts payable	\$ 112,752	\$ 23,225	\$ 112,752	\$ 23,225
Amounts held for others	<u>1,118,695</u>	<u>274,247</u>	<u>259,187</u>	<u>1,133,755</u>
Total liabilities	\$ <u>1,231,447</u>	\$ <u>297,472</u>	\$ <u>371,939</u>	\$ <u>1,156,980</u>
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 5,256,251	\$ 1,634,951	\$ 1,699,244	\$ 5,188,642
Accounts receivable	<u>67,405</u>	<u>48,616</u>	<u>67,405</u>	<u>48,616</u>
Total assets	\$ <u>5,323,656</u>	\$ <u>1,683,567</u>	\$ <u>1,766,649</u>	\$ <u>5,237,258</u>
Liabilities:				
Accounts payable	\$ 112,752	\$ 23,225	\$ 112,752	\$ 23,225
Amounts held for social services' clients	30,975	31,842	21,668	41,149
Amounts held for landfill closure and postclosure costs	3,993,829	-	-	3,990,513
Amounts held for others	<u>1,186,100</u>	<u>1,628,500</u>	<u>1,632,229</u>	<u>1,182,371</u>
Total liabilities	\$ <u>5,323,656</u>	\$ <u>1,683,567</u>	\$ <u>1,766,649</u>	\$ <u>5,237,258</u>

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

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Balance Sheet - Discretely Presented Component Unit - School Board  
At June 30, 2010

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 152,431	\$ 152,431
Due from primary government	3,205,750	-	3,205,750
Due from other governmental units	<u>827,636</u>	<u>35,737</u>	<u>863,373</u>
Total assets	<u>\$ 4,033,386</u>	<u>\$ 188,168</u>	<u>\$ 4,221,554</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 603,120	\$ 551	\$ 603,671
Accrued liabilities	<u>3,428,266</u>	<u>86,491</u>	<u>3,514,757</u>
Total liabilities	<u>\$ 4,031,386</u>	<u>\$ 87,042</u>	<u>\$ 4,118,428</u>
<b>FUND BALANCES</b>			
Unreserved:			
Undesignated	<u>\$ 2,000</u>	<u>\$ 101,126</u>	<u>\$ 103,126</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 101,126</u>	<u>\$ 103,126</u>
Total liabilities and fund balances	<u>\$ 4,033,386</u>	<u>\$ 188,168</u>	<u>\$ 4,221,554</u>

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

Total fund balances, balance sheet, governmental funds \$ 103,126

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.

25,456,329

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.

(744,423)

Net assets of Governmental Activities \$ 24,815,032

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2010

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 11,553	\$ -	\$ 11,553
Charges for services	31,531	623,091	654,622
Miscellaneous	142,434	41,539	183,973
Intergovernmental:			
County contribution to School Board	10,282,762	-	10,282,762
Commonwealth	17,917,935	17,936	17,935,871
Federal	4,141,776	493,400	4,635,176
Total revenues	<u>\$ 32,527,991</u>	<u>\$ 1,175,966</u>	<u>\$ 33,703,957</u>
Expenditures:			
Current:			
Education	\$ 32,383,641	\$ 1,141,693	\$ 33,525,334
Debt service:			
Principal retirement	122,899	-	122,899
Interest and fiscal charges	21,451	-	21,451
Total expenditures	<u>\$ 32,527,991</u>	<u>\$ 1,141,693</u>	<u>\$ 33,669,684</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 34,273	\$ 34,273
Net changes in fund balances	\$ -	\$ 34,273	\$ 34,273
Fund balances at beginning of year	2,000	66,853	68,853
Fund balances at end of year	<u>\$ 2,000</u>	<u>\$ 101,126</u>	<u>\$ 103,126</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, 2010

		<u>Component Unit School Board</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	34,273
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	\$ 247,143	
Depreciation expense	<u>(977,162)</u>	(730,019)
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		(72,952)
Principal retired on capital lease obligations		122,899
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.		
		(3,913)
Transfer of assets from Component Unit School Board to the Primary Government		(9,349)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		<u>1,771,716</u>
Change in net assets of governmental activities	\$	<u><u>1,112,655</u></u>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
Governmental Funds  
Year Ended June 30, 2010

	<b>School Operating Fund</b>			<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,553	\$ (13,447)
Charges for services	95,000	95,000	31,531	(63,469)
Miscellaneous	130,000	130,000	142,434	12,434
Intergovernmental:				
County contribution to School Board	10,969,198	10,969,198	10,282,762	(686,436)
Commonwealth	19,913,568	17,927,843	17,917,935	(9,908)
Federal	2,534,604	4,368,773	4,141,776	(226,997)
Total revenues	\$ 33,667,370	\$ 33,515,814	\$ 32,527,991	\$ (987,823)
Expenditures:				
Current:				
Instruction	\$ 24,850,196	\$ 25,094,052	\$ 24,325,747	\$ 768,305
Administration, attendance and health	1,121,570	1,098,547	1,045,963	52,584
Pupil transportation	2,547,939	2,527,571	2,472,374	55,197
Operation and maintenance	3,535,423	3,287,023	3,194,825	92,198
School food service costs	-	-	-	-
Facilities	169,048	104,023	101,028	2,995
Technology	1,298,843	1,260,247	1,243,704	16,543
Total education	\$ 33,523,019	\$ 33,371,463	\$ 32,383,641	\$ 987,822
Debt service:				
Principal retirement	124,173	124,173	122,899	1,274
Interest and fiscal charges	20,178	20,178	21,451	(1,273)
Total expenditures	\$ 33,667,370	\$ 33,515,814	\$ 32,527,991	\$ 987,823
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)
\$ -	\$ -	\$ -	\$ -
782,367	782,367	623,091	(159,276)
5,000	5,000	41,539	36,539
-	-	-	-
16,689	16,106	17,936	1,830
510,000	510,000	493,400	(16,600)
\$ 1,314,056	\$ 1,313,473	\$ 1,175,966	\$ (137,507)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,314,056	1,313,473	1,141,693	171,780
-	-	-	-
-	-	-	-
\$ 1,314,056	\$ 1,313,473	\$ 1,141,693	\$ 171,780
-	-	-	-
-	-	-	-
\$ 1,314,056	\$ 1,313,473	\$ 1,141,693	\$ 171,780
\$ -	\$ -	\$ 34,273	\$ 34,273
\$ -	\$ -	\$ 34,273	\$ 34,273
-	-	66,853	66,853
\$ -	\$ -	\$ 101,126	\$ 101,126

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## **Supporting Schedules**

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010

<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	\$ 11,195,990	\$ 11,195,990	\$ 12,400,010	\$ 1,204,020
Public service taxes	1,016,554	1,016,554	1,199,652	183,098
Personal property taxes	3,603,000	3,603,000	3,702,511	99,511
Mobile home taxes	23,000	23,000	20,460	(2,540)
Machinery and tools taxes	140,000	140,000	123,607	(16,393)
Penalties	200,000	200,000	205,424	5,424
Interest	100,000	100,000	124,959	24,959
Total general property taxes	\$ 16,278,544	\$ 16,278,544	\$ 17,776,623	\$ 1,498,079
Other local taxes:				
Local sales and use taxes	\$ 1,201,550	\$ 1,201,550	\$ 1,323,482	\$ 121,932
Consumer utility taxes	198,610	198,610	245,177	46,567
Local consumption tax	60,810	60,810	68,236	7,426
Business license taxes	1,040,490	1,040,490	1,474,826	434,336
Motor vehicle licenses	500,760	500,760	509,925	9,165
Bank franchise taxes	70,000	70,000	65,170	(4,830)
Recordation taxes	408,000	408,000	275,511	(132,489)
Local tax from clerk	61,570	61,570	70,732	9,162
Interest on fines	3,200	3,200	2,614	(586)
Transient occupancy tax	108,500	108,500	128,724	20,224
Meals tax	719,580	719,580	769,662	50,082
Ambulance fees	350,000	350,000	518,275	168,275
Total other local taxes	\$ 4,723,070	\$ 4,723,070	\$ 5,452,334	\$ 729,264
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,500	\$ 8,500	\$ 7,247	\$ (1,253)
Building and related permits	104,760	104,760	182,567	77,807
Landfill inspection fees	189,780	189,780	188,507	(1,273)
Other permits and licenses	96,620	96,620	92,878	(3,742)
Total permits, privilege fees and regulatory licenses	\$ 399,660	\$ 399,660	\$ 471,199	\$ 71,539
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 249,000	\$ 249,000	\$ 257,999	\$ 8,999

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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	\$ 639,700	\$ 639,700	\$ 307,978	\$ (331,722)
Revenue from use of property	110,060	110,060	68,291	(41,769)
Total revenue from use of money and property	\$ 749,760	\$ 749,760	\$ 376,269	\$ (373,491)
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ 921	\$ -
Law library fees	-	-	3,709	3,709
Local court appointed attorney fees	2,340	2,340	1,803	(537)
Courthouse maintenance fees	10,400	10,400	26,213	15,813
Commonwealth attorney fees	1,180	1,180	1,578	398
Courthouse security personnel fee	50,000	50,000	65,432	15,432
Jail admission fee	3,000	3,000	3,516	516
Charges for parks and recreation	329,458	329,458	355,557	26,099
Charges for maps / publications	460	460	1,160	700
Other charges for services	-	-	666	666
Total charges for services	\$ 397,759	\$ 397,759	\$ 460,555	\$ 62,796
Miscellaneous revenue:				
Miscellaneous	\$ 122,900	\$ 125,715	\$ 340,690	\$ 214,975
Insurance recoveries	-	-	43,893	43,893
Total miscellaneous revenue	\$ 122,900	\$ 125,715	\$ 384,583	\$ 258,868
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenue from local sources	\$ 23,095,693	\$ 23,098,508	\$ 25,354,562	\$ 2,256,054

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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:				
ABC profits	\$ 9,851	\$ 9,851	\$ -	\$ (9,851)
Wine taxes	10,325	10,325	-	(10,325)
Rolling stock tax	2,668	2,668	2	(2,666)
Mobile home titling taxes	15,490	15,490	13,550	(1,940)
Recordation tax	131,607	131,607	126,137	(5,470)
Auto rental tax	25,000	25,000	25,499	499
Communication tax	400,660	400,660	405,119	4,459
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,743,469	\$ 2,743,469	\$ 2,718,175	\$ (25,294)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 281,120	\$ 261,750	\$ 259,406	\$ (2,344)
Sheriff	1,027,217	940,485	895,744	(44,741)
Commissioner of the Revenue	132,721	119,483	119,339	(144)
Treasurer	107,984	100,179	99,081	(1,098)
Registrar/electoral board	49,377	46,266	40,516	(5,750)
Clerk of the Circuit Court	211,329	196,638	204,603	7,965
Total shared expenses	\$ 1,809,748	\$ 1,664,801	\$ 1,618,689	\$ (46,112)
Other categorical aid:				
Welfare administration and assistance	\$ 1,180,920	\$ 1,180,920	\$ 525,178	\$ (655,742)
Litter control	2,500	5,445	5,445	-
Four for life funds	22,000	22,000	22,777	777
Comprehensive services	714,000	1,069,591	966,306	(103,285)
VJCCCA grant	19,935	19,935	18,895	(1,040)
VA commission of the arts	4,000	4,000	-	(4,000)
Fire programs	46,000	46,000	46,358	358
Drug asset seizure	-	-	2,169	2,169

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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	\$ 19,895	\$ 19,895	\$ 18,582	\$ (1,313)
Library grant	110,473	104,949	104,949	-
DUI enforcement grant	18,076	-	-	-
Technology trust funds	32,684	19,853	27,000	7,147
PSAP grant	-	30,179	30,179	-
Other categorical aid	12,820	32,339	13,951	(18,388)
Total other categorical aid	\$ 2,183,303	\$ 2,555,106	\$ 1,781,789	\$ (773,317)
Total categorical aid	\$ 3,993,051	\$ 4,219,907	\$ 3,400,478	\$ (819,429)
Total revenue from the Commonwealth	\$ 6,736,520	\$ 6,963,376	\$ 6,118,653	\$ (844,723)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 617,574	\$ 617,574	\$ 975,785	\$ 358,211
Emergency management grant	-	12,820	12,820	-
Law enforcement grants	-	87,519	73,454	(14,065)
Other categorical aid	8,500	8,500	2,000	(6,500)
Total revenue from the federal government	\$ 626,074	\$ 726,413	\$ 1,064,059	\$ 337,646
Total General Fund	\$ 30,458,287	\$ 30,788,297	\$ 32,537,274	\$ 1,748,977
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,718,130	\$ 318,130
Landfill fees - beneficial use	240,000	240,000	235,565	(4,435)
Total permits, privilege fees and regulatory licenses	\$ 6,640,000	\$ 6,640,000	\$ 6,953,695	\$ 313,695

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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	\$ 650,000	\$ 650,000	\$ 405,838	\$ (244,162)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 20,830	\$ 20,830	\$ -
Total miscellaneous revenue	\$ -	\$ 20,830	\$ 20,830	\$ -
Total revenue from local sources	\$ 7,290,000	\$ 7,310,830	\$ 7,380,363	\$ 69,533
Intergovernmental revenue:				
Contribution from the School Board	\$ -	\$ -	\$ -	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VDOT revenue sharing	\$ -	\$ -	\$ 113,345	\$ 113,345
Total revenue from the Commonwealth	\$ -	\$ -	\$ 113,345	\$ 113,345
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 25,000	\$ 25,000
Total Capital Improvements Fund	\$ 7,290,000	\$ 7,310,830	\$ 7,518,708	\$ 207,878
Grand Total Revenues -- Primary Government	\$ 37,748,287	\$ 38,099,127	\$ 40,055,982	\$ 1,956,855
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	\$ 25,000	\$ 25,000	\$ 11,553	\$ (13,447)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,553	\$ (13,447)
Charges for services:				
Charges for education	\$ 95,000	\$ 95,000	\$ 31,531	\$ (63,469)
Total charges for services	\$ 95,000	\$ 95,000	\$ 31,531	\$ (63,469)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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	\$ 80,000	\$ 80,000	\$ 113,589	\$ 33,589
Other reimbursements and recoveries	50,000	50,000	28,845	(21,155)
Total miscellaneous revenue	\$ 130,000	\$ 130,000	\$ 142,434	\$ 12,434
Total revenue from local sources	\$ 250,000	\$ 250,000	\$ 185,518	\$ (64,482)
Intergovernmental revenue:				
County contribution to School Board	\$ 10,969,198	\$ 10,969,198	\$ 10,282,762	\$ (686,436)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,597,345	\$ 3,394,234	\$ 3,404,731	\$ 10,497
Basic school aid	12,408,813	11,104,744	11,063,580	(41,164)
Remedial education	197,574	205,793	205,446	(347)
Textbook	290,071	-	-	-
Vocational education SOQ	137,057	134,006	133,692	(314)
Special education	1,079,321	1,055,295	1,052,826	(2,469)
Fringe benefits	1,363,225	1,143,835	1,141,158	(2,677)
K-3	106,729	100,237	100,237	-
Technology grant	180,000	180,000	180,000	-
Gifted education	110,135	107,683	107,431	(252)
School construction	222,399	222,399	275,621	53,222
Other state funds	220,899	279,617	253,213	(26,404)
Total categorical aid	\$ 19,913,568	\$ 17,927,843	\$ 17,917,935	\$ (9,908)
Total revenue from the Commonwealth	\$ 19,913,568	\$ 17,927,843	\$ 17,917,935	\$ (9,908)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 278,517	\$ 672,011	\$ 443,277	\$ (228,734)
Title VI - B	658,930	658,930	658,403	(527)
Title VI - B - ARRA	-	430,266	389,222	(41,044)
SFSF - education, recovery act	1,319,038	2,160,684	2,160,684	-
Title II - ESEA	112,103	112,103	108,919	(3,184)
Other federal assistance	166,016	334,779	381,271	46,492
Total categorical aid	\$ 2,534,604	\$ 4,368,773	\$ 4,141,776	\$ (226,997)
Total revenue from the federal government	\$ 2,534,604	\$ 4,368,773	\$ 4,141,776	\$ (226,997)
Total School Operating Fund	\$ 33,667,370	\$ 33,515,814	\$ 32,527,991	\$ (987,823)

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

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2010 (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	\$ 782,367	\$ 782,367	\$ 623,091	\$ (159,276)
Miscellaneous revenue:				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 41,539	\$ 36,539
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 16,689	\$ 16,106	\$ 17,936	\$ 1,830
Revenue from the federal government:				
Categorical aid:				
School food	\$ 510,000	\$ 510,000	\$ 493,400	\$ (16,600)
Total School Cafeteria Fund	\$ 1,314,056	\$ 1,313,473	\$ 1,175,966	\$ (137,507)
Grand Total Revenues--Component Unit-School Board	\$ 34,981,426	\$ 34,829,287	\$ 33,703,957	\$ (1,125,330)

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# COUNTY OF KING GEORGE, VIRGINIA

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### 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 Nine 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>

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.

Table 1

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<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
Judicial administration	573,647	525,825	677,795	690,419	822,200	1,029,314	759,823	1,140,286	1,100,016
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
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
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
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
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
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
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
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
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
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
<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
Public safety	184,884	308,009	397,896	444,281	468,579	399,206	302,013	74,689	77,782
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
Parks, recreation, and cultural	129,548	153,859	186,397	206,766	304,635	329,970	364,795	326,969	355,557
Community development	45,762	77,859	166,228	177,588	203,819	305,066	90,253	100,864	94,038
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
Judicial administration	392,684	294,437	432,244	434,475	528,744	611,895	551,648	514,220	491,009
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
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
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
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
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
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
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
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)
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)
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)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<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
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
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
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
Motor vehicle licenses	374,152	395,760	426,854	456,906	483,352	446,312	493,466	522,202	509,925
Recordation taxes	117,575	173,998	241,285	485,706	741,770	607,113	434,099	290,079	275,511
Meals tax	438,032	457,174	520,961	640,118	635,687	674,535	702,153	752,391	769,662
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
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
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
Miscellaneous	166,487	126,611	860,599	390,189	427,254	557,181	2,470,865	899,705	405,413
Transfers	-	-	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)
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
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
Miscellaneous	-	-	361,451	574,623	1,211,493	1,318,584	1,424,469	525,385	285,501
Transfers	-	-	706,477	1,678,298	1,699,783	1,108,173	569,857	455,885	365,507
Total business-type activities	\$ -	\$ -	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066
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
<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
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)
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

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.

**COUNTY OF KING GEORGE, VIRGINIA**

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ 290,158	\$ 252,734	\$ 1,381,447	\$ 1,703,385	\$ 1,450,717
Unreserved	<u>7,823,619</u>	<u>11,108,069</u>	<u>12,532,709</u>	<u>13,755,238</u>	<u>19,059,078</u>
Total General Fund	<u>\$ 8,113,777</u>	<u>\$ 11,360,803</u>	<u>\$ 13,914,156</u>	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>
All other Governmental Funds					
Reserved for capital projects	\$ 7,432,450	\$ 16,138,304	\$ 6,323,709	\$ 17,196,042	\$ 53,871,288
Reserved for natatorium	-	-	-	-	-
Reserved for library operations	-	715,836	719,816	1,149,272	1,086,385
Reserved for wireless authority operations	-	-	-	-	-
Unreserved, reported in:					
Special Revenue	254,056	-	-	-	-
Debt Service	537,211	-	-	-	-
Capital Projects	<u>6,306,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 14,530,435</u>	<u>\$ 16,854,140</u>	<u>\$ 7,043,525</u>	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>

Table 3

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

**COUNTY OF KING GEORGE, VIRGINIA**

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

	2001	2002	2003	2004
Revenues:				
General property taxes	\$ 9,484,387	\$ 9,561,119	\$ 11,644,240	\$ 12,391,790
Other local taxes	3,112,812	3,393,229	3,629,219	4,149,001
Permits, privilege fees and regulatory licenses	7,191,862	7,289,227	7,866,325	7,553,367
Fines and forfeitures	125,082	131,065	187,635	193,299
Revenue from use of money and property	1,151,602	621,796	626,202	399,015
Charges for services	215,519	217,982	259,739	243,307
Miscellaneous	438,592	166,487	126,611	860,599
Recovered costs	5,786	178,815	-	129,953
Intergovernmental:				
School Board	-	-	170,027	-
Commonwealth	4,047,071	3,918,268	4,099,294	4,669,116
Federal	851,082	784,521	804,072	1,008,321
Total revenues	\$ 26,623,795	\$ 26,262,509	\$ 29,413,364	\$ 31,597,768
Expenditures:				
General government administration	\$ 1,180,897	\$ 1,540,980	\$ 1,526,946	\$ 1,691,011
Judicial administration	527,313	571,430	523,670	631,216
Public safety	3,379,592	3,563,653	3,826,071	4,552,953
Public works	35,156	599,590	761,308	724,495
Health and welfare	1,908,407	1,654,251	2,077,203	2,462,346
Education	3,982	7,677,143	21,190,220	8,850,378
Parks, recreation, and cultural	603,876	772,020	928,529	952,483
Community development	524,325	773,992	864,064	898,036
NonDepartmental	41,068	-	-	-
Capital outlays and projects	1,310,398	1,821,680	2,097,260	2,737,547
Debt service:				
Principal retirement	501,506	1,245,520	1,230,829	1,161,983
Interest and other fiscal charges	372,090	1,106,426	782,048	882,588
Total expenditures	\$ 10,388,610	\$ 21,326,685	\$ 35,808,148	\$ 25,545,036
Excess (deficiency) of revenues over expenditures	\$ 16,235,185	\$ 4,935,824	\$ (6,394,784)	\$ 6,052,732
Other financing sources (uses):				
Transfers in	\$ 7,042,185	\$ 240,015	\$ 279,900	\$ 1,583,277
Transfers (out)	(16,437,355)	(823,380)	(1,142,378)	(2,289,754)
Sale of property	-	-	-	-
Premium on bonds issued	-	-	-	-
Early retirement of indebtedness	2,045,000	-	-	-
Payment to refunded bond escrow agent	(1,956,762)	-	-	-
Long-term debt issued	-	-	-	7,500,000
Total other financing sources (uses)	\$ (9,306,932)	\$ (583,365)	\$ (862,478)	\$ 6,793,523
Net changes in fund balances	\$ 6,928,253	\$ 4,352,459	\$ (7,257,262)	\$ 12,846,255
Debt service as a percentage of noncapital expenditures	10.32%	12.17%	9.50%	9.02%

Table 4

	2005		2006		2007		2008		2009		2010
\$	13,555,599	\$	14,424,491	\$	15,174,874	\$	17,092,704	\$	17,381,006	\$	17,776,623
	4,717,346		5,271,801		5,214,995		5,311,646		5,656,482		5,452,334
	7,437,075		7,563,053		7,301,776		7,936,085		7,112,084		7,424,894
	292,217		332,871		300,583		236,338		255,499		257,999
	1,341,213		2,653,602		3,980,793		3,160,698		1,515,653		802,389
	271,847		372,406		396,444		441,050		410,123		460,555
	260,832		427,254		557,181		2,470,865		899,705		405,413
	159,314		177,900		-		175,200		-		175,000
	141,685		-		-		-		226,971		-
	4,858,819		6,758,941		5,642,960		6,414,676		5,740,816		6,231,998
	1,033,529		1,367,429		1,495,401		984,460		969,895		1,089,059
\$	<u>34,069,476</u>	\$	<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>
\$	2,432,055	\$	2,413,529	\$	3,834,032	\$	3,994,241	\$	2,898,289	\$	2,766,421
	684,282		818,117		1,025,967		1,086,764		1,127,473		1,087,706
	7,697,855		7,049,962		11,176,769		7,903,243		8,349,727		12,618,491
	947,689		982,312		1,594,220		1,685,536		1,779,055		1,255,124
	2,670,886		3,285,612		3,518,011		3,530,265		4,001,766		4,382,789
	12,464,331		11,919,739		22,034,801		36,189,527		16,985,114		11,040,558
	1,238,568		1,149,277		1,216,147		1,885,728		1,717,251		1,265,906
	1,021,505		5,887,223		1,519,877		1,391,591		1,666,723		1,414,185
	-		-		-		-		-		-
	-		-		-		-		-		-
	1,119,800		1,194,852		1,959,618		2,401,440		2,685,742		3,054,211
	889,860		2,666,216		2,721,295		2,957,614		3,195,197		3,551,424
\$	<u>31,166,831</u>	\$	<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>2,902,645</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>
\$	3,077,927	\$	1,568,980	\$	2,823,173	\$	4,969,447	\$	5,763,828	\$	6,636,320
	(4,756,225)		(3,268,763)		(3,931,346)		(5,539,304)		(6,219,713)		(7,001,827)
	145,561		-		-		-		-		-
	444,067		-		-		343,349		181,528		-
	-		(7,500,000)		-		(7,500,000)		-		-
	(2,641,444)		(855,000)		-		-		(4,465,250)		-
	42,491,000		6,411,957		9,886,855		7,104,713		21,778,118		-
\$	<u>38,760,886</u>	\$	<u>(3,642,826)</u>	\$	<u>8,778,682</u>	\$	<u>(621,795)</u>	\$	<u>17,038,511</u>	\$	<u>(365,507)</u>
\$	<u>41,663,531</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>8.19%</u>		<u>10.79%</u>		<u>13.45%</u>		<u>13.06%</u>		<u>15.89%</u>		<u>18.42%</u>

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

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Direct Tax Rate</b>	<b>Personal Property</b>	<b>Direct Tax Rate</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total Direct Tax Rate</b>	<b>Total</b>
2000-01	\$ 850,101,794	\$ 0.75	\$ 99,346,814	\$ 3.10	\$ 38,328,941	\$ 41,744,517	\$ 0.99	\$ 1,029,522,066
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

(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>
2000-01	\$ 0.75	\$ 0.75	\$ 3.10	\$ 1.00	\$ 2.50	\$ 0.75	\$ 0.75
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

(1) Per \$100 of assessed value.

Principal Taxpayers  
Current Year and Nine Years Prior

Taxpayer	Taxes Paid	Fiscal Year 2010	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 961,478	\$ 192,295,558	5.18%
Virginia Electric & Power Company	105,309	21,061,750	0.57%
Birchwood Power Partners, LLC	80,753	16,150,600	0.44%
Verizon South, Inc.	62,274	12,454,834	0.34%
Payne Street, LLC	49,329	9,865,828	0.27%
Hilliard & Bartko	48,080	9,616,000	0.26%
Monmouth Woods Associates	46,186	9,237,100	0.25%
Dahlgren Office Building, LLC	37,695	7,539,000	0.20%
Sierra Ridge Properties	34,839	6,967,800	0.19%
Dahlgren Office Building IV, LLC	33,897	6,779,400	0.18%
TOTAL	\$ <u>1,459,839</u>	\$ <u>291,967,870</u>	<u>7.88%</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>
2000-01	\$ 10,718,961	\$ 10,654,566	99.40%	\$ 64,395
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%	268,005
2004-05	15,673,264	15,195,623	96.95%	461,439
2005-06	16,478,637	16,138,236	97.93%	340,401
2006-07	17,388,433	16,720,812	96.16%	381,021
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%	-

(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>
\$	10,718,961	100.00%	\$	1,408,757	13.14%
	11,039,440	99.86%		905,910	8.19%
	13,164,155	98.13%		918,312	6.85%
	14,177,902	98.25%		1,014,078	7.03%
	15,657,062	99.90%		1,103,844	7.04%
	16,478,637	100.00%		1,131,343	6.87%
	17,101,833	98.35%		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%
	19,055,429	97.88%		1,743,426	8.96%

**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
2000-01	\$ 11,375,000	\$ 4,813,600	\$ 388,384	\$ 1,058,906	\$ 4,604,225	\$ -
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

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

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Total Primary Government		Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
\$	22,240,115	\$ 30,074	4.38%	16,887	\$ 1,317
	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

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
2000-01	16,887	\$ 1,029,522,066	\$ 16,188,600	\$ 537,211	\$ 15,651,389	1.52%	\$ 927
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

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, 2010

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Direct: (1)

County of King George	\$	72,104,189	100%	\$	72,104,189
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The County of King George has no overlapping debt.

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage
							Principal	Interest	
2000-01	\$	1,585,305	\$	1,526,600	\$	58,705	\$ 90,012	\$ 45,065	0.43
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

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>
2000-01	16,887	1.80	\$ 30,074	\$ 507,859,638	3,101
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

NA - Not available

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

Principal Employers  
Current Year and Nine Years Prior

Employer	Fiscal Year 2010 (2)		Percentage of Total Employment	Fiscal Year 2001 (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
TRW Inc.	N/A	3	N/A	-	-
EG & G, Inc.	281	4	2.93%	100 to 249	5
King George County Government	265	5	2.76%	100 to 249	10
Integrated Microcomputer System, Lockheed Martin	253	6	2.64%	-	-
Marconi Technology	203	7	2.12%	100 to 249	3
Chugach McKinley Inc.	182	8	1.90%	-	-
Bowhead Information Tech Inc.	176	9	1.83%	-	-
Anteon Corporation	N/A	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 2000 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	20	21	29	27	31	30	29	29	29	29
Judicial administration	7	7	7	8	9	10	13	12	12	12
Public safety										
Sheriffs department	34	34	36	36	39	38	43	43	43	43
Fire & rescue	5	5	9	14	17	20	21	25	25	25
Animal control	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	21	25	6	3	5	9	9	9	9	9
Landfill	3	3	3	3	3	2	3	3	3	3
Engineering	-	-	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	-	-	-	-	13	14	14	16	16	16
Culture and recreation										
Parks and recreation	6	6	7	7	8	4	4	4	4	4
Library	-	-	3	3	3	3	4	4	4	4
Community development										
Planning	4	5	7	9	9	10	11	11	11	11
Totals	<u>102</u>	<u>108</u>	<u>111</u>	<u>114</u>	<u>141</u>	<u>144</u>	<u>155</u>	<u>160</u>	<u>160</u>	<u>160</u>

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Sheriffs department:										
Physical arrests	673	854	1,341	2,129	1,410	908	892	652	601	856
Traffic violations	5,799	1,975	2,354	2,882	3,744	5,418	3,093	3,038	3,172	3,847
Civil papers	6,222	7,097	7,077	7,125	6,994	7,713	7,940	7,914	7,800	8,146
Fire and rescue:										
Number of calls answered	N/A	N/A	N/A	1,668	2,828	3,188	3,256	3,291	3,005	2,782
Building inspections:										
Permits issued	115	190	242	385	388	484	340	160	78	83
Animal control:										
Number of calls answered	867	869	850	776	636	452	488	705	636	974
Public works										
General maintenance:										
Trucks/vehicles	9	12	12	12	12	12	3	3	3	3
Component Unit - School Board										
Education:										
School age population	2,939	3,050	3,163	3,400	3,524	3,830	3,791	3,882	3,997	4,029
Number of teachers	237	N/A	260	255	257	257	283	285	279	282
Local expenditures per pupil	6,893	6,845	7,107	7,178	7,084	7,529	7,823	9,281	8,585	8,438

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	-	-	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	15	15	21	28	29	29	29	31	36	36
Other vehicles	4	4	4	6	7	7	7	7	7	8
Building inspections:										
Vehicles	-	-	-	-	-	-	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	9	12	12	12	12	12	3	3	3	3
Landfill:										
Vehicles	1	1	1	1	1	1	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	5	6	6	6	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	8	10	10	10	10	10	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.63	159.63
Community development										
Planning:										
Vehicles	2	4	4	5	6	6	6	6	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	7	8	8	8	8	10	10
School buses	53	56	57	62	64	67	58	65	71	74

Source: Individual county departments

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# 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, 2010, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated November 15, 2010. 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*.

We noted certain matters that we reported to management of County of King George, Virginia in a separate letter dated November 15, 2010.

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, 2010

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## **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, 2010. 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, 2010.

## **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, 2010

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2010

<b>Federal Grantor/State Pass - Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>PRIMARY GOVERNMENT:</b>			
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Virginia Department of Housing and Community Development: Community development block grants/state's programs	14.228	53305-50798	\$ 25,000
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>			
<u>Pass through payments:</u>			
Virginia Compensation Board: ARRA - Edward Byrne memorial justice assistance grant	16.803	2009-SU-B9-0033	\$ 46,219
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Rail and Public Transportation: State and community highway safety program	20.600	60507-50161/59223	\$ 5,449
<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	\$ 21,786
Emergency management performance grants	97.042	77501-52749	12,820
Total U.S. Department of Homeland Security			\$ 34,606
<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	0010109/0010110	\$ 182,188
ARRA - state administrative matching grants for the supplemental nutrition assistance program	10.561	0040109/0040110	12,123
Total Department of Agriculture			\$ 194,311
<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	72310-40010	\$ 2,000
Department of Social Services: Promoting safe and stable families	93.556	0950109/0950110	10,939
Temporary assistance for needy families	93.558	0400109/0400109	120,422
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	467
Low-income home energy assistance	93.568	0600409/0600410	6,731
Child care and development block grant	93.575	0770109/0770110	102,255
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/0760110	79,241
ARRA - child care and development block grant	93.713	0740109/0780109	36,941
Foster care-title IV-E	93.658	1100109/1100110	216,472
ARRA - foster care-title IV-E	93.658	1100109/1100110	21,170
Adoption assistance	93.659	1120109/1120110	21,602
ARRA - adoption assistance	93.659	1120109/1120110	914
Social services block grant	93.667	1000109/1000110	46,649
Child welfare services - state grants	93.645	0900109/0900110	379
Chafee foster care independence program	93.674	9150109/9150110	800
Children's health insurance program	93.767	0540109/0540110	8,790
Medical assistance program	93.778	1200109/1200110	107,702
Total Department of Health and Human Services			\$ 783,474
<b>Total Primary Government</b>			<b>\$ 1,089,059</b>

**COUNTY OF KING GEORGE, VIRGINIA**

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2010 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/Program 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>			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	10.555/2009/2010	\$ 60,216
Department of Education:			
National school breakfast program	10.553	10.553/2009/2010	78,178
National school lunch program	10.555	10.555/2009/2010	355,006
Total Department of Agriculture			\$ 493,400
<u>U.S. DEPARTMENT OF THE NAVY:</u>			
<u>Pass through payments:</u>			
The College of William and Mary:			
N-Star Virginia demonstration project	12.300	12.300/2010	\$ 6,800
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 67,025
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid	84.041	N/A	\$ 59,422
<u>Pass through payments:</u>			
Department of Education:			
Title I grants to local educational agencies	84.010	S010A080046	443,277
Special education - grants to states	84.027	H027A090107	658,403
Special education - preschool grants	84.173	H173A090112	15,757
Career and technical education - basic grants to states	84.048	V048A090046	37,135
State grants for innovative programs	84.298	S298A070047	480
Safe and drug-free schools and communities - state grants	84.186	Q186A090048	9,507
Education technology state grants	84.318	S318X090046	2,417
School improvement grant	84.377	S377A070047	161,260
ARRA - education technology state grants	84.386	S386A090046	9,437
ARRA - special education - grants to states	84.391	H391A090107	389,222
ARRA - special education - preschool grants	84.392	H392A090112	12,031
State fiscal stabilization fund - education state grants, recovery act	84.394	S394A090047	2,160,684
Improving teacher quality state grants	84.367	S367A080044	108,919
Total Department of Education			\$ 4,067,951
<b>Total Component Unit School Board</b>			\$ 4,635,176
<b>Total Expenditures of Federal Awards</b>			\$ 5,724,235

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, 2010

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### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King George, Virginia under programs of the federal government for the year ended June 30, 2010. 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	\$ 1,064,059
Capital Projects Fund	<u>25,000</u>

Total primary government	\$ <u>1,089,059</u>
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##### Component Unit Public Schools:

School Operating Fund	\$ 4,141,776
School Cafeteria Fund	<u>493,400</u>
Total component unit public schools	\$ <u>4,635,176</u>

Total federal expenditures per basic financial statements	\$ <u><u>5,724,235</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>5,724,235</u></u>
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## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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### 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
10.561	SNAP Cluster
84.010	Title I grants to local educational agencies
84.394	State fiscal stabilization fund - education state grants, recovery act
84.027	Special education - grants to states - special education cluster (IDEA)
84.173	Special education - preschool grants - special education cluster (IDEA)
84.391	ARRA - special education - grants to states - special education cluster (IDEA)
84.392	ARRA - special education - preschool grants - special education cluster (IDEA)

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.