



County of King George, Virginia



Comprehensive Annual Financial Report

Fiscal Year June 30, 2012

COUNTY OF KING GEORGE, VIRGINIA
Comprehensive Annual
Financial Report
Year Ended June 30, 2012

PREPARED BY:

Donita Harper, Deputy County Administrator/Finance Director

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	ix
Directory of Principal Officials	xi
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	22
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	23
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	24
Exhibit 6 Statement of Net Assets—Proprietary Fund	25
Exhibit 7 Statement of Revenues, Expenses and Change in Net Assets—Proprietary Fund	26
Exhibit 8 Statement of Cash Flows—Proprietary Fund	27
Exhibit 9 Statement of Fiduciary Net Assets	28
Notes to Financial Statements	29-67

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<hr/>	
FINANCIAL SECTION (continued)	
<hr/>	
<u>Required Supplementary Information</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund	71-75
Exhibit 11 Schedule of Pension and OPEB Funding Progress	76
<u>Other Supplementary Information</u>	
Combining and Individual Fund Statements and Schedules:	
Exhibit 12 Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual–Capital Improvements Fund	81-82
Exhibit 13 Combining Statement of Fiduciary Net Assets–Agency Funds	83
Exhibit 14 Combining Statement of Changes in Assets and Liabilities–Agency Funds	84
Discretely Presented Component Unit–School Board:	
Exhibit 15 Balance Sheet	87
Exhibit 16 Statement of Revenues, Expenditures and Changes in Fund Balances	88
Exhibit 17 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	89
Exhibit 18 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	90-91
Supporting Schedule:	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds and Discretely Presented Component Unit–School Board	95-101

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

(Continued)

STATISTICAL SECTION	Page
Table 1 Net Assets by Component	104-105
Table 2 Changes in Net Assets	106-107
Table 3 Fund Balances of Governmental Funds	108-109
Table 4 Changes in Fund Balances of Governmental Funds	110-111
Table 5 Assessed Value of Taxable Property	113
Table 6 Property Tax Rates	114
Table 7 Principal Taxpayers	115
Table 8 Property Tax Levies and Collections	116-117
Table 9 Ratios of Outstanding Debt by Type	118-119
Table 10 Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	120
Table 11 Computation of Direct and Overlapping Bonded Debt	121
Table 12 Pledged–Revenue Coverage	122
Table 13 Demographic and Economic Statistics	123
Table 14 Principal Employers	124
Table 15 Full-time Equivalent County Government Employees by Function	125
Table 16 Operating Indicators by Function	126
Table 17 Capital Asset Statistics by Function	127
COMPLIANCE SECTION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	129-130
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	131-132
Schedule of Expenditures of Federal Awards	133-134
Notes to Schedule of Expenditures of Federal Awards	135
Schedule of Findings and Questioned Costs	136

CEDELL BROOKS, JR.
Shiloh Election District

JOSEPH W. GRZEIKA
James Madison Election District

JOHN P. LoBUGLIO
James Monroe Election District

RUBY A. BRABO
Dahlgren Election District

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



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

December 10, 2012

**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, 2012 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, 2012, 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.

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, 2012 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 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

LOCAL ECONOMY

King George County ranked 3rd among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 40% during the past decade with a total population in 2010 of 23,584. King George has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. The major employer is the Dahlgren Naval Surface Warfare Center (NAVSWC), which provides employment for 5,000 civilian and military personnel and an additional 4,000 contract employees. During the latest BRAC (Base Realignment Committee) recommendation, the Dahlgren Site had a net gain of ten (10%) percent in personnel. The Dahlgren site is home to the Aegis Ballistic Missile Defense, Naval Surface Warfare Center Dahlgren Division, Center for Surface Combat Systems and Aegis Training and Readiness Center, Joint Warfare Analysis Center, and 20th Space Control Squadron-Detachment One. NAVSWC has been instrumental in attracting a variety of high technology software engineering firms to the County. Major industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in the County's economy.

LONG TERM FINANCIAL PLANNING

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

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

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

New High School Stadium: The County expended more than \$45 million for the construction of a new High School which holds 1,700 students. We are currently near completion of constructing a sports stadium adjacent to the new high school with an estimated cost of almost \$3.6 million. It will provide use for a variety of sports programs for both schools and recreation programs.

Smoot Library Expansion: The existing library is in the initial stage of a more than \$5 million expansion and renovation. This project includes the renovation of the existing building and the addition of over 15,000 square feet of additional space. It will include meeting rooms, instructional areas and Wi-Fi for County residents. It is expected to be completed by early 2013.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

Industrial Park: The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Complex on Route 3 which is served by water, sewer and rail. Current initiatives are in place to recruit businesses to boost the economy in King George. The Economic Development Director's sole focus is on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently three businesses are located in the Industrial Park Of these three businesses; one is a new business to the county that purchased the former Mid-Atlantic Precast facility. Unfortunately, due to the economy and its major impact on construction, Mid Atlantic Precast was forced to shut down and cease operations in early 2012. The building and equipment and machinery went to auction in July 2012. Faddis Concrete Products, Inc, a concrete production company based in Pennsylvania, purchased the facility and machinery and has been making major improvements and modifications to the building. Currently, Faddis Concrete Products has a very small crew of approximately 5-7 individuals working at the site but expects to grow to 70 or more once fully operational.

There are currently thirteen additional lots (either privately owned or owned by the EDA) totaling approximately 100 acres available for development in the industrial park. Economic development staff continues to market these sites to prospects and during 2012 provided information to over 20 potential prospects and site consultants, all looking at potentially expanding or relocating to the Mid-Atlantic area.

To better market the county, the economic development staff created a new marketing logo and revamped the economic development webpage to make it more user-friendly and to provide timely and pertinent information to potential prospects and businesses.

Horti-Group/ Fresh Tulips, USA: In late 2011, Horti-Group, a company specializing in construction and management of greenhouses, purchased the 45-acre greenhouse located adjacent to the King George Industrial Park. This greenhouse had been empty since 2008 and its last tenant grew hydroponic tomatoes. In mid-2012, it was announced that Fresh Tulips, USA, a division of B&B Quality Bulbs in the Netherlands, would relocate its tulip company from Stevensburg, VA to King George. Fresh Tulips will continue to operate at Stevensburg until the lease for that 8-acre location expires in 2016. The company will then be consolidated in King George. The new location will allow it to build a larger cooler for more types of bulbs, including lilies and daffodils; grow plants hydroponically year round; and, in about five years, produce about twice as many tulips as it does now in Stevensburg. Currently, Fresh Tulips USA ships about 6 million bouquets a year to distributors in a rectangular area stretching from Boston to Miami and Dallas to Chicago. Clients include such grocery stores as Giant Food, Whole Foods and Kroger. Workers also box and ship special-order bouquets for online retailer ProFlowers.com.

Natural Gas Main Extension: The Board of Supervisors approved the initial engineering phase of extending gas main to the Industrial Park in fiscal year 2012. Once completed, this line will be a 6.5 mile steel pipe that will bring natural gas directly to the King George Industrial Park. Construction is expected to begin in fiscal year 2013 and would take approximately 18 months to complete. In late Fall 2012, Columbia Gas began pre engineering and design work for the construction of this natural gas line

The University of Mary Washington-Dahlgren Campus-Center for Education and Research: This facility opened in January 2012 and 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 consists of a two-story 40,000 sq. ft. facility located on 27 acres that includes 21 classrooms with seating for 12 to 40 or more, a research and computer lab, group study rooms, a 3,200 square foot multi-purpose room with a catering kitchen and seating for more than 300. State of the art instructional technology and wireless access are available throughout the building and it was designed to meet or exceed LEED Silver Certification requirements. The building provides a new, technology-rich venue for graduate-level science, technology, engineering and mathematics programs to serve the needs of the military and the region's many defense-related contractors.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

King George Gateway: Retail Development Services, LLC, the developer of the King George Gateway Shopping Center, has completed leasing all available square footage in Phase 1 of a four-phase development. All but one tenant is open and all tenants are showing very strong sales numbers. Retail Development Services is now finalizing leases for Phase II, approximately 80,000 square feet of retail space and may begin construction in late 2013.

Other Retail: Construction was completed on a 66,000 square foot, three story Hampton Inn located in the Dahlgren Technology Park and it is now open.

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

A former auto auction facility was purchased for \$1.25 million for the future site of a vehicle maintenance facility. This site will serve both the County and the School Division. Improvements are expected to begin in fiscal year 2013 to renovate the existing building and construct site improvements.

Sealston Park Expansion: This project will cost approximately \$500,000 and includes the expansion of one playing field, installation of sports lighting, construction of a concession building with restrooms and a picnic pavilion.

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, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

OTHER INFORMATION (CONTINUED)

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "A. Travis Quesenberry".

A. Travis Quesenberry, PE
County Administrator

A handwritten signature in dark ink, appearing to read "Donita M. Harper".

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

King George County
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Sandison

President

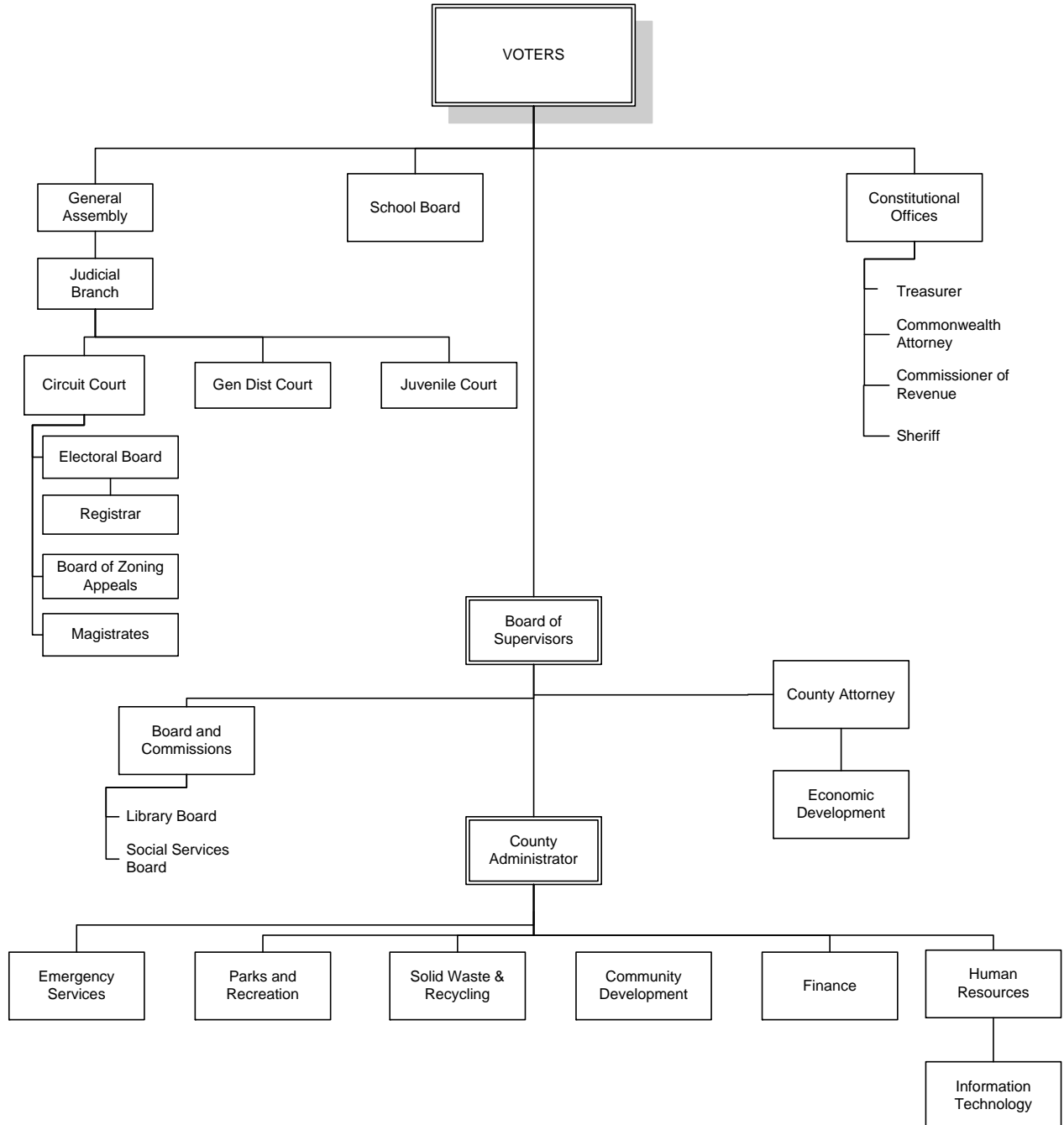
Jeffrey R. Emer

Executive Director

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KING GEORGE COUNTY ORGANIZATIONAL CHART



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COUNTY OF KING GEORGE, VIRGINIA

June 30, 2012

Board of Supervisors

Cedell Brooks, Jr., Chairman
Dale W. Sisson, Jr., Vice Chairman
Ruby A. Brabo
Joseph W. Grzeika
John P. LoBuglio

County School Board

Michael Rose, Chairman
John Davis, Vice-Chairman
Kenneth Novell
Kristin Tolliver
Richard Randall

Board of Social Services

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

Smoot Memorial Library Board of Trustees

Tina Sisson, Chairman
Robert Gates, Vice-Chairman

Evelyn Durling
Cindy Sexton
Michael Gallier, Finance Officer
Linda Kramer

Amy Robie
Cheryl Stewart
Christine Steppe

Other Officials

County Attorney	Matthew J. Britton
Judge of the Circuit Court	Gordon F. Willis
Clerk of the Circuit Court	Charles V. Mason
Commonwealth Attorney	Matthew J. Britton
Commissioner of the Revenue	Jo Ann Ando
Treasurer	Alice L. Moore
Judge of the General District Court	Frank Benser
Judge of the Juvenile & Domestic Relations Courts	David F. Peterson
Clerk of the General and Juvenile & Domestic Relations Courts	Nancy L. Tierney
Sheriff	Steve Dempsey
Superintendent of Schools	Mr. Stanley Jones, Interim Superintendent
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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of King George, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of King George, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King George, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of the County of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King George, Virginia's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, supporting schedule and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, supporting schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. 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 2012 by \$58.1 million (net assets). This represents a increase of \$1.4 million compared to the prior fiscal year.
- Of the total net assets \$3.6 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$52.8 million, a decrease of (\$2.6) million in comparison with the prior year.
- Approximately thirty-three percent (33%) of this total amount or \$17.7 million is General Fund unassigned fund balance and available for spending at the County's discretion.
- The County's net debt increased by \$1.9 million during the current fiscal year. There was one refunding during the year which combined with scheduled debt payments led to the (\$3.7) million decrease in net debt. There was one new bond issue in the amount of \$5 million for Potomac Elementary School renovation project in the form of Qualified School Construction Bonds (QSCBS).

Overview of the Financial Statements

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

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

Overview of the Financial Statements: (Continued)

A. Government-wide financial statements: (Continued)

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

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets exceeded liabilities by \$58.1 million at the close of fiscal year 2012.

The County's net investment in capital assets such as land, buildings and equipment totals \$16.8 million at June 30, 2012, an increase of \$2.1 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, 2012 and 2011

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 65,410,017	\$ 68,379,669	\$ 4,781,255	\$ 6,023,190	\$ 70,191,272	\$ 74,402,859
Capital assets	<u>77,453,789</u>	<u>71,493,303</u>	<u>36,203,568</u>	<u>36,045,730</u>	<u>113,657,357</u>	<u>107,539,033</u>
Total assets	<u>\$ 142,863,806</u>	<u>\$ 139,872,972</u>	<u>\$ 40,984,823</u>	<u>\$ 42,068,920</u>	<u>\$ 183,848,629</u>	<u>\$ 181,941,892</u>
Long-term liabilities outstanding	\$ 69,820,180	\$ 68,252,493	\$ 24,751,346	\$ 24,903,492	\$ 94,571,526	\$ 93,155,985
Current liabilities	<u>14,938,712</u>	<u>14,924,086</u>	<u>1,167,739</u>	<u>1,535,030</u>	<u>16,106,451</u>	<u>16,459,116</u>
Total liabilities	<u>\$ 84,758,892</u>	<u>\$ 83,176,579</u>	<u>\$ 25,919,085</u>	<u>\$ 26,438,522</u>	<u>\$ 110,677,977</u>	<u>\$ 109,615,101</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 16,779,466	\$ 14,637,383	\$ 12,899,785	\$ 12,286,312	\$ 29,679,251	\$ 26,923,695
Restricted	3,565,698	3,789,880	-	-	3,565,698	3,789,880
Unrestricted	<u>37,759,750</u>	<u>38,269,130</u>	<u>2,165,953</u>	<u>3,344,086</u>	<u>39,925,703</u>	<u>41,613,216</u>
Total net assets	<u>\$ 58,104,914</u>	<u>\$ 56,696,393</u>	<u>\$ 15,065,738</u>	<u>\$ 15,630,398</u>	<u>\$ 73,170,652</u>	<u>\$ 72,326,791</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, Smoot library endowment, and for a natatorium donation. The County's restricted net assets amounts to \$3.6 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 increase of \$1.4 million and decrease of (\$564,660) respectively.

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

County of King George, Virginia
Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 7,839,392	\$ 7,695,012	\$ 4,212,976	\$ 3,695,446	\$ 12,052,368	\$ 11,390,458
Operating grants and contributions	4,632,851	4,175,164	-	-	4,632,851	4,175,164
Capital grants and contributions	138,945	-	-	-	138,945	-
General revenues:						
General property taxes	18,864,987	18,576,128	-	-	18,864,987	18,576,128
Other local taxes	5,953,088	5,420,801	-	-	5,953,088	5,420,801
Use of money and property	406,925	469,926	2,305	4,068	409,230	473,994
C/V/A non-categorical aid	2,676,883	2,682,408	-	-	2,676,883	2,682,408
Other general revenues	321,788	202,740	283,305	253,974	605,093	456,714
Total revenues	\$ 40,834,859	\$ 39,222,179	\$ 4,498,586	\$ 3,953,488	\$ 45,333,445	\$ 43,175,667
Expenses:						
General government administration	\$ 2,608,379	\$ 2,588,510	\$ -	\$ -	\$ 2,608,379	\$ 2,588,510
Judicial administration	1,052,619	1,031,293	-	-	1,052,619	1,031,293
Public safety	8,534,911	8,013,107	-	-	8,534,911	8,013,107
Public works	1,550,883	1,348,751	-	-	1,550,883	1,348,751
Health and welfare	4,731,360	4,138,279	-	-	4,731,360	4,138,279
Education	14,860,879	16,939,617	-	-	14,860,879	16,939,617
Parks, recreation, and cultural	1,225,450	1,254,355	-	-	1,225,450	1,254,355
Community development	1,731,600	1,282,707	-	-	1,731,600	1,282,707
Interest and other fiscal charges	2,957,662	3,431,545	-	-	2,957,662	3,431,545
Water and sewer	-	-	5,235,841	4,964,308	5,235,841	4,964,308
Total expenses	\$ 39,253,743	\$ 40,028,164	\$ 5,235,841	\$ 4,964,308	\$ 44,489,584	\$ 44,992,472
Increase in net assets before transfers	\$ 1,581,116	\$ (805,985)	\$ (737,255)	\$ (1,010,820)	\$ 843,861	\$ (1,816,805)
Transfers	(172,595)	(328,214)	172,595	328,214	-	-
Increase in net assets	\$ 1,408,521	\$ (1,134,199)	\$ (564,660)	\$ (682,606)	\$ 843,861	\$ (1,816,805)
Net assets, July 1, 2011	56,696,393	57,830,592	15,630,398	16,313,004	72,326,791	74,143,596
Net assets, June 30, 2012	\$ 58,104,914	\$ 56,696,393	\$ 15,065,738	\$ 15,630,398	\$ 73,170,652	\$ 72,326,791

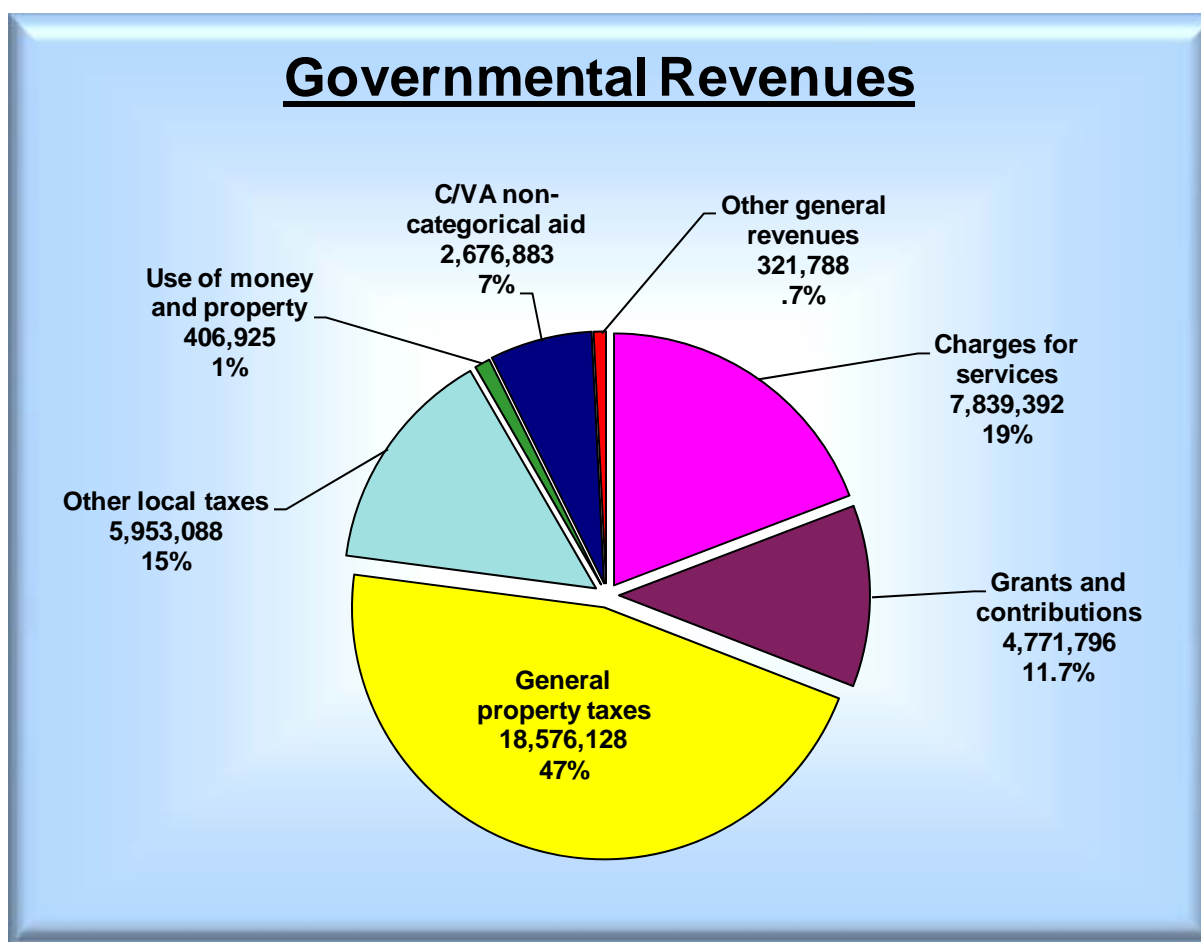
Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$40.8 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$18.9 million
- Charges for services totaled \$7.8 million (This includes \$6.8 million of landfill revenues)
- Other local taxes totaled \$5.9 million.
- Operating grants and contributions totaled \$4.6 million

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

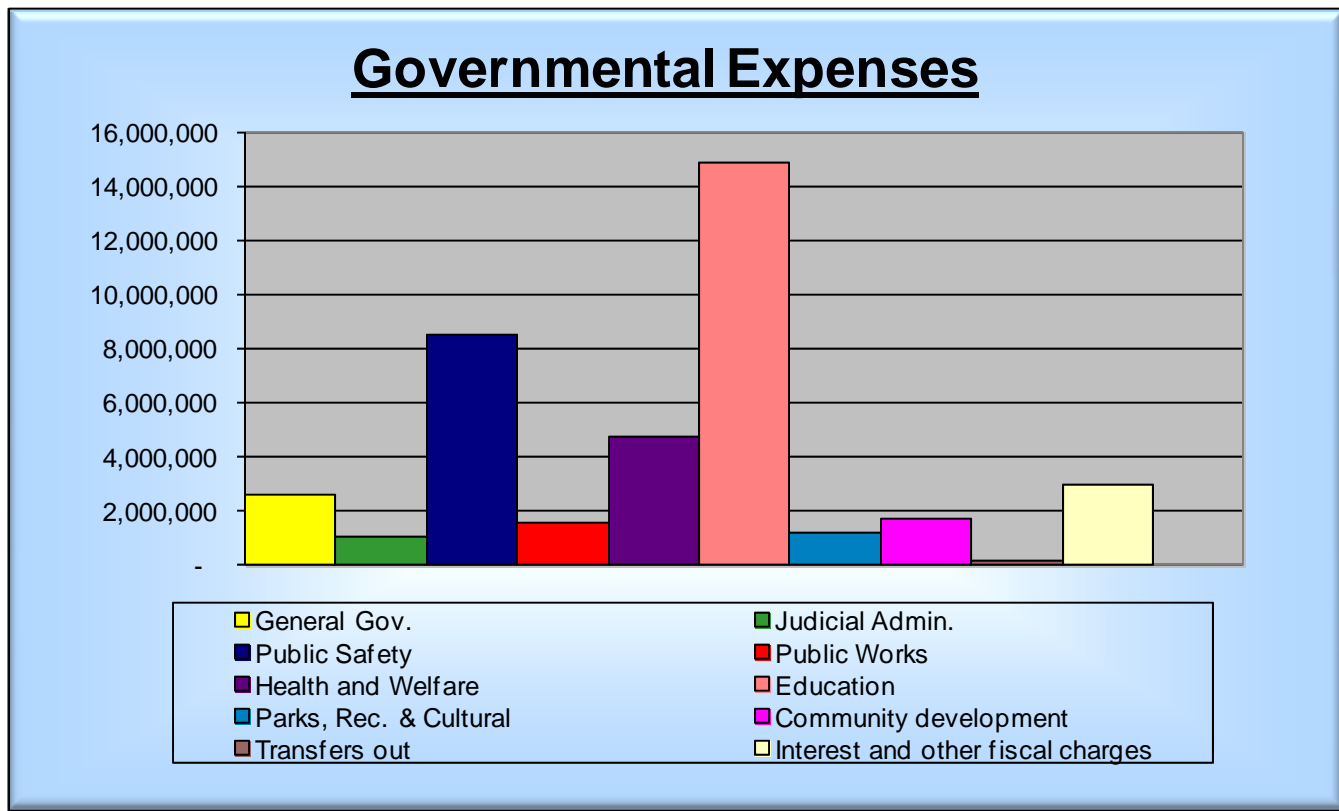


Government-wide Financial Analysis: (Continued)

Expenses for governmental activities totaled \$39.2 million for the fiscal year. Major categories were as follows:

- Education totaled \$14.9 million
- Public Safety totaled \$8.5 million
- Health and Welfare totaled \$4.7 million
- Interest/Other Charges totaled \$2.9 million

The graph below denotes expenses by major categories.



Significant changes noted in revenues and expenditures were:

- General property taxes increased \$288,859 compared to prior year; this increase is due to the opening of new businesses and an increase in real estate rates.
- Other local taxes increased by \$532,287. This is a result of sales taxes from new businesses, with the largest being Wal-Mart.
- Operating grants increased by \$457,687 which mainly due to various public safety state and federal grant monies received.
- Educational expenditures decreased by (\$2.1) million; amount transferred from the County was reduced based on ADM and reductions made for Schools operating budget.

Government-wide Financial Analysis: (Continued)

- Public Safety expenses increased by \$521,804 mainly due to grants received and increase in charges from the Rappahannock Regional Jail.
- Health and Welfare increased by \$593,081 due to an increase in Comprehensive Services Act costs.
- Community Development expenses increased by \$448,893 due to transfer of \$177,000 to the Economic Development Authority to assist with debt payments, filling of vacant positions and the purchase of a new vehicle and GIS hardware.

Business-type activities - Business-type activities net assets decreased by \$(564,660) during the current year.

Major reasons are as follows:

- Operating revenues increased by \$546,861 during the year. This is mainly the result of new businesses opening up in the County and an increase in usage rates.
- Operating expenses increased slightly during the year by \$202,930. This is basically an increase in operating costs, repairs and filling vacant positions.
- Non-operating revenues (expenses) increased by (\$70,366) as a result of restructuring of debt.
- The County transferred \$172,595 to the business-type activities fund to assist in funding operating expenditures as a capital contribution. This amount will be eliminated in fiscal year 2013. The intent is to provide funding on an as needed basis in the future and ensure the Service Authority becomes self sufficient.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$52.8 million, a decrease of (\$2.6) in comparison with the prior year. Approximately thirty-three percent (33%) of this amount (\$17.7 million) constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. In accordance with the newly implemented GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$700,000), restricted by an outside source (\$13.6 million), committed (\$6.2 million) and not available for spending and assigned (\$14.5 million) for specific projects. See Note 1 – R for details.

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17.7 million, while the total fund balance was \$24.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents forty-five percent (45%) of total general fund expenditures, while total general fund balance represents sixty-four percent (64%) of that same amount.

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

General Fund: The fund balance of the County's general fund decreased by (\$810,020) during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$2.9 million, however only \$810,020 was used. Some factors which are significant contributors to a lesser amount needed are as follows:

- General property taxes were \$641,014 more than budgeted due to a \$0.03 (3 cents) real estate rate increase and a several new businesses opening during the year. In addition, we utilize a conservative budget forecast based on the economy and unforeseen collections issues.
- Sales and Use taxes and Meal taxes ended in excess of budgeted by \$565,760 and \$110,555 respectively as a result of new business and restaurants.
- State and Federal revenues combined came in (\$545,314) less than budgeted.
- Total General Fund budget was under spent by \$1.6 million of which \$404,211 was related to educational costs.
- Discretionary spending freeze was implemented by the County Administrator across the board.

Capital Projects Fund: At the end of the current fiscal year the fund balance for the County's capital projects fund was \$27.2 million of which forty-five percent (45%) or \$12.2 million is restricted for future capital projects. Of the remaining fund balance \$4.8 million is committed and \$10.2 million is assigned. See Note 1-R for details. The fund balance of the County's capital projects fund decreased by (\$1.8) million during the current fiscal year. Some major factors are as follows:

- Completion of a new Sheriff's Office, construction of a new high school stadium and ongoing construction on a Library expansion project totaled \$8.3 million in capital spending.
- An additional \$2.1 million was spent on miscellaneous capital projects.
- Additional bonds were issued in the amount of \$5 million for Potomac Elementary School renovations. This was received as part of Qualified School Construction Bonds (QSCB). Proceeds are reflected within the Capital Projects Fund. Also a refunding was done at a premium of \$5.1 million.
- Landfill fees collected in fiscal year 2012 totaling \$6.8 million were used to fund debt service.

Permanent Fund: At the end of the current fiscal year the fund balance for the County's permanent fund was \$843,215, of which \$700,000 is non-spendable and \$143,215 is committed for library operations. The fund balance of the County's permanent fund increased by \$30,750 during the current fiscal year.

Wireless Authority Fund: The Wireless Authority project fund balance was \$225,760 at the end of the current fiscal year. This is an decrease of \$23,048.

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

General Fund Budgetary Highlights

Differences between the original expenditures budget and the final amended budget were \$2.2 million or a six percent (6%) increase in appropriations. Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$586,853 based on an increase in expenditures.
- Various public safety grants and additional state and federal funding totaling \$657,480.
- County's contribution to the School Board increased by \$537,103 based on supplement budget shortfalls projected in the amount of \$150,000 and prior year encumbrances carried over in the amount of \$387,103.
- Of these increases, grants came from Federal and State government with the balance supported by transfers from other departments and fund balances.

Actual revenues were more than the amended budget by \$499,720, reference Exhibit 10.

Actual expenditures were (\$1.6) million less than the amended budget. Major contributors were as follows:

- One factor in reduction in spending is because of the economic challenges that were ahead, the County Administrator maintains a spending freeze with special consideration on discretionary spending for the entire year.
- Public Works and Community Development had remaining funds totaling \$252,213. In addition, debt payments were \$123,837 less than budgeted due to refunding.
- Public safety also had a favorable expenditure variance of \$592,529 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.
- King George Public Schools returned \$404,221 to the General Fund.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2012 totaled \$77.5 million (net of accumulated depreciation). Governmental capital assets increased a total of \$6 million. For the same period, business-type activities increased by 157,838. Major highlights of governmental capital assets include:

The County completed construction of the new Sherriff's building and a new high school stadium. A Library Expansion is in process. The County has expended more than \$8 million and is expected to complete the Library in early 2013.

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2012 totals \$36.2 million (net of accumulated depreciation). Investment in capital assets increased \$157,838. 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 \$73 million and the King George Service Authority has outstanding obligations of \$25 million.

Capital Asset and Debt Administration: (Continued)

Of the County's debt, \$14.9 million comprises debt backed by the full faith and credit of the County and \$53.5 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations increased during the current fiscal year by a net of \$1.9 million. There was one refunding during the year and debt was reduced by a net amount of (\$3.7) million. The County also received Qualified School Construction Bonds in the amount of \$5 million for the renovation of Potomac Elementary School.

The King George Service Authority decreased its long-term obligations by \$101,931 during the year. No refundings were done this year.

The County maintains to AA credit rating from Standard and Poor's, an AA- from Fitch as well as Aa2 from Moody's during fiscal year 2012.

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

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 6.9% at June 30, 2012. The local unemployment rate compares favorably to the June 30, 2012 national rate of 8.4%. The County's favorable employment conditions are supported by the continued growth of jobs over the last nine years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 10,055 in 2012. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenues for the fiscal year ending June 30, 2012 totaled \$33.6, million which is \$1.4 million increase over the prior year. Revenue from the general property taxes increased as the result of a rate increase and increases in sales taxes due to new businesses accounts for the majority of this increase.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2012

	Primary Government			Component Unit School Board
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 47,253,175	\$ 2,701,689	\$ 49,954,864	\$ 172,622
Receivables (net of allowance for uncollectibles):				
Property taxes	8,263,066	-	8,263,066	-
Accounts receivable	2,040,593	723,466	2,764,059	-
Notes receivable	456,298	-	456,298	-
Due from other governments	3,358,257	-	3,358,257	1,907,280
Restricted cash	3,586,302	874,486	4,460,788	-
Due from primary government	-	-	-	2,002,716
Total Current Assets	\$ 64,957,691	\$ 4,299,641	\$ 69,257,332	\$ 4,082,618
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134
Infrastructure	-	33,566,640	33,566,640	-
Buildings	7,557,334	-	7,557,334	14,878,224
Equipment	3,214,606	161,049	3,375,655	1,847,140
Jointly owned assets	38,089,457	-	38,089,457	10,428,233
Construction in progress	22,541,586	213,525	22,755,111	-
Total capital assets	\$ 77,453,789	\$ 36,203,568	\$ 113,657,357	\$ 27,326,731
Other assets	452,326	481,614	933,940	-
Total Noncurrent Assets	\$ 77,906,115	\$ 36,685,182	\$ 114,591,297	\$ 27,326,731
Total Assets	\$ 142,863,806	\$ 40,984,823	\$ 183,848,629	\$ 31,409,349
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,254,504	\$ 113,042	\$ 2,367,546	\$ 236,470
Accrued liabilities	-	-	-	3,734,689
Due to component unit - School Board	2,002,716	-	2,002,716	-
Unearned revenue	6,835,136	508,423	7,343,559	-
Accrued interest payable	638,978	293,791	932,769	-
Current portion of long-term obligations	3,207,378	252,483	3,459,861	66,285
Total Current Liabilities	\$ 14,938,712	\$ 1,167,739	\$ 16,106,451	\$ 4,037,444
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	69,820,180	24,751,346	94,571,526	600,030
Total Liabilities	\$ 84,758,892	\$ 25,919,085	\$ 110,677,977	\$ 4,637,474
NET ASSETS				
Invested in capital assets, net of related debt	\$ 16,779,466	\$ 12,899,785	\$ 29,679,251	\$ 27,263,044
Restricted:				
Debt service	1,129,276	-	1,129,276	-
Smoot library:				
Nonexpendable	700,000	-	700,000	-
Natatorium	1,736,422	-	1,736,422	-
Unrestricted assets	37,759,750	2,165,953	39,925,703	(491,169)
Total Net Assets	\$ 58,104,914	\$ 15,065,738	\$ 73,170,652	\$ 26,771,875
Total Liabilities and Net Assets	\$ 142,863,806	\$ 40,984,823	\$ 183,848,629	\$ 31,409,349

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,608,379	\$ -	\$ 228,914	\$ -
Judicial administration	1,052,619	218,487	459,857	-
Public safety	8,534,911	51,371	1,158,848	-
Public works	1,550,883	7,108,725	-	-
Health and welfare	4,731,360	-	2,576,554	-
Education	14,860,879	-	97,986	-
Parks, recreation, and cultural	1,225,450	387,063	110,692	-
Community development	1,731,600	73,746	-	138,945
Interest on long-term debt	2,957,662	-	-	-
Total governmental activities	\$ 39,253,743	\$ 7,839,392	\$ 4,632,851	\$ 138,945
Business-type activities:				
Water and sewer	\$ 5,235,841	\$ 4,212,976	\$ -	\$ -
Total primary government	\$ 44,489,584	\$ 12,052,368	\$ 4,632,851	\$ 138,945
COMPONENT UNIT:				
School Board	\$ 36,278,596	\$ 660,448	\$ 22,138,332	\$ 323,049
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle licenses				
Recordation taxes				
Meals tax				
Ambulance fees				
Other local taxes				
Grants and contributions not restricted to specific programs				
Unrestricted revenues from use of money and property				
County contribution to School Board				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	
\$ (2,379,465)	\$ -	\$ (2,379,465)	\$ -
(374,275)	-	(374,275)	-
(7,324,692)	-	(7,324,692)	-
5,557,842	-	5,557,842	-
(2,154,806)	-	(2,154,806)	-
(14,762,893)	-	(14,762,893)	-
(727,695)	-	(727,695)	-
(1,518,909)	-	(1,518,909)	-
(2,957,662)	-	(2,957,662)	-
<u>\$ (26,642,555)</u>	<u>\$ -</u>	<u>\$ (26,642,555)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,022,865)</u>	<u>\$ (1,022,865)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,022,865)</u>	<u>\$ (27,665,420)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,156,767)</u>
18,864,987	-	18,864,987	-
1,909,760	-	1,909,760	-
226,865	-	226,865	-
1,195,950	-	1,195,950	-
520,137	-	520,137	-
232,533	-	232,533	-
878,555	-	878,555	-
660,964	-	660,964	-
328,324	-	328,324	-
2,676,883	-	2,676,883	-
406,925	2,305	409,230	11,070
-	-	-	13,696,905
321,788	283,305	605,093	202,115
(172,595)	172,595	-	-
<u>\$ 28,051,076</u>	<u>\$ 458,205</u>	<u>\$ 28,509,281</u>	<u>\$ 13,910,090</u>
<u>\$ 1,408,521</u>	<u>\$ (564,660)</u>	<u>\$ 843,861</u>	<u>\$ 753,323</u>
<u>56,696,393</u>	<u>15,630,398</u>	<u>72,326,791</u>	<u>26,018,552</u>
<u>\$ 58,104,914</u>	<u>\$ 15,065,738</u>	<u>\$ 73,170,652</u>	<u>\$ 26,771,875</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2012

	Governmental Funds				
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 22,888,877	\$ 23,989,349	\$ 143,215	\$ 231,734	\$ 47,253,175
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	8,263,066	-	-	-	8,263,066
Accounts	201,052	1,839,541	-	-	2,040,593
Note receivable	456,298	-	-	-	456,298
Restricted cash	1,149,880	1,736,422	700,000	-	3,586,302
Due from other governmental units	2,358,257	1,000,000	-	-	3,358,257
Total assets	\$ 35,317,430	\$ 28,565,312	\$ 843,215	\$ 231,734	\$ 64,957,691
LIABILITIES					
Accounts payable	\$ 855,970	\$ 1,392,560	\$ -	\$ 5,974	\$ 2,254,504
Due to component unit - School Board	2,002,716	-	-	-	2,002,716
Deferred revenue	7,932,020	-	-	-	7,932,020
Total liabilities	\$ 10,790,706	\$ 1,392,560	\$ -	\$ 5,974	\$ 12,189,240
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Restricted	1,399,650	12,221,348	-	-	13,620,998
Committed	1,080,525	4,788,297	143,215	225,760	6,237,797
Assigned	4,324,700	10,163,107	-	-	14,487,807
Unassigned	17,721,849	-	-	-	17,721,849
Total fund balances	\$ 24,526,724	\$ 27,172,752	\$ 843,215	\$ 225,760	\$ 52,768,451
Total liabilities and fund balances	\$ 35,317,430	\$ 28,565,312	\$ 843,215	\$ 231,734	\$ 64,957,691

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

Total fund balances, balance sheet, governmental funds	\$ 52,768,451
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.	77,453,789
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.	452,326
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(638,978)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	1,096,884
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.	(73,027,558)
Net assets of governmental activities	<u>\$ 58,104,914</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, 2012

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 18,847,313	\$ -	\$ -	\$ -	\$ 18,847,313
Other local taxes	5,953,088	-	-	-	5,953,088
Permits, privilege fees and regulatory licenses	395,795	6,791,883	-	-	7,187,678
Fines and forfeitures	183,108	-	-	-	183,108
Revenue from use of money and property	206,623	169,179	30,750	373	406,925
Charges for services	468,606	-	-	-	468,606
Miscellaneous	317,617	4,171	-	-	321,788
Intergovernmental revenue:					
Contribution from the School Board	-	48,181	-	-	48,181
Commonwealth	6,190,762	-	-	-	6,190,762
Federal	1,020,986	236,931	-	-	1,257,917
Total revenues	\$ 33,583,898	\$ 7,250,345	\$ 30,750	\$ 373	\$ 40,865,366
Expenditures:					
Current:					
General government administration	\$ 2,455,986	\$ 120,757	\$ -	\$ -	\$ 2,576,743
Judicial administration	1,025,084	34,116	-	-	1,059,200
Public safety	8,077,378	2,900,153	-	-	10,977,531
Public works	1,524,050	100,265	-	-	1,624,315
Health and welfare	4,707,097	-	-	-	4,707,097
Education	11,858,516	3,112,393	-	-	14,970,909
Parks, recreation, and cultural	1,194,661	3,390,614	-	-	4,585,275
Community development	1,410,200	243,090	-	70,381	1,723,671
Debt service:					
Principal retirement	2,712,585	-	-	-	2,712,585
Interest and other fiscal charges	3,354,917	526,461	-	-	3,881,378
Total expenditures	\$ 38,320,474	\$ 10,427,849	\$ -	\$ 70,381	\$ 48,818,704
Excess (deficiency) of revenues over expenditures	\$ (4,736,576)	\$ (3,177,504)	\$ 30,750	\$ (70,008)	\$ (7,953,338)
Other financing sources (uses):					
Transfers in	\$ 4,016,506	\$ -	\$ -	\$ 46,980	\$ 4,063,486
Transfers out	(89,980)	(4,146,101)	-	-	(4,236,081)
Payment to refunded bond escrow agent	-	(33,345,873)	-	-	(33,345,873)
Issuance of refunding bonds	-	28,645,000	-	-	28,645,000
Long-term debt issued	-	5,000,000	-	-	5,000,000
Bond premium	-	5,153,199	-	-	5,153,199
Total other financing sources (uses)	\$ 3,926,526	\$ 1,306,225	\$ -	\$ 46,980	\$ 5,279,731
Net changes in fund balances	\$ (810,050)	\$ (1,871,279)	\$ 30,750	\$ (23,028)	\$ (2,673,607)
Fund balances at beginning of year	25,336,774	29,044,031	812,465	248,788	55,442,058
Fund balances at end of year	\$ 24,526,724	\$ 27,172,752	\$ 843,215	\$ 225,760	\$ 52,768,451

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, 2012

		<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	\$	(2,673,607)
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	\$ 9,495,602	
Depreciation expense	<u>(1,970,677)</u>	7,524,925
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,564,439)
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.		17,674
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Proceeds from issuance of long-term obligations	\$ (5,000,000)	
Proceeds from issuance of refunding bonds	(28,645,000)	
Premium on bonds	(5,153,199)	
Issuance costs	452,326	
Payment to refunded bond escrow agent	33,345,873	
Amortization of bond premium	24,893	
Amortization of deferred amount on refunding	(15,011)	
Principal retired on general obligation and lease revenue bonds	2,462,585	
Principal retired on state literary fund loans	<u>250,000</u>	(2,277,533)
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	\$ (80,007)	
Change in interest payable	<u>461,508</u>	<u>381,501</u>
Change in net assets of governmental activities	\$	<u><u>1,408,521</u></u>

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

Statement of Net Assets - Proprietary Fund
At June 30, 2012

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,701,689
Receivables (net of allowance for uncollectibles):	
Accounts receivable	723,466
Restricted cash	<u>874,486</u>
Total Current Assets	\$ <u>4,299,641</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	44,116,476
Equipment	791,809
Construction in progress	213,525
Accumulated depreciation	<u>(11,180,596)</u>
Total Capital Assets	\$ <u>36,203,568</u>
Bond issue costs, net of amortization	\$ <u>481,614</u>
Total Noncurrent Assets	\$ <u>36,685,182</u>
Total Assets	\$ <u><u>40,984,823</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 113,042
Unearned revenue	508,423
Accrued interest payable	293,791
Current portion of long-term obligations	<u>252,483</u>
Total Current Liabilities	\$ <u>1,167,739</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>24,751,346</u>
Total Liabilities	\$ <u>25,919,085</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 12,899,785
Unrestricted assets	<u>2,165,953</u>
Total Net Assets	\$ <u>15,065,738</u>
Total Liabilities and Net Assets	\$ <u><u>40,984,823</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, 2012

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 931,933
Sewer revenues	1,286,815
Availability fees	646,802
Debt fees	1,347,426
Other revenues	<u>283,305</u>
Total operating revenues	\$ <u>4,496,281</u>
Operating expenses:	
Personnel services	\$ 1,021,911
Fringe benefits	437,216
Contractual services	460,927
Depreciation and amortization	1,140,074
Other operating expenses	<u>943,023</u>
Total operating expenses	\$ <u>4,003,151</u>
Net income (loss) from operations	\$ <u>493,130</u>
Nonoperating revenues (expenses):	
Interest income	\$ 2,305
Interest expense	<u>(1,232,690)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,230,385)</u>
Net income (loss) before transfers	\$ (737,255)
Transfers:	
Transfers in	<u>172,595</u>
Change in net assets	\$ (564,660)
Net assets, beginning of year	<u>15,630,398</u>
Net assets, end of year	<u>\$ 15,065,738</u>

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

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2012

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 4,016,900
Payments to employees (including fringe benefits)	(1,443,874)
Payments for operating activities	<u>(1,549,768)</u>
Net cash provided by operating activities	\$ <u>1,023,258</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (1,297,912)
Capital grants and contributions	172,595
Retirement of indebtedness	(102,780)
Interest paid on loans	<u>(1,157,517)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(2,385,614)</u>
Cash flows from investing activities:	
Interest received	\$ <u>2,305</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,360,051)
Cash and cash equivalents (including restricted) at beginning of year	<u>4,936,226</u>
Cash and cash equivalents (including restricted) at end of year	\$ <u><u>3,576,175</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 493,130
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,140,074
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(141,579)
(Decrease) in accounts payable and accrued liabilities	(145,818)
(Decrease) in deferred revenue	(337,802)
Increase in compensated absences	<u>15,253</u>
Net cash provided by operating activities	\$ <u><u>1,023,258</u></u>

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

Statement of Fiduciary Net Assets
At June 30, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 4,140,965
Accounts receivable	<u>19,442</u>
Total assets	<u>\$ 4,160,407</u>
LIABILITIES	
Accounts payable	\$ 3,411
Amounts held for others	103,869
Amounts held for landfill closure and postclosure costs	3,980,969
Amounts held for social services' clients	<u>72,158</u>
Total liabilities	<u>\$ 4,160,407</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements As of June 30, 2012

Note 1–Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

A. Financial Reporting Entity:

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

B. Individual Component Unit Disclosures:

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

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

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

Discretely Presented Component Unit - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2012.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

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

c. Permanent Fund

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

d. Special Revenue Fund

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

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

Enterprise Funds

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

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

The County reports the following major enterprise fund:

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

D. Budgets and Budgetary Accounting:

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

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

E. Encumbrances:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

F. Cash and Cash Equivalents:

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

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.

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.

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 \$680,647 at June 30, 2012 and is comprised of the following:

Property taxes	\$ 448,836
Water & sewer accounts	<u>231,811</u>
Total	<u>\$ 680,647</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

I. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2012.

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

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

J. Compensated Absences:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

J. Compensated Absences: (Continued)

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

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

K. Long-term Obligations:

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Retirement Plan:

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

M. Use of Estimates:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

N. Bond Issuance Costs:

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Costs relative to each bond issue are amortized over the life of the bonds. Amortization expense for the year ended June 30, 2012 totaled \$23,643 in the Enterprise funds.

O. Prepaid Connection Fees:

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

P. Net Assets

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

Q. Component Unit-School Board Capital Asset and Debt Presentation

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

R. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives), this category also includes contractual obligations. Assigned fund balance is established by the Board of Supervisors or the Deputy County Administrator/Finance Director as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

R. Fund Equity: (Continued)

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

	General Fund	Capital Projects	Permanent Fund	Wireless Authority Fund	Total
Fund Balances:					
Nonspendable:					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Restricted:					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Library expansion	-	2,033,167	-	-	2,033,167
Natatorium	-	2,197,707	-	-	2,197,707
New high school stadium	-	1,563,016	-	-	1,563,016
Potomac Elementary School	-	4,987,180	-	-	4,987,180
Government center/animal control/ sheriffs office	-	1,035,905	-	-	1,035,905
Capital projects	-	404,373	-	-	404,373
Emergency services grants	249,770	-	-	-	249,770
Total Restricted Fund Balance	\$ 1,399,650	\$ 12,221,348	\$ -	\$ -	\$ 13,620,998
Committed:					
Education	\$ 87,578	\$ -	\$ -	\$ -	\$ 87,578
Wireless project	-	-	-	225,760	225,760
Stabilization funds	652,093	-	-	-	652,093
Library	-	-	143,215	-	143,215
Emergency services equipment	-	625,000	-	-	625,000
Public safety	126,048	-	-	-	126,048
Vehicle maintenance facility	-	1,169,571	-	-	1,169,571
Government center/animal control/ Capital projects	-	2,993,726	-	-	2,993,726
Other purposes	214,806	-	-	-	214,806
Total Committed Fund Balance	\$ 1,080,525	\$ 4,788,297	\$ 143,215	\$ 225,760	\$ 6,237,797
Assigned:					
Economic development incentives	\$ 4,100,000	\$ -	\$ -	\$ -	\$ 4,100,000
School capital outlays	224,700	-	-	-	224,700
Landfill	-	1,000,000	-	-	1,000,000
Capital projects	-	9,163,107	-	-	9,163,107
Total Assigned Fund Balance	\$ 4,324,700	\$ 10,163,107	\$ -	\$ -	\$ 14,487,807
Unassigned Fund Balance	\$ 17,721,849	\$ -	\$ -	\$ -	\$ 17,721,849
Total Fund Balances	\$ 24,526,724	\$ 27,172,752	\$ 843,215	\$ 225,760	\$ 52,768,451

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2012 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

County's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AA+	AA	AA-
U.S. Agencies	\$ -	\$ 10,673,435	\$ -	\$ -
Local Government Investment Pool	4,590,802	-	-	-
State Non-Arbitrage Pool	13,202,965	-	-	-
Corporate Notes	-	802,761	576,374	602,881
Municipal Bonds	-	-	499,035	-
Repurchase Agreements - Underlying:				
U.S. Agency Securities	-	11,865,437	-	-
Total	\$ 17,793,767	\$ 23,341,633	\$ 1,075,409	\$ 602,881

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)		
	Fair Value	1-5 Years	Greater Than 10 Years
Repurchase Agreements	\$ 11,865,437	\$ 988,115	\$ 10,877,322
Corporate Notes	1,982,016	1,982,016	-
Municipal Bonds	499,035	499,035	-
U.S. Agencies	10,673,435	9,842,010	831,425
U.S. Treasuries	5,213,610	5,213,610	-
Total	<u>\$ 30,233,533</u>	<u>\$ 18,524,786</u>	<u>\$ 11,708,747</u>

External Investment Pools

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

Note 3—Due From Other Governments:

At June 30, 2012, the County and School Board had receivables from other governments as follows:

	Primary Government	Discretely Presented Component Unit School Board
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	703,217
PPTRA	1,088,066	-
Local sales taxes	327,673	-
Communications tax	67,446	-
Public assistance	53,763	-
Shared expenses	134,871	-
CSA	435,714	-
Fire program	63,045	-
Other	69,661	-
Federal Government:		
School funds	-	1,204,063
Second chance grant	34,009	-
Public assistance	84,009	-
Totals	<u>\$ 3,358,257</u>	<u>\$ 1,907,280</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 2,002,716	\$ -
School Board	-	2,002,716
Totals	<u>\$ 2,002,716</u>	<u>\$ 2,002,716</u>

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

Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 4,016,506	\$ 89,980
Service Authority	172,595	-
Wireless Project Fund	46,980	-
Capital Improvements Fund	-	4,146,101
Total	<u>\$ 4,236,081</u>	<u>\$ 4,236,081</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, 2012 (Continued)

Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2012:

Primary Government:

	Beginning Balance July 1, 2011	Additions	Deletions	Ending Balance June 30, 2012
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	\$ -	\$ -	\$ 6,050,806
Construction in progress-jointly owned assets	314,199	2,749,195	392,299	2,671,095
Construction in progress	<u>13,609,238</u>	<u>6,261,253</u>	<u>-</u>	<u>19,870,491</u>
Total capital assets not being depreciated	<u>\$ 19,974,243</u>	<u>\$ 9,010,448</u>	<u>\$ 392,299</u>	<u>\$ 28,592,392</u>
Capital assets being depreciated:				
Buildings	\$ 11,654,245	\$ -	\$ -	\$ 11,654,245
Equipment	8,343,236	485,154	191,860	8,636,530
Jointly owned assets	<u>44,545,094</u>	<u>392,299</u>	<u>2,032,098</u>	<u>42,905,295</u>
Total capital assets being depreciated	<u>\$ 64,542,575</u>	<u>\$ 877,453</u>	<u>\$ 2,223,958</u>	<u>\$ 63,196,070</u>
Less accumulated depreciation for:				
Buildings	\$ 3,871,728	\$ 225,183	\$ -	\$ 4,096,911
Equipment	5,027,362	586,422	191,860	5,421,924
Jointly owned assets	<u>4,124,425</u>	<u>1,159,072</u>	<u>467,659</u>	<u>4,815,838</u>
Total accumulated depreciation	<u>\$ 13,023,515</u>	<u>\$ 1,970,677</u>	<u>\$ 659,519</u>	<u>\$ 14,334,673</u>
Total capital assets being depreciated, net	<u>\$ 51,519,060</u>	<u>\$ (1,093,224)</u>	<u>\$ 1,564,439</u>	<u>\$ 48,861,397</u>
Governmental activities capital assets, net	<u><u>\$ 71,493,303</u></u>	<u><u>\$ 7,917,224</u></u>	<u><u>\$ 1,956,738</u></u>	<u><u>\$ 77,453,789</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>551,168</u>	<u>1,297,912</u>	<u>1,635,555</u>	<u>213,525</u>
Total capital assets not being depreciated	<u>\$ 2,813,522</u>	<u>\$ 1,297,912</u>	<u>\$ 1,635,555</u>	<u>\$ 2,475,879</u>
Capital assets being depreciated:				
Infrastructure	\$ 42,480,921	\$ 1,635,555	\$ -	\$ 44,116,476
Equipment	<u>791,809</u>	<u>-</u>	<u>-</u>	<u>791,809</u>
Total capital assets being depreciated	<u>\$ 43,272,730</u>	<u>\$ 1,635,555</u>	<u>\$ -</u>	<u>\$ 44,908,285</u>
Less accumulated depreciation for:				
Infrastructure	\$ 9,442,531	\$ 1,107,305	\$ -	\$ 10,549,836
Equipment	<u>597,991</u>	<u>32,769</u>	<u>-</u>	<u>630,760</u>
Total accumulated depreciation	<u>\$ 10,040,522</u>	<u>\$ 1,140,074</u>	<u>\$ -</u>	<u>\$ 11,180,596</u>
Total capital assets being depreciated, net	<u>\$ 33,232,208</u>	<u>\$ 495,481</u>	<u>\$ -</u>	<u>\$ 33,727,689</u>
Business-type activities capital assets, net	<u><u>\$ 36,045,730</u></u>	<u><u>\$ 1,793,393</u></u>	<u><u>\$ 1,635,555</u></u>	<u><u>\$ 36,203,568</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ <u>173,134</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>173,134</u>
Total capital assets not being depreciated	\$ <u>173,134</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>173,134</u>
Capital assets, being depreciated:				
Buildings	\$ 26,184,332	\$ -	\$ -	\$ 26,184,332
Equipment	4,817,410	350,368	-	5,167,778
Jointly owned assets	<u>11,616,817</u>	<u>2,032,098</u>	<u>-</u>	<u>13,648,915</u>
Total capital assets being depreciated	\$ <u>42,618,559</u>	\$ <u>2,382,466</u>	\$ <u>-</u>	\$ <u>45,001,025</u>
Less accumulated depreciation for:				
Buildings	\$ 10,456,532	\$ 849,576	\$ -	\$ 11,306,108
Equipment	3,007,232	313,406	-	3,320,638
Jointly owned assets	<u>2,753,023</u>	<u>467,659</u>	<u>-</u>	<u>3,220,682</u>
Total accumulated depreciation	\$ <u>16,216,787</u>	\$ <u>1,630,641</u>	\$ <u>-</u>	\$ <u>17,847,428</u>
Total capital assets being depreciated, net	\$ <u>26,401,772</u>	\$ <u>751,825</u>	\$ <u>-</u>	\$ <u>27,153,597</u>
School Board capital assets, net	\$ <u><u>26,574,906</u></u>	\$ <u><u>751,825</u></u>	\$ <u><u>-</u></u>	\$ <u><u>27,326,731</u></u>

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

Net capital assets	\$ <u>77,453,789</u>
Long-term debt applicable to capital assets at June 30, 2012	\$ 72,302,073
Less - debt proceeds received but not expended on capital assets at June 30, 2012	<u>(11,627,750)</u>
Net long-term debt, as adjusted	\$ <u>60,674,323</u>
Net assets invested in capital assets, less related debt	\$ <u><u>16,779,466</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 6–Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 121,501
Judicial administration	7,593
Public safety	580,919
Public works	43,217
Health and Welfare	27,033
Education	1,159,072
Parks, recreation and cultural	26,822
Community development	<u>4,520</u>
Total	\$ <u>1,970,677</u>
Component Unit-School Board	\$ <u>1,162,982</u> (1)
King George Service Authority	\$ <u>1,140,074</u>
(1) Depreciation expense	\$ 1,162,982
Accumulated depreciation on Joint tenancy asset transfer	<u>467,659</u>
Total increase in accumulated depreciation, page 47	\$ <u>1,630,641</u>

Note 7–Restricted Assets:

Restricted assets at June 30, 2012 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 874,486
Permanent fund corpus	700,000
Natatorium donation	1,736,422
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>4,460,788</u>

Note 8–Other Assets:

Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 56,299
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>399,999</u>
Total notes receivable	\$ <u>456,298</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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>
2012 Lease Revenue Bond	\$ <u>452,326</u>	30	\$ <u>-</u>	\$ <u>-</u>	\$ <u>452,326</u>

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Issuance costs:					
2011 Refunding Bond	\$ 134,227	21	\$ 6,392	\$ 6,392	\$ 127,835
2010 Refunding Bond	152,486	21	7,261	14,522	137,964
2011 Refunding Bond	<u>225,625</u>	23	<u>9,810</u>	<u>9,810</u>	<u>215,815</u>
Total	\$ <u>512,338</u>		\$ <u>23,463</u>	\$ <u>30,724</u>	\$ <u>481,614</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, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 10,505,973	\$ 5,000,000	\$ 588,098	\$ 14,917,875	\$ 595,010
Revenue Bonds	57,409,871	28,645,000	32,519,487	53,535,384	2,050,210
Deferred amount on refunding	(315,228)	(3,182,445)	(15,011)	(3,482,662)	-
State Literary Fund Loans	2,000,000	-	250,000	1,750,000	250,000
Compensated Absences	645,478	144,555	64,548	725,485	72,549
Premium on bonds payable	<u>823,227</u>	<u>5,153,199</u>	<u>394,950</u>	<u>5,581,476</u>	<u>239,609</u>
Total	\$ <u>71,069,321</u>	\$ <u>35,760,309</u>	\$ <u>33,802,072</u>	\$ <u>73,027,558</u>	\$ <u>3,207,378</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

Year Ending June 30,	Governmental Funds			
	General Obligation and Revenue Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2013	\$ 2,645,220	\$ 3,064,799	\$ 250,000	\$ 52,500
2014	2,597,303	3,126,345	250,000	45,000
2015	2,709,919	3,032,887	250,000	37,500
2016	2,840,200	2,907,674	250,000	30,000
2017	2,700,036	2,790,716	250,000	22,500
2018	2,648,906	2,676,511	250,000	15,000
2019	2,775,634	2,560,190	250,000	7,500
2020	2,902,899	2,442,720	-	-
2021	3,035,728	2,315,286	-	-
2022	3,168,565	2,185,914	-	-
2023	3,030,139	2,055,222	-	-
2024	3,134,029	1,917,080	-	-
2025	3,231,672	1,770,850	-	-
2026	3,339,345	1,616,506	-	-
2027	3,086,188	1,468,718	-	-
2028	3,194,887	1,328,934	-	-
2029	2,930,222	1,194,379	-	-
2030	3,045,846	1,059,257	-	-
2031	3,164,406	807,295	-	-
2032	3,019,445	548,792	-	-
2033	2,750,433	400,010	-	-
2034	2,897,237	256,925	-	-
2035	1,755,000	139,784	-	-
2036	1,850,000	47,404	-	-
Total	\$ <u>68,453,259</u>	\$ <u>41,714,198</u>	\$ <u>1,750,000</u>	\$ <u>210,000</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,155,900 Public Facilities Lease Revenue Bonds issued July 29, 2010 payable in various principal annual installments from August 15, 2010 to August 15, 2015, interest at 2.47%	\$ 1,760,900	\$ 130,000
\$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%	285,000	285,000
\$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%	16,792,834	459,110
\$4,473,200 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,871,650	196,100
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2015, interest payable semiannually at 4.76% (unrefunded portion)	2,180,000	705,000
\$28,645,000 VRA Lease Revenue Bonds Series 2012 payable in various installments beginning October 1, 2012 through October 1, 2035, interest payable semiannually at rates ranging from 2.125% to 5.125%	<u>28,645,000</u>	<u>275,000</u>
Total Revenue Bonds	\$ <u>53,535,384</u>	\$ <u>2,050,210</u>
<u>General Obligation Bonds:</u>		
\$5,000,000, VPSA School Bonds, Series 2011 issued December 15, 2011 due in various annual installments through December 1, 2030, interest payable semiannually at 4.25%	\$ 5,000,000	\$ -
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	4,678,743	302,842
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>5,239,132</u>	<u>292,168</u>
Total General Obligation Bonds	\$ <u>14,917,875</u>	\$ <u>595,010</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>68,453,259</u>	\$ <u>2,645,220</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ 1,750,000	\$ 250,000
Compensated Absences	\$ 725,485	\$ 72,549
Premium on bonds payable	\$ 5,581,476	\$ 239,609
Deferred amount on refunding	\$ (3,482,662)	\$ -
Total	<u>\$ 73,027,558</u>	<u>\$ 3,207,378</u>

Assets acquired under capital leases:

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

King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2012:

<u>Proprietary Funds</u>	<u>Balance July 1, 2011</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Notes Payable	\$ 501,115	\$ -	\$ 44,817	\$ 456,298	\$ 44,817
VRA Water Revenue Bond	275,000	-	-	275,000	-
VRA Infrastructure Revenue Bonds	5,373,029	-	57,963	5,315,066	60,890
Compensated absences	70,079	25,765	10,512	85,332	12,800
Virginia Revenue Refunding Bond	6,915,000	-	-	6,915,000	-
Water and Sewer Refunding Bonds	11,695,000	-	-	11,695,000	45,000
Deferred amount on refunding	(1,605,325)	-	(74,572)	(1,530,753)	-
Premium on bonds payable	1,881,862	-	88,976	1,792,886	88,976
Total	<u>\$ 25,105,760</u>	<u>\$ 25,765</u>	<u>\$ 127,696</u>	<u>\$ 25,003,829</u>	<u>\$ 252,483</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 9—Long-Term Obligations: (Continued)

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

Year Ending June 30,	VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest
2013	\$ -	\$ 14,025	\$ -	\$ 329,161
2014	-	14,025	-	329,161
2015	-	14,025	-	329,161
2016	-	14,025	-	329,161
2017	-	14,025	330,000	323,225
2018	-	14,025	345,000	308,319
2019	-	14,025	360,000	291,039
2020	-	14,025	380,000	273,399
2021	-	14,025	395,000	256,655
2022	-	14,025	410,000	240,869
2023	-	14,025	425,000	222,618
2024	-	14,025	450,000	202,265
2025	-	14,025	470,000	180,708
2026	-	14,025	495,000	157,880
2027	-	14,025	515,000	133,908
2028	-	14,025	540,000	107,640
2029	-	14,025	570,000	78,780
2030	-	14,025	600,000	48,360
2031	-	14,025	630,000	16,380
2032	-	14,025	-	-
2033	<u>275,000</u>	<u>14,025</u>	<u>-</u>	<u>-</u>
Total	\$ <u>275,000</u>	\$ <u>294,525</u>	\$ <u>6,915,000</u>	\$ <u>4,158,689</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Year Ending June 30,	Notes Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 44,817	\$ 2,258	\$ 45,000	\$ 557,827	\$ 60,890	\$ 266,782
2014	44,817	1,126	75,000	556,077	62,646	261,269
2015	16,667	-	305,000	548,191	234,188	255,210
2016	16,667	-	475,000	530,157	233,595	245,911
2017	16,667	-	380,000	510,054	237,108	234,196
2018	16,667	-	400,000	491,375	242,970	221,894
2019	16,667	-	470,000	469,669	246,483	210,423
2020	16,667	-	495,000	445,307	249,996	199,652
2021	16,667	-	510,000	419,623	253,509	187,630
2022	16,667	-	540,000	393,138	257,607	174,532
2023	16,667	-	570,000	365,121	262,291	161,210
2024	16,667	-	600,000	336,145	269,325	148,058
2025	16,667	-	630,000	306,554	274,009	134,502
2026	16,667	-	660,000	275,730	279,278	119,872
2027	16,667	-	695,000	242,901	287,483	104,640
2028	16,667	-	725,000	207,785	296,273	89,213
2029	16,667	-	765,000	170,930	299,778	73,715
2030	16,667	-	795,000	134,136	309,154	57,881
2031	16,667	-	835,000	97,503	315,594	41,637
2032	16,667	-	875,000	59,025	325,556	24,964
2033	16,667	-	415,000	29,716	154,567	12,480
2034	16,667	-	435,000	10,059	162,766	4,229
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ 456,298	\$ 3,384	\$ 11,695,000	\$ 7,157,023	\$ 5,315,066	\$ 3,229,900

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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%	\$ 56,299	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	399,999	16,667
\$5,790,000, Water and Sewer Revenue Refunding Bond issued May 2, 2011, payable in various principal annual installments through October 1, 2033, interest payable semiannually at rates ranging from 2.125% to 5.125%	5,790,000	45,000
\$5,905,000, Water and Sewer Revenue Refunding bond issued October 23, 2010, payable in various principal annual installments through October 1, 2031, interest payable semiannually at rates ranging from 4.100% to 5.100%	5,905,000	-
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at 5.1%	275,000	-
\$6,915,000 Virginia Revenue Refunding bond issued June 16, 2010, payable in various principal annual installments through October 1, 2030, interest payable semiannually at rates ranging from 3.598% to 5.2%	6,915,000	-
\$3,966,800 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,087,900	-
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	2,227,166	60,890
Total long-term debt	\$ 24,656,364	\$ 150,707
Compensated absences	\$ 85,332	\$ 12,800
Premium on bonds payable	\$ 1,792,886	\$ 88,976
Deferred amount on refunding	\$ (1,530,753)	\$ -
Total long-term obligations	\$ 25,003,829	\$ 252,483

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012	Amounts Due Within One Year
Capital Leases	\$ 198,606	\$ -	\$ 134,919	\$ 63,687	\$ 31,113
Other post employment benefits	184,426	104,978	38,500	250,904	-
Compensated absences payable	284,609	95,576	28,461	351,724	35,172
Total	<u>\$ 667,641</u>	<u>\$ 200,554</u>	<u>\$ 201,880</u>	<u>\$ 666,315</u>	<u>\$ 66,285</u>

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

Year Ending June 30,	Component Unit School Board	
	Capital Leases	
	Principal	Interest
2013	\$ 31,113	\$ 2,987
2014	32,574	1,527
Total	<u>\$ 63,687</u>	<u>\$ 4,514</u>

Details of long-term obligations are as follows:

	Amount Outstanding	Due Within One Year
Capital Lease Obligations:		
\$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	63,687	31,113
Total Capital Lease Obligations	<u>\$ 63,687</u>	<u>\$ 31,113</u>
Compensated Absences	<u>\$ 351,724</u>	<u>\$ 35,172</u>
Other post employment benefits	250,904	-
Total	<u>\$ 666,315</u>	<u>\$ 66,285</u>

Assets acquired under capital leases:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment	\$ 628,880	\$ 52,407	\$ 249,626
Total	<u>\$ 628,880</u>	<u>\$ 52,407</u>	<u>\$ 249,626</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 10—Compensated Absences:

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

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

Primary Government	\$ <u>725,485</u>
King George Service Authority	\$ <u>85,332</u>
Component Unit School Board	\$ <u>351,724</u>

Note 11—Deferred/Unearned Revenue:

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

	<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.	\$ 6,835,136	\$ -
Prepaid connections	-	508,423
Total unearned revenue	\$ <u>6,835,136</u>	\$ <u>508,423</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.	\$ <u>7,932,020</u>	
Total deferred revenue	\$ <u>7,932,020</u>	

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 12–Litigation:

At June 30, 2012, 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.

Note 13–Defined Benefit Pension Plan:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 13—Defined Benefit Pension Plan:

A. Plan Description: (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employer contribution rates for the fiscal year ended 2012 were 8.06% and 7.09% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,157,671, \$706,283 and \$1,191,593 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010. The contribution rate from July 2009 through March 2010 was 8.81% while the rate was 0.00% for April through June 2010, 3.93% in 2011 and 6.33% in 2012.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 13—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost:

For fiscal year 2012, the County's annual pension cost of \$666,316 was equal to the County's required and actual contributions.

For fiscal year 2012, the School Board's annual pension cost for the non-professional employees was \$161,394, 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, 2012	\$	666,316	100%	\$	-
June 30, 2011		647,124	100%		-
June 30, 2010		649,665	100%		-
School Board:					
Non-professional:					
June 30, 2012	\$	161,394	100%	\$	-
June 30, 2011		155,974	100%		-
June 30, 2010		174,060	100%		-

(1) Employer portion only

The required FY2012 contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 80.16% funded. The actuarial accrued liability for benefits was \$24,700,710, and the actuarial value of assets was \$19,800,798, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,899,912. The covered payroll (annual payroll of active employees covered by the plan) was \$8,019,625, and ratio of the UAAL to the covered payroll was 61.10%.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress: (Continued)

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 83.25% funded. The actuarial accrued liability for benefits was \$5,130,282, and the actuarial value of assets was \$4,270,771, resulting in an unfunded actuarial accrued liability (UAAL) of \$859,511. The covered payroll (annual payroll of active employees covered by the plan) was \$2,169,213, and ratio of the UAAL to the covered payroll was 39.62%.

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

Note 14—Risk Management:

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

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

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

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

Note 15—Landfill Closure and Postclosure Care Cost:

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2012 the County has set aside escrow funds in the amount of \$3,980,969 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund. After the landfill has been closed for 15 years 50% of the fund and interest earned thereon may be paid to the contractor provided there has not been a material claim against the County. All unexpended funds will be paid to the Contractor 30 years after the final closure of the facility.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 16—Commitments and Contingencies:

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

Note 17—Expenditures Over Appropriations:

At June 30, 2012 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Recreation programs and events	\$ 376,100	\$ 419,947	\$ (43,847)
Miscellaneous	148,984	151,996	(3,012)
Interest and fiscal charges	3,242,754	3,354,917	(112,163)
Capital Projects Fund:			
Interest and fiscal charges	-	526,461	(526,461)

Note 18—Surety Bond:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 19—Construction Commitments:

At June 30, 2012 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2012</u>	<u>Contract Balance</u>
King George Sports Stadium	\$ 3,576,628	\$ 2,152,926	\$ 1,423,702
Smoot Library Expansion	<u>4,935,082</u>	<u>3,168,578</u>	<u>1,766,504</u>
Total	<u>\$ 8,511,710</u>	<u>\$ 5,321,504</u>	<u>\$ 3,190,206</u>

Note 20—Debt Refunding:

On June 13, 2012 the County of King George, Virginia issued \$28,645,000 in VRA Lease Revenue Refunding Bonds, Series, 2012 with an effective interest rate ranging from 2.125% to 5.125%. The Series 2012 bonds were issued to refund \$30,645,000 of Lease Revenue Bonds. The bonds will be repaid in various installments beginning October 1, 2012 to October 1, 2035. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$2,700,873. The advance refunding reduced the total debt service payments over the next 24 years by \$3,760,466 and resulted in an economic gain of \$2,555,712. At June 30, 2012 the defeased bonds had balances outstanding of \$30,645,000.

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, 2012, \$17,219,450 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, 2012 (Continued)

Note 21—Other Post-Employment Benefit Program:

School Board:

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$	107,600
Interest on net OPEB obligation		7,377
Adjustment to annual required contribution		(9,999)
Annual OPEB cost (expense)	\$	104,978
Contributions made		(38,500)
Increase in net OPEB obligation	\$	66,478
Net OPEB obligation-beginning of year		184,426
Net OPEB obligation-end of year	\$	<u>250,904</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

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

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
June 30, 2012	\$ 104,978	\$ 36.67%	\$ 250,904
June 30, 2011	102,774	56.43%	184,426
June 30, 2010	108,452	32.73%	139,652

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

Cost Method

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

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

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

Interest Assumptions

In the January 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.40% initially, reduced by decrements to an ultimate rate of 4.70% after eighty years. Both rates included a 3.75% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2011, was thirty years.

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 22–Health Insurance Credit Program-Other Post-Employment Benefit Program (OPEB):

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$109,732, \$107,830, and \$187,279 respectively and equaled the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2012

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 18,206,299	\$ 18,206,299	\$ 18,847,313	\$ 641,014
Other local taxes	5,251,400	5,251,400	5,953,088	701,688
Permits, privilege fees and regulatory licenses	433,150	433,150	395,795	(37,355)
Fines and forfeitures	292,000	292,000	183,108	(108,892)
Revenue from use of money and property	292,245	292,245	206,623	(85,622)
Charges for services	428,597	428,597	468,606	40,009
Miscellaneous	160,000	248,425	317,617	69,192
Recovered costs	175,000	175,000	-	(175,000)
Intergovernmental revenue:				
Commonwealth	6,146,145	6,625,951	6,190,762	(435,189)
Federal	953,437	1,131,111	1,020,986	(110,125)
Total revenues	\$ 32,338,273	\$ 33,084,178	\$ 33,583,898	\$ 499,720
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 67,643	\$ 70,495	\$ 70,417	\$ 78
General and financial administration:				
County administration	\$ 394,783	\$ 399,188	\$ 385,371	\$ 13,817
Legal services	100,809	97,511	84,765	12,746
Human resources	27,619	39,119	38,961	158
Commissioner of the Revenue	388,139	398,312	377,539	20,773
Treasurer	302,695	310,223	293,954	16,269
Information technology	231,222	254,527	238,967	15,560
Department of finance	797,887	819,361	795,813	23,548
Total general and financial administration	\$ 2,243,154	\$ 2,318,241	\$ 2,215,370	\$ 102,871
Board of Elections:				
Electoral board and officials	\$ 52,283	\$ 55,727	\$ 53,677	\$ 2,050
Registrar	118,779	122,250	116,522	5,728
Total board of elections	\$ 171,062	\$ 177,977	\$ 170,199	\$ 7,778
Total general government administration	\$ 2,481,859	\$ 2,566,713	\$ 2,455,986	\$ 110,727

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 24,900	\$ 24,900	\$ 20,446	\$ 4,454
Combined courts	22,537	22,537	15,576	6,961
Magistrates	3,650	3,650	2,224	1,426
Clerk of the circuit court	427,517	466,280	421,836	44,444
Law library	3,500	3,500	-	3,500
Victim assistance program	22,838	23,651	22,441	1,210
Total courts	\$ 504,942	\$ 544,518	\$ 482,523	\$ 61,995
Commonwealth's attorney:				
Commonwealth's attorney	\$ 532,685	\$ 548,190	\$ 542,561	\$ 5,629
Total judicial administration	\$ 1,037,627	\$ 1,092,708	\$ 1,025,084	\$ 67,624
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,163,104	\$ 3,260,720	\$ 3,119,514	\$ 141,206
VJCCCA / CHINS	55,279	56,929	36,379	20,550
E-911	588,260	602,400	557,875	44,525
Law enforcement	24,000	26,500	18,383	8,117
Public safety grants	29,342	104,705	82,602	22,103
Total law enforcement and traffic control	\$ 3,859,985	\$ 4,051,254	\$ 3,814,753	\$ 236,501
Fire and rescue services:				
Emergency services	\$ 2,469,355	\$ 2,432,698	\$ 2,361,995	\$ 70,703
Ambulance services	26,480	36,080	36,060	20
Fire and rescue grants	120,820	452,089	209,742	242,347
King George fire and rescue	376,211	390,950	361,647	29,303
Total fire and rescue services	\$ 2,992,866	\$ 3,311,817	\$ 2,969,444	\$ 342,373
Correction and detention:				
Juvenile detention	\$ 188,990	\$ 188,990	\$ 186,565	\$ 2,425
Regional jail	845,166	845,166	845,166	-
Court service unit - juvenile court	3,179	3,179	3,179	-
Total correction and detention	\$ 1,037,335	\$ 1,037,335	\$ 1,034,910	\$ 2,425

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2012 (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	\$ 258,432	\$ 269,416	\$ 258,191	\$ 11,225
Medical examiner	-	85	80	5
Total other protection	\$ 258,432	\$ 269,501	\$ 258,271	\$ 11,230
Total public safety	\$ 8,148,618	\$ 8,669,907	\$ 8,077,378	\$ 592,529
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 106,706	\$ 110,338	\$ 95,638	\$ 14,700
Sanitation and waste removal:				
Landfill	\$ 225,134	\$ 234,820	\$ 234,648	\$ 172
Maintenance of general buildings and grounds:				
General properties	\$ 1,068,957	\$ 1,085,916	\$ 984,270	\$ 101,646
Miscellaneous	70,000	148,984	151,996	(3,012)
Citizen's center	61,300	62,775	57,498	5,277
Total maintenance of general buildings and grounds	\$ 1,200,257	\$ 1,297,675	\$ 1,193,764	\$ 103,911
Total public works	\$ 1,532,097	\$ 1,642,833	\$ 1,524,050	\$ 118,783
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	\$ 2,120,908	\$ 2,103,613	\$ 2,024,823	\$ 78,790
Comprehensive services	1,710,435	2,297,288	2,297,184	104
Total welfare	\$ 3,831,343	\$ 4,400,901	\$ 4,322,007	\$ 78,894
Total health and welfare	\$ 4,216,433	\$ 4,785,991	\$ 4,707,097	\$ 78,894

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2012 (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	11,720,732	12,257,835	11,853,614	404,221
Total education	\$ 11,725,634	\$ 12,262,737	\$ 11,858,516	\$ 404,221
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 308,182	\$ 315,948	\$ 304,118	\$ 11,830
Recreation programs and events	335,726	376,100	419,947	(43,847)
Total parks and recreation	\$ 643,908	\$ 692,048	\$ 724,065	\$ (32,017)
Library:				
Library	\$ 495,041	\$ 504,231	\$ 470,596	\$ 33,635
Total parks, recreation and cultural	\$ 1,138,949	\$ 1,196,279	\$ 1,194,661	\$ 1,618
Community development:				
Planning and community development:				
Community development	\$ 717,510	\$ 746,974	\$ 691,301	\$ 55,673
Economic development	147,052	172,707	147,153	25,554
Planning / community zoning boards	26,739	204,235	186,506	17,729
Community organizations	273,037	273,037	273,037	-
Total planning and community development	\$ 1,164,338	\$ 1,396,953	\$ 1,297,997	\$ 98,956
Environmental management:				
Litter control	\$ 5,350	\$ 5,350	\$ 4,262	\$ 1,088
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 37,598	\$ 37,598	\$ 36,510	\$ 1,088

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2012 (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	\$ 109,079	\$ 109,079	\$ 75,693	\$ 33,386
Total community development	\$ 1,311,015	\$ 1,543,630	\$ 1,410,200	\$ 133,430
Debt service:				
Principal retirement	\$ 2,948,585	\$ 2,948,585	\$ 2,712,585	\$ 236,000
Interest and fiscal charges	3,242,754	3,242,754	3,354,917	(112,163)
Total debt service	\$ 6,191,339	\$ 6,191,339	\$ 6,067,502	\$ 123,837
Total expenditures	\$ 37,783,571	\$ 39,952,137	\$ 38,320,474	\$ 1,631,663
Excess (deficiency) of revenues over expenditures	\$ (5,445,298)	\$ (6,867,959)	\$ (4,736,576)	\$ 2,131,383
Other financing sources (uses):				
Operating transfers in	\$ 5,977,171	\$ 4,016,506	\$ 4,016,506	\$ -
Operating transfers (out)	(46,980)	(89,980)	(89,980)	-
Total other financing sources (uses)	\$ 5,930,191	\$ 3,926,526	\$ 3,926,526	\$ -
Net changes in fund balance	\$ 484,893	\$ (2,941,433)	\$ (810,050)	\$ 2,131,383
Fund balance at beginning of year	(484,893)	2,941,433	25,336,774	22,395,341
Fund balance at end of year	\$ -	\$ -	\$ 24,526,724	\$ 24,526,724

Schedule of Pension and OPEB Funding Progress
Last Three Fiscal Years

Virginia Retirement System:
County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 19,800,798	\$ 24,700,710	\$ 4,899,912	80.16%	\$ 8,019,625	61.10%
6/30/2010	18,577,561	23,273,507	4,695,946	79.82%	8,151,639	57.61%
6/30/2009	17,647,777	20,356,701	2,708,924	86.69%	8,113,892	33.39%

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)
6/30/2011	\$ 4,270,771	\$ 5,130,282	\$ 859,511	83.25%	\$ 2,169,213	39.62%
6/30/2010	4,005,595	4,870,106	864,511	82.25%	2,137,036	40.45%
6/30/2009	3,715,531	4,234,954	519,423	87.73%	2,193,292	23.68%

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)
1/1/2011	\$ -	\$ 824,400	\$ 824,400	0.00%	\$ 21,202,100	3.89%
1/1/2009	-	684,300	684,300	0.00%	20,991,600	3.26%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Capital Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,790,000	\$ 6,790,000	\$ 6,791,883	\$ 1,883
Revenue from use of money and property	200,000	200,000	169,179	(30,821)
Miscellaneous	-	-	4,171	4,171
Intergovernmental revenue:				
Contribution from the School Board	-	48,181	48,181	-
Federal	-	680,000	236,931	(443,069)
Total revenues	\$ 6,990,000	\$ 7,718,181	\$ 7,250,345	\$ (467,836)
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 68,504	\$ 43,864	\$ 24,640
Total general government administration	\$ -	\$ 68,504	\$ 43,864	\$ 24,640
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 125,170	\$ 7,298	\$ 117,872
Equipment acquisition - Sheriff	-	98,410	97,110	1,300
Vehicle acquisition - EMS	-	417,732	172,545	245,187
Total public safety	\$ -	\$ 641,312	\$ 276,953	\$ 364,359
Capital projects:				
General government administration:				
Construction program	\$ 883,234	\$ 964,061	\$ -	\$ 964,061
Operations and human services center	-	150,000	-	150,000
County complex	-	1,131,258	76,893	1,054,365
Total general government administration	\$ 883,234	\$ 2,245,319	\$ 76,893	\$ 2,168,426
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 87,826	\$ -	\$ 87,826
Courthouse improvements	-	40,000	34,116	5,884
Total judicial administration	\$ -	\$ 127,826	\$ 34,116	\$ 93,710
Public safety:				
Sheriff's office at county complex	\$ -	\$ 3,126,371	\$ 2,622,388	\$ 503,983
Animal pound	-	88,942	812	88,130
Total public safety	\$ -	\$ 3,215,313	\$ 2,623,200	\$ 592,113
Public works:				
Purkins corner landfill site	\$ -	\$ 107,327	\$ 80,613	\$ 26,714
Vehicle maintenance facility	-	1,291,605	19,652	1,271,953
Total public works	\$ -	\$ 1,398,932	\$ 100,265	\$ 1,298,667

Capital Improvements Fund

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

Year Ended June 30, 2012 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Connecting roads high school/middle school	\$ -	\$ 25,000	\$ 159	\$ 24,841
New high school stadium	-	3,770,075	2,282,799	1,487,276
New high school irrigation well	-	1,800	1,520	280
Old middle school well	-	150,000	1,858	148,142
Roof admin complex	-	390,478	378,979	11,499
Middle school HVAC	-	25,000	-	25,000
School board office	-	485,278	327,033	158,245
Potomac elementary school renovations	-	464,807	83,880	380,927
Ralph Bunche renovations	-	139,512	36,165	103,347
Total education	\$ -	\$ 5,451,950	\$ 3,112,393	\$ 2,339,557
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 834,460	\$ 33,210	\$ 801,250
Library expansion	-	5,682,882	3,357,404	2,325,478
Total parks and recreation	\$ -	\$ 6,517,342	\$ 3,390,614	\$ 3,126,728
Community development:				
Citizens center renovations	\$ -	\$ 10,728	\$ -	\$ 10,728
Industrial park	-	400,000	-	400,000
Anglewood project	-	762,381	243,090	519,291
Total community development	\$ -	\$ 1,173,109	\$ 243,090	\$ 930,019
Debt service:				
Interest and fiscal charges	\$ -	\$ -	\$ 526,461	\$ (526,461)
Total expenditures	\$ 883,234	\$ 20,839,607	\$ 10,427,849	\$ 10,411,758
Excess (deficiency) of revenues over expenditures	\$ 6,106,766	\$ (13,121,426)	\$ (3,177,504)	\$ 9,943,922
Other financing sources (uses):				
Transfers (out)	\$ (6,106,766)	\$ (4,146,101)	\$ (4,146,101)	\$ -
Payment to refunded bond escrow agent	-	-	(33,345,873)	(33,345,873)
Issuance of refunding bonds	-	-	28,645,000	28,645,000
Long-term debt issued	-	-	5,000,000	5,000,000
Bond premium	-	-	5,153,199	5,153,199
Net changes in fund balance	\$ -	\$ (17,267,527)	\$ (1,871,279)	\$ 15,396,248
Fund balance at beginning of year	-	17,267,527	29,044,031	11,776,504
Fund balance at end of year	\$ -	\$ -	\$ 27,172,752	\$ 27,172,752

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2012

	Special Welfare Fund	Payroll Taxes Fund	Landfill Escrow Fund	EDA Fund	Totals
Assets:					
Cash and cash equivalents	\$ 72,158	\$ -	\$ 3,980,969	\$ 87,838	\$ 4,140,965
Accounts receivable	<u>-</u>	<u>19,442</u>	<u>-</u>	<u>-</u>	<u>19,442</u>
Total assets	<u>\$ 72,158</u>	<u>\$ 19,442</u>	<u>\$ 3,980,969</u>	<u>\$ 87,838</u>	<u>\$ 4,160,407</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,411	\$ 3,411
Amounts held for others	-	19,442	-	84,427	103,869
Amounts held for landfill closure and postclosure costs	-	-	3,980,969	-	3,980,969
Amounts held for social services' clients	<u>72,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,158</u>
Total liabilities	<u>\$ 72,158</u>	<u>\$ 19,442</u>	<u>\$ 3,980,969</u>	<u>\$ 87,838</u>	<u>\$ 4,160,407</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ <u>84,109</u>	\$ <u>33,642</u>	\$ <u>45,593</u>	\$ <u>72,158</u>
Liabilities:				
Amounts held for social services' clients	\$ <u>84,109</u>	\$ <u>33,642</u>	\$ <u>45,593</u>	\$ <u>72,158</u>
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,291,207	\$ 1,291,207	\$ -
Accounts receivable	<u>39,629</u>	<u>19,442</u>	<u>39,629</u>	<u>19,442</u>
Total assets	\$ <u>39,629</u>	\$ <u>1,310,649</u>	\$ <u>1,330,836</u>	\$ <u>19,442</u>
Liabilities:				
Amounts held for others	\$ <u>39,629</u>	\$ <u>1,310,649</u>	\$ <u>1,330,836</u>	\$ <u>19,442</u>
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ <u>3,986,582</u>	\$ -	\$ <u>5,613</u>	\$ <u>3,980,969</u>
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ <u>3,986,582</u>	\$ -	\$ <u>5,613</u>	\$ <u>3,980,969</u>
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ <u>537,534</u>	\$ <u>203,912</u>	\$ <u>653,608</u>	\$ <u>87,838</u>
Liabilities:				
Accounts payable	\$ 15,416	\$ 3,411	\$ 15,416	\$ 3,411
Amounts held for others	<u>522,118</u>	<u>200,501</u>	<u>638,192</u>	<u>84,427</u>
Total liabilities	\$ <u>537,534</u>	\$ <u>203,912</u>	\$ <u>653,608</u>	\$ <u>87,838</u>
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 4,608,225	\$ 1,528,761	\$ 1,996,021	\$ 4,140,965
Accounts receivable	<u>39,629</u>	<u>19,442</u>	<u>39,629</u>	<u>19,442</u>
Total assets	\$ <u>4,647,854</u>	\$ <u>1,548,203</u>	\$ <u>2,035,650</u>	\$ <u>4,160,407</u>
Liabilities:				
Accounts payable	\$ 15,416	\$ 3,411	\$ 15,416	\$ 3,411
Amounts held for social services' clients	84,109	33,642	45,593	72,158
Amounts held for landfill closure and postclosure costs	3,986,582	-	5,613	3,980,969
Amounts held for others	<u>561,747</u>	<u>1,511,150</u>	<u>1,969,028</u>	<u>103,869</u>
Total liabilities	\$ <u>4,647,854</u>	\$ <u>1,548,203</u>	\$ <u>2,035,650</u>	\$ <u>4,160,407</u>

Discretely Presented Component Unit-School Board

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Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2012

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,000	\$ 170,622	\$ 172,622
Due from primary government	2,002,716	-	2,002,716
Due from other governmental units	<u>1,877,957</u>	<u>29,323</u>	<u>1,907,280</u>
Total assets	<u>\$ 3,882,673</u>	<u>\$ 199,945</u>	<u>\$ 4,082,618</u>
LIABILITIES			
Accounts payable	\$ 236,071	\$ 399	\$ 236,470
Accrued liabilities	<u>3,644,602</u>	<u>90,087</u>	<u>3,734,689</u>
Total liabilities	<u>\$ 3,880,673</u>	<u>\$ 90,486</u>	<u>\$ 3,971,159</u>
FUND BALANCES			
Committed - cafeteria	\$ -	\$ 109,459	\$ 109,459
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 109,459</u>	<u>\$ 111,459</u>
Total liabilities and fund balances	<u>\$ 3,882,673</u>	<u>\$ 199,945</u>	<u>\$ 4,082,618</u>

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

Total fund balances, balance sheet, governmental funds \$ 111,459

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.

27,326,731

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.

(666,315)

Net assets of Governmental Activities \$ 26,771,875

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2012

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 11,070	\$ -	\$ 11,070
Charges for services	44,842	615,606	660,448
Miscellaneous	186,941	15,174	202,115
Intergovernmental revenue:			
County contribution to School Board	11,805,433	-	11,805,433
Commonwealth	18,569,579	18,140	18,587,719
Federal	<u>3,224,804</u>	<u>648,858</u>	<u>3,873,662</u>
Total revenues	<u>\$ 33,842,669</u>	<u>\$ 1,297,778</u>	<u>\$ 35,140,447</u>
Expenditures:			
Current:			
Education	\$ 33,698,320	\$ 1,297,606	\$ 34,995,926
Debt service:			
Principal retirement	134,919	-	134,919
Interest and fiscal charges	<u>9,430</u>	<u>-</u>	<u>9,430</u>
Total expenditures	<u>\$ 33,842,669</u>	<u>\$ 1,297,606</u>	<u>\$ 35,140,275</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 172	\$ 172
Net changes in fund balances	\$ -	\$ 172	\$ 172
Fund balances at beginning of year	<u>2,000</u>	<u>109,287</u>	<u>111,287</u>
Fund balances at end of year	<u>\$ 2,000</u>	<u>\$ 109,459</u>	<u>\$ 111,459</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2012

		<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	\$	172
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	\$ 350,368	
Depreciation expense	<u>(1,162,982)</u>	(812,614)
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		(66,478)
Principal retired on capital lease obligations		134,919
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.		
		(67,115)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		<u>1,564,439</u>
Change in net assets of governmental activities	\$	<u><u>753,323</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, 2012

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,070	\$ (13,930)
Charges for services	95,000	95,000	44,842	(50,158)
Miscellaneous	130,000	192,463	186,941	(5,522)
Intergovernmental revenue:				
County contribution to School Board	11,720,733	12,209,655	11,805,433	(404,222)
Commonwealth	18,440,992	18,444,892	18,569,579	124,687
Federal	2,536,420	3,305,852	3,224,804	(81,048)
Total revenues	\$ 32,948,145	\$ 34,272,862	\$ 33,842,669	\$ (430,193)
Expenditures:				
Current:				
Instruction	\$ 24,688,664	\$ 25,474,135	\$ 25,257,333	\$ 216,802
Administration, attendance and health	1,063,789	1,063,789	932,882	130,907
Pupil transportation	2,210,117	2,541,081	2,516,592	24,489
Operation and maintenance	3,383,215	3,602,709	3,556,547	46,162
School food service costs	-	-	-	-
Facilities	103,060	150,662	143,307	7,355
Technology	1,354,951	1,296,137	1,291,659	4,478
Total education	\$ 32,803,796	\$ 34,128,513	\$ 33,698,320	\$ 430,193
Debt service:				
Principal retirement	134,919	134,919	134,919	-
Interest and fiscal charges	9,430	9,430	9,430	-
Total expenditures	\$ 32,948,145	\$ 34,272,862	\$ 33,842,669	\$ 430,193
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)
\$ -	\$ -	\$ -	\$ -
782,364	782,364	615,606	(166,758)
9,000	9,000	15,174	6,174
-	-	-	-
19,400	19,400	18,140	(1,260)
510,000	510,000	648,858	138,858
\$ 1,320,764	\$ 1,320,764	\$ 1,297,778	\$ (22,986)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,320,764	1,320,764	1,297,606	23,158
-	-	-	-
-	-	-	-
\$ 1,320,764	\$ 1,320,764	\$ 1,297,606	\$ 23,158
-	-	-	-
-	-	-	-
\$ 1,320,764	\$ 1,320,764	\$ 1,297,606	\$ 23,158
\$ -	\$ -	\$ 172	\$ 172
\$ -	\$ -	\$ 172	\$ 172
-	-	109,287	109,287
\$ -	\$ -	\$ 109,459	\$ 109,459

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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, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,424,392	\$ 12,424,392	\$ 13,215,577	\$ 791,185
Public service taxes	1,478,139	1,478,139	1,302,009	(176,130)
Personal property taxes	3,796,700	3,796,700	3,675,353	(121,347)
Mobile home taxes	23,520	23,520	22,592	(928)
Machinery and tools taxes	169,148	169,148	282,881	113,733
Penalties	200,400	200,400	224,572	24,172
Interest	114,000	114,000	124,329	10,329
Total general property taxes	\$ 18,206,299	\$ 18,206,299	\$ 18,847,313	\$ 641,014
Other local taxes:				
Local sales and use taxes	\$ 1,344,000	\$ 1,344,000	\$ 1,909,760	\$ 565,760
Consumer utility taxes	240,000	240,000	226,865	(13,135)
Local consumption tax	65,000	65,000	66,756	1,756
Business license taxes	1,450,000	1,450,000	1,195,950	(254,050)
Motor vehicle licenses	500,760	500,760	520,137	19,377
Bank franchise taxes	63,000	63,000	83,368	20,368
Recordation taxes	275,000	275,000	232,533	(42,467)
Local tax from clerk	67,000	67,000	48,493	(18,507)
Interest on fines	2,640	2,640	4,145	1,505
Transient occupancy tax	126,000	126,000	125,562	(438)
Meals tax	768,000	768,000	878,555	110,555
Ambulance fees	350,000	350,000	660,964	310,964
Total other local taxes	\$ 5,251,400	\$ 5,251,400	\$ 5,953,088	\$ 701,688
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 5,595	\$ (1,405)
Building and related permits	155,100	155,100	122,534	(32,566)
Landfill inspection fees	188,000	188,000	194,308	6,308
Other permits and licenses	83,050	83,050	73,358	(9,692)
Total permits, privilege fees and regulatory licenses	\$ 433,150	\$ 433,150	\$ 395,795	\$ (37,355)
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 292,000	\$ 292,000	\$ 183,108	\$ (108,892)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 233,195	\$ 233,195	\$ 145,888	\$ (87,307)
Revenue from use of property	59,050	59,050	60,735	1,685
Total revenue from use of money and property	\$ 292,245	\$ 292,245	\$ 206,623	\$ (85,622)
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ 921	\$ -
Law library fees	3,500	3,500	4,361	861
Local court appointed attorney fees	2,200	2,200	3,255	1,055
Courthouse maintenance fees	20,000	20,000	24,115	4,115
Commonwealth attorney fees	1,250	1,250	3,648	2,398
Courthouse security personnel fee	61,200	61,200	40,200	(21,000)
Jail admission fee	3,300	3,300	3,422	122
Charges for parks and recreation	335,726	335,726	387,063	51,337
Charges for maps / publications	500	500	388	(112)
Other charges for services	-	-	1,233	1,233
Total charges for services	\$ 428,597	\$ 428,597	\$ 468,606	\$ 40,009
Miscellaneous revenue:				
Miscellaneous	\$ 150,000	\$ 183,425	\$ 136,959	\$ (46,466)
Wireless board	-	-	78,288	78,288
Insurance recoveries	10,000	65,000	102,370	37,370
Total miscellaneous revenue	\$ 160,000	\$ 248,425	\$ 317,617	\$ 69,192
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Total revenue from local sources	\$ 25,238,691	\$ 25,327,116	\$ 26,372,150	\$ 1,045,034

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,000	\$ 3,000	\$ 3,229	\$ 229
Mobile home titling taxes	13,000	13,000	4,113	(8,887)
Recordation tax	90,000	90,000	91,225	1,225
Auto rental tax	25,000	25,000	35,528	10,528
Communication tax	400,000	400,000	394,920	(5,080)
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,678,868	\$ 2,678,868	\$ 2,676,883	\$ (1,985)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 259,179	\$ 259,179	\$ 245,931	\$ (13,248)
Sheriff	927,324	927,324	887,596	(39,728)
Commissioner of the Revenue	107,378	107,378	106,489	(889)
Treasurer	82,156	82,156	80,111	(2,045)
Registrar/electoral board	38,900	38,900	42,314	3,414
Clerk of the Circuit Court	203,431	203,431	197,821	(5,610)
Total shared expenses	\$ 1,618,368	\$ 1,618,368	\$ 1,560,262	\$ (58,106)
Other categorical aid:				
Welfare administration and assistance	\$ 526,037	\$ 526,037	\$ 410,884	\$ (115,153)
Litter control	5,350	5,350	5,383	33
Four for life funds	25,000	25,000	24,179	(821)
Comprehensive services	1,030,430	1,392,680	1,204,855	(187,825)
VJCCCA grant	15,258	15,258	14,409	(849)
Fire programs	48,000	48,000	63,045	15,045

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,896	\$ 19,896	\$ 19,674	\$ (222)
Library grant	88,938	116,235	110,692	(5,543)
RAOOY my life grant	-	71,250	66,302	(4,948)
Technology trust funds	30,000	30,000	16,105	(13,895)
Other categorical aid	60,000	79,009	18,089	(60,920)
Total other categorical aid	\$ 1,848,909	\$ 2,328,715	\$ 1,953,617	\$ (375,098)
Total categorical aid	\$ 3,467,277	\$ 3,947,083	\$ 3,513,879	\$ (433,204)
Total revenue from the Commonwealth	\$ 6,146,145	\$ 6,625,951	\$ 6,190,762	\$ (435,189)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 929,174	\$ 929,174	\$ 894,513	\$ (34,661)
Department of homeland security grant	-	18,000	38,648	20,648
FEMA grant	-	25,010	14,250	(10,760)
Hazardous materials grant	-	24,000	20,000	(4,000)
Law enforcement grants	11,443	122,107	53,575	(68,532)
Other categorical aid	12,820	12,820	-	(12,820)
Total revenue from the federal government	\$ 953,437	\$ 1,131,111	\$ 1,020,986	\$ (110,125)
Total General Fund	\$ 32,338,273	\$ 33,084,178	\$ 33,583,898	\$ 499,720
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,498,630	\$ 98,630
Landfill fees - beneficial use	240,000	240,000	141,221	(98,779)
Power plant revenue	150,000	150,000	152,032	2,032
Total permits, privilege fees and regulatory licenses	\$ 6,790,000	\$ 6,790,000	\$ 6,791,883	\$ 1,883

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Improvements Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 169,179	\$ (30,821)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 4,171	\$ 4,171
Total miscellaneous revenue	\$ -	\$ -	\$ 4,171	\$ 4,171
Total revenue from local sources	\$ 6,990,000	\$ 6,990,000	\$ 6,965,233	\$ (24,767)
Intergovernmental revenue:				
Contribution from the School Board	\$ -	\$ 48,181	\$ 48,181	\$ -
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ -	\$ -	\$ 97,986	\$ 97,986
Community development block grant	\$ -	\$ 680,000	\$ 138,945	\$ (541,055)
Total revenue from the federal government	\$ -	\$ 680,000	\$ 236,931	\$ (443,069)
Total Capital Improvements Fund	\$ 6,990,000	\$ 7,718,181	\$ 7,250,345	\$ (467,836)
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 30,750	\$ 30,750
Wireless Authority Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 373	\$ 373
Grand Total Revenues -- Primary Government	\$ 39,328,273	\$ 40,802,359	\$ 40,865,366	\$ 63,007
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	\$ 11,070	\$ (13,930)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 11,070	\$ (13,930)
Charges for services:				
Charges for education	\$ 95,000	\$ 95,000	\$ 44,842	\$ (50,158)
Total charges for services	\$ 95,000	\$ 95,000	\$ 44,842	\$ (50,158)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 104,605	\$ 103,677	\$ (928)
Other reimbursements and recoveries	30,000	87,858	83,264	(4,594)
Total miscellaneous revenue	\$ 130,000	\$ 192,463	\$ 186,941	\$ (5,522)
Total revenue from local sources	\$ 250,000	\$ 312,463	\$ 242,853	\$ (69,610)
Intergovernmental revenue:				
County contribution to School Board	\$ 11,720,733	\$ 12,209,655	\$ 11,805,433	\$ (404,222)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,691,776	\$ 3,691,776	\$ 4,116,393	\$ 424,617
Basic school aid	11,055,670	11,055,670	10,784,926	(270,744)
Remedial education	170,306	170,306	159,860	(10,446)
Vocational education SOQ	124,552	124,552	122,121	(2,431)
Special education	1,176,888	1,176,888	1,153,923	(22,965)
Fringe benefits	1,199,766	1,199,766	1,176,353	(23,413)
Technology grant	180,000	180,000	180,000	-
Gifted education	114,384	114,384	112,152	(2,232)
School construction	-	-	323,049	323,049
Other state funds	727,650	731,550	440,802	(290,748)
Total categorical aid	\$ 18,440,992	\$ 18,444,892	\$ 18,569,579	\$ 124,687
Total revenue from the Commonwealth	\$ 18,440,992	\$ 18,444,892	\$ 18,569,579	\$ 124,687
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 376,523	\$ 618,905	\$ 525,561	\$ (93,344)
ARRA - Title I	358,344	392,437	34,092	(358,345)
ARRA - Title I school improvement	-	-	358,334	358,334
Title VI - B	785,267	1,138,216	1,034,409	(103,807)
ARRA - Title VI - B	-	11,734	11,733	(1)
ARRA - Jobs fund	817,727	830,141	830,142	1
Title II - A	113,526	119,388	116,432	(2,956)
Other federal assistance	85,033	195,031	314,101	119,070
Total categorical aid	\$ 2,536,420	\$ 3,305,852	\$ 3,224,804	\$ (81,048)
Total revenue from the federal government	\$ 2,536,420	\$ 3,305,852	\$ 3,224,804	\$ (81,048)
Total School Operating Fund	\$ 32,948,145	\$ 34,272,862	\$ 33,842,669	\$ (430,193)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 782,364	\$ 782,364	\$ 615,606	\$ (166,758)
Miscellaneous revenue:				
Miscellaneous	\$ 9,000	\$ 9,000	\$ 15,174	\$ 6,174
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 19,400	\$ 19,400	\$ 18,140	\$ (1,260)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 510,000	\$ 510,000	\$ 648,858	\$ 138,858
Total School Cafeteria Fund	\$ 1,320,764	\$ 1,320,764	\$ 1,297,778	\$ (22,986)
Grand Total Revenues--Component Unit-School Board	\$ 34,268,909	\$ 35,593,626	\$ 35,140,447	\$ (453,179)

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COUNTY OF KING GEORGE, VIRGINIA

Statistical Table of Contents

Description of Section	Table #
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Assets by Component	1
Changes in Net Assets	2
Fund Balances of Governmental Funds	3
Changes in Fund Balances of Governmental Funds	4
Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	5
Property Tax Rates	6
Principal Taxpayers	7
Property Tax Levies and Collections	8
Debt Capacity	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	9
Ratio of Net General Bonded Debt to Assessed Value and Net General	
Obligation Bonded Debt per Capita	10
Computation of Direct and Overlapping Bonded Debt	11
Pledged-Revenue Coverage	12
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	13
Principal Employers	14
Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Full-time Equivalent County Government Employees by Function	15
Operating Indicators by Function	16
Capital Asset Statistics by Function	17
Sources:	
Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.	

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 1,731,053	\$ 3,327,685	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035
Restricted	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229
Unrestricted	<u>12,648,884</u>	<u>13,502,050</u>	<u>34,789,461</u>	<u>34,535,361</u>	<u>34,057,246</u>
Total governmental activities net assets	<u>\$ 22,715,996</u>	<u>\$ 36,506,605</u>	<u>\$ 44,044,946</u>	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 5,505,139	\$ 9,507,244	\$ 10,843,832	\$ 11,307,604	\$ 16,032,120
Unrestricted	<u>1,063,433</u>	<u>(851,067)</u>	<u>(495,069)</u>	<u>1,424,196</u>	<u>1,047,467</u>
Total business-type net assets	<u>\$ 6,568,572</u>	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>	<u>\$ 12,731,800</u>	<u>\$ 17,079,587</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 7,236,192	\$ 12,834,929	\$ 19,008,713	\$ 21,452,376	\$ 30,478,155
Restricted	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229
Unrestricted	<u>13,712,317</u>	<u>12,650,983</u>	<u>34,294,392</u>	<u>35,959,557</u>	<u>35,104,713</u>
Total primary government net assets	<u>\$ 29,284,568</u>	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>	<u>\$ 58,507,242</u>	<u>\$ 66,696,097</u>

Table 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 14,166,206	\$ 13,355,755	\$ 12,019,419	\$ 14,637,383	\$ 16,779,466
3,335,777	3,354,693	3,350,043	3,789,880	3,565,698
<u>35,118,549</u>	<u>38,353,717</u>	<u>42,461,130</u>	<u>38,269,130</u>	<u>37,759,750</u>
<u>\$ 52,620,532</u>	<u>\$ 55,064,165</u>	<u>\$ 57,830,592</u>	<u>\$ 56,696,393</u>	<u>\$ 58,104,914</u>
\$ 16,422,476	\$ 16,166,998	\$ 14,228,621	\$ 12,286,312	\$ 12,899,785
809,229	835,327	2,084,383	3,344,086	2,165,953
<u>\$ 17,231,705</u>	<u>\$ 17,002,325</u>	<u>\$ 16,313,004</u>	<u>\$ 15,630,398</u>	<u>\$ 15,065,738</u>
\$ 30,588,682	\$ 29,522,753	\$ 26,248,040	\$ 26,923,695	\$ 29,679,251
3,335,777	3,354,693	3,350,043	3,789,880	3,565,698
<u>35,927,778</u>	<u>39,189,044</u>	<u>44,545,513</u>	<u>41,613,216</u>	<u>39,925,703</u>
<u>\$ 69,852,237</u>	<u>\$ 72,066,490</u>	<u>\$ 74,143,596</u>	<u>\$ 72,326,791</u>	<u>\$ 73,170,652</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government administration	\$ 1,670,290	\$ 1,849,874	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379
Judicial administration	525,825	677,795	690,419	822,200	1,029,314	759,823	1,140,286	1,100,016	1,031,293	1,052,619
Public safety	3,915,821	4,630,196	5,510,533	6,052,406	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107	8,534,911
Public works	1,686,464	640,060	829,157	817,142	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751	1,550,883
Health and welfare	2,081,684	2,452,852	2,674,443	3,301,427	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279	4,731,360
Education	22,783,569	4,585,292	9,378,083	12,866,014	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617	14,860,879
Parks, recreation, and cultural	954,301	973,255	1,021,219	1,184,066	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355	1,225,450
Community development	865,855	899,621	1,022,069	6,149,803	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707	1,731,600
Capital outlays	150,747	-	-	-	-	-	-	-	-	-
Interest and other fiscal charges	753,898	1,178,484	1,991,875	2,159,093	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545	2,957,662
Total governmental activities expenses	\$ 35,388,454	\$ 17,887,429	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164	\$ 39,253,743
Business-type activities:										
Water and sewer	2,282,953	2,687,122	2,741,913	3,139,797	4,696,891	5,238,869	5,091,165	5,012,413	4,964,308	5,235,841
Total primary government expenses	\$ 37,671,407	\$ 20,574,551	\$ 28,275,897	\$ 38,911,730	\$ 40,017,561	\$ 45,698,186	\$ 42,262,704	\$ 41,666,414	\$ 44,992,472	\$ 44,489,584
Program revenues:										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 205,779	\$ 237,879	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487
Public safety	308,009	397,896	444,281	468,579	399,206	302,013	74,689	77,782	63,301	51,371
Public works	7,568,193	7,001,573	6,838,203	6,900,871	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268	7,108,725
Parks, recreation, and cultural	153,859	186,397	206,766	304,635	329,970	364,795	326,969	355,557	412,729	387,063
Community development	77,859	166,228	177,588	203,819	305,066	90,253	100,864	94,038	81,273	73,746
Operating grants and contributions:										
General government administration	205,563	201,783	221,922	224,212	266,564	296,199	272,914	260,936	286,613	228,914
Judicial administration	294,437	432,244	434,475	528,744	611,895	551,648	514,220	491,009	467,991	459,857
Public safety	1,006,160	1,115,955	1,024,800	1,298,468	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398	1,158,848
Public works	1,840	4,495	4,375	6,568	-	-	-	-	-	-
Health and welfare	1,362,179	1,641,217	1,754,522	1,964,992	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300	2,576,554
Education	170,027	-	-	-	-	-	-	-	-	97,986
Parks, recreation, and cultural	59,878	80,051	68,120	75,624	103,747	96,339	107,412	104,949	96,862	110,692
Community development	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	-	138,945
Total governmental activities program revenues	\$ 11,429,598	\$ 11,482,968	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176	\$ 12,611,188
Business-type activities:										
Charges for services:										
Water and sewer	\$ 1,657,299	\$ 2,547,694	\$ 1,950,443	\$ 2,631,444	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,695,446	\$ 4,212,976
Operating grants and contributions	-	-	-	-	12,093	10,650	-	-	-	-
Capital grants and contributions	1,790,706	1,328,038	63,290	-	3,286,792	-	1,340,934	-	-	-
Total business-type activities program revenues	\$ 3,448,005	\$ 3,875,732	\$ 2,013,733	\$ 2,631,444	\$ 6,407,697	\$ 3,263,486	\$ 3,859,611	\$ 3,661,026	\$ 3,695,446	\$ 4,212,976
Total primary government program revenues	\$ 14,877,603	\$ 15,358,700	\$ 14,381,372	\$ 16,388,549	\$ 19,086,498	\$ 16,959,971	\$ 16,010,440	\$ 16,407,356	\$ 15,565,622	\$ 16,824,164
Net (expense) / revenue										
Governmental activities	\$ (23,958,856)	\$ (6,404,461)	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,642,555)
Business-type activities	1,165,052	1,188,610	(728,180)	(508,353)	1,710,806	(1,975,383)	(1,231,554)	(1,351,387)	(1,268,862)	(1,022,865)
Total primary government net expense	\$ (22,793,804)	\$ (5,215,851)	\$ (13,894,525)	\$ (22,523,181)	\$ (20,931,063)	\$ (28,738,215)	\$ (26,252,264)	\$ (25,259,058)	\$ (29,426,850)	\$ (27,665,420)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General property taxes	\$ 11,685,962	\$ 12,621,512	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987
Local sales and use taxes	947,874	1,030,237	1,103,560	1,185,968	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016	1,909,760
Communication sales taxes	-	-	-	-	-	450,124	403,435	-	-	-
Consumer utility taxes	306,359	324,936	334,509	372,235	301,276	229,585	238,428	245,177	246,993	226,865
Business license taxes	881,947	1,044,156	1,052,792	1,171,729	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388	1,195,950
Motor vehicle licenses	395,760	426,854	456,906	483,352	446,312	493,466	522,202	509,925	552,436	520,137
Recordation taxes	173,998	241,285	485,706	741,770	607,113	434,099	290,079	275,511	231,589	232,533
Meals tax	457,174	520,961	640,118	635,687	674,535	702,153	752,391	769,662	793,459	878,555
E-911 taxes	219,806	223,770	227,575	230,387	200,141	-	-	-	-	-
Ambulance fees	-	-	-	-	-	-	490,866	518,275	454,554	660,964
Other local taxes	246,301	336,802	416,180	450,673	522,896	575,123	324,239	335,476	348,366	328,324
Grants and contributions not restricted to specific programs	1,957,494	2,184,442	2,365,848	2,637,595	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408	2,676,883
Unrestricted revenues from use of money and property	626,202	399,015	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653	802,389	469,926	406,925
Miscellaneous	126,611	860,599	390,189	427,254	557,181	2,470,865	899,705	405,413	202,740	321,788
Transfers	-	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)	(172,595)
Total governmental activities	\$ 18,025,488	\$ 19,508,092	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ 99,431	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305
Miscellaneous	-	361,451	574,623	1,211,493	1,318,584	1,424,469	525,385	285,501	253,974	283,305
Transfers	-	706,477	1,678,298	1,699,783	1,108,173	569,857	455,885	365,507	328,214	172,595
Total business-type activities	\$ -	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 586,256	\$ 458,205
Total primary government	\$ 18,025,488	\$ 20,675,451	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 27,610,045	\$ 28,509,281
Change in Net Assets										
Governmental activities	\$ (5,933,368)	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,408,521
Business-type activities	1,165,052	2,355,969	1,691,686	2,514,902	4,347,787	152,118	(229,380)	(689,321)	(682,606)	(564,660)
Total primary government	\$ (4,768,316)	\$ 15,459,600	\$ 9,230,028	\$ 4,245,398	\$ 8,188,855	\$ 3,156,140	\$ 2,214,253	\$ 2,077,106	\$ (1,816,805)	\$ 843,861

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 1,381,447	\$ 1,703,385	\$ 1,450,717	\$ 1,261,813	\$ 1,113,229
Unreserved	12,532,709	13,755,238	19,059,078	17,619,894	18,312,583
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 13,914,156</u>	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>
All other Governmental Funds					
Reserved for capital projects	\$ 6,323,709	\$ 17,196,042	\$ 53,871,288	\$ 53,852,195	\$ 51,546,624
Reserved for natatorium	-	-	-	-	-
Reserved for library operations	719,816	1,149,272	1,086,385	1,073,649	1,078,067
Reserved for wireless authority operations	-	-	-	-	-
Unreserved - capital projects fund	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,043,525</u>	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>

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

Table 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,135,777	\$ 1,154,693	\$ 1,150,043	\$ -	\$ -
20,434,481	22,317,265	25,603,932	-	-
-	-	-	1,401,766	1,399,650
-	-	-	695,197	1,080,525
-	-	-	6,050,000	4,324,700
-	-	-	17,189,811	17,721,849
<u>\$ 21,570,258</u>	<u>\$ 23,471,958</u>	<u>\$ 26,753,975</u>	<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>
\$ 15,228,296	\$ 18,379,524	\$ 13,737,529	\$ -	\$ -
2,200,000	2,200,000	2,200,000	-	-
768,694	810,644	830,362	-	-
560,243	265,008	239,552	-	-
12,298,990	20,299,755	18,939,413	-	-
-	-	-	700,000	700,000
-	-	-	14,093,832	12,221,348
-	-	-	5,109,150	5,157,272
-	-	-	10,202,302	10,163,107
<u>\$ 31,056,223</u>	<u>\$ 41,954,931</u>	<u>\$ 35,946,856</u>	<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
General property taxes	\$ 11,644,240	\$ 12,391,790	\$ 13,555,599	\$ 14,424,491	\$ 15,174,874
Other local taxes	3,629,219	4,149,001	4,717,346	5,271,801	5,214,995
Permits, privilege fees and regulatory licenses	7,866,325	7,553,367	7,437,075	7,563,053	7,301,776
Fines and forfeitures	187,635	193,299	292,217	332,871	300,583
Revenue from use of money and property	626,202	399,015	1,341,213	2,653,602	3,980,793
Charges for services	259,739	243,307	271,847	372,406	396,444
Miscellaneous	126,611	860,599	260,832	427,254	557,181
Recovered costs	-	129,953	159,314	177,900	-
Intergovernmental:					
School Board	170,027	-	141,685	-	-
Commonwealth	4,099,294	4,669,116	4,858,819	6,758,941	5,642,960
Federal	804,072	1,008,321	1,033,529	1,367,429	1,495,401
Total revenues	\$ <u>29,413,364</u>	\$ <u>31,597,768</u>	\$ <u>34,069,476</u>	\$ <u>39,349,748</u>	\$ <u>40,065,007</u>
Expenditures:					
General government administration	\$ 1,526,946	\$ 1,691,011	\$ 2,432,055	\$ 2,413,529	\$ 3,834,032
Judicial administration	523,670	631,216	684,282	818,117	1,025,967
Public safety	3,826,071	4,552,953	7,697,855	7,049,962	11,176,769
Public works	761,308	724,495	947,689	982,312	1,594,220
Health and welfare	2,077,203	2,462,346	2,670,886	3,285,612	3,518,011
Education	21,190,220	8,850,378	12,464,331	11,919,739	22,034,801
Parks, recreation, and cultural	928,529	952,483	1,238,568	1,149,277	1,216,147
Community development	864,064	898,036	1,021,505	5,887,223	1,519,877
Capital outlays and projects	2,097,260	2,737,547	-	-	-
Debt service:					
Principal retirement	1,230,829	1,161,983	1,119,800	1,194,852	1,959,618
Interest and other fiscal charges	782,048	882,588	889,860	2,666,216	2,721,295
Total expenditures	\$ <u>35,808,148</u>	\$ <u>25,545,036</u>	\$ <u>31,166,831</u>	\$ <u>37,366,839</u>	\$ <u>50,600,737</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(6,394,784)</u>	\$ <u>6,052,732</u>	\$ <u>2,902,645</u>	\$ <u>1,982,909</u>	\$ <u>(10,535,730)</u>
Other financing sources (uses):					
Transfers in	\$ 279,900	\$ 1,583,277	\$ 3,077,927	\$ 1,568,980	\$ 2,823,173
Transfers (out)	(1,142,378)	(2,289,754)	(4,756,225)	(3,268,763)	(3,931,346)
Sale of property	-	-	145,561	-	-
Premium on bonds issued	-	-	444,067	-	-
Early retirement of indebtedness	-	-	-	(7,500,000)	-
Payment to refunded bond escrow agent	-	-	(2,641,444)	(855,000)	-
Long-term debt issued	-	7,500,000	42,491,000	6,411,957	9,886,855
Total other financing sources (uses)	\$ <u>(862,478)</u>	\$ <u>6,793,523</u>	\$ <u>38,760,886</u>	\$ <u>(3,642,826)</u>	\$ <u>8,778,682</u>
Net changes in fund balances	\$ <u><u>(7,257,262)</u></u>	\$ <u><u>12,846,255</u></u>	\$ <u><u>41,663,531</u></u>	\$ <u><u>(1,659,917)</u></u>	\$ <u><u>(1,757,048)</u></u>
Debt service as a percentage of noncapital expenditures	<u>9.50%</u>	<u>9.02%</u>	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>

Table 4

	2008	2009	2010	2011	2012
\$	17,092,704	\$ 17,381,006	\$ 17,776,623	\$ 18,354,709	\$ 18,847,313
	5,311,646	5,656,482	5,452,334	5,420,801	5,953,088
	7,936,085	7,112,084	7,424,894	6,947,613	7,187,678
	236,338	255,499	257,999	237,714	183,108
	3,160,698	1,515,653	802,389	469,926	406,925
	441,050	410,123	460,555	509,685	468,606
	2,470,865	899,705	405,413	202,740	321,788
	175,200	-	175,000	-	-
	-	226,971	-	-	48,181
	6,414,676	5,740,816	6,231,998	5,878,173	6,190,762
	984,460	969,895	1,089,059	979,399	1,257,917
\$	<u>44,223,722</u>	<u>\$ 40,168,234</u>	<u>\$ 40,076,264</u>	<u>\$ 39,000,760</u>	<u>\$ 40,865,366</u>
\$	3,994,241	\$ 2,898,289	\$ 2,766,421	\$ 2,425,229	\$ 2,576,743
	1,086,764	1,127,473	1,087,706	1,027,700	1,059,200
	7,903,243	8,349,727	12,618,491	11,981,523	10,977,531
	1,685,536	1,779,055	1,255,124	2,587,135	1,624,315
	3,530,265	4,001,766	4,382,789	4,100,525	4,707,097
	36,189,527	16,985,114	11,040,558	14,317,559	14,970,909
	1,885,728	1,717,251	1,265,906	1,369,021	4,585,275
	1,391,591	1,666,723	1,414,185	1,284,213	1,723,671
	-	-	-	-	-
	2,401,440	2,685,742	3,054,211	2,713,288	2,712,585
	2,957,614	3,195,197	3,551,424	3,500,026	3,881,378
\$	<u>63,025,949</u>	<u>\$ 44,406,337</u>	<u>\$ 42,436,815</u>	<u>\$ 45,306,219</u>	<u>\$ 48,818,704</u>
\$	<u>(18,802,227)</u>	<u>\$ (4,238,103)</u>	<u>\$ (2,360,551)</u>	<u>\$ (6,305,459)</u>	<u>\$ (7,953,338)</u>
\$	4,969,447	\$ 5,763,828	\$ 6,636,320	\$ 5,792,544	\$ 4,063,486
	(5,539,304)	(6,219,713)	(7,001,827)	(6,120,758)	(4,236,081)
	-	-	-	-	-
	343,349	181,528	-	-	5,153,199
	(7,500,000)	-	-	(2,781,000)	-
	-	(4,465,250)	-	-	(33,345,873)
	7,104,713	21,778,118	-	2,155,900	33,645,000
\$	<u>(621,795)</u>	<u>\$ 17,038,511</u>	<u>\$ (365,507)</u>	<u>\$ (953,314)</u>	<u>\$ 5,279,731</u>
\$	<u>(19,424,022)</u>	<u>\$ 12,800,408</u>	<u>\$ (2,726,058)</u>	<u>\$ (7,258,773)</u>	<u>\$ (2,673,607)</u>
	<u>13.06%</u>	<u>15.89%</u>	<u>18.42%</u>	<u>15.92%</u>	<u>16.77%</u>

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Tax Rate	Total
2002-03	\$ 1,041,571,270	\$ 0.72	\$ 112,915,457	\$ 3.10	\$ 4,020,860	\$ 304,800,899	\$ 0.95	1,463,308,486
2003-04	1,120,896,350	0.72	118,008,072	3.10	3,753,075	288,954,628	0.95	1,531,612,125
2004-05	1,198,174,927	0.77	134,469,239	3.10	3,595,430	253,830,593	1.01	1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	0.61	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	0.62	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	0.63	3,074,677,546
2008-09	2,722,995,335	0.45	174,355,891	3.20	5,718,355	230,164,658	0.62	3,133,234,239
2009-10	2,503,071,252	0.50	184,490,385	3.20	5,772,695	265,869,660	0.69	2,959,203,992
2010-11	2,542,929,212	0.50	191,595,390	3.20	6,905,855	295,535,384	0.70	3,036,965,841
2011-12	2,584,238,464	0.53	191,595,390	3.20	5,776,405	259,946,038	0.70	3,041,556,297

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Farm Machinery and Tools	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half
2002-03	\$ 0.72	\$ 0.72	\$ 3.10	\$ 1.00	\$ 2.50	\$ 0.72	\$ 0.77
2003-04	0.77	0.72	3.10	-	2.50	0.77	0.72
2004-05	0.77	0.77	3.10	-	2.50	0.77	0.77
2005-06	0.77	0.40	3.10	-	2.50	0.77	0.40
2006-07	0.40	0.44	3.20	-	2.50	0.40	0.44
2007-08	0.44	0.45	3.20	-	2.50	0.44	0.45
2008-09	0.45	0.45	3.20	-	2.50	0.45	0.45
2009-10	0.45	0.50	3.20	-	2.50	0.45	0.50
2010-11	0.50	0.50	3.20	-	2.50	0.50	0.50
2011-12	0.50	0.53	3.20	-	2.50	0.50	0.53

(1) Per \$100 of assessed value.

Principal Taxpayers
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2012			Fiscal Year 2003		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 976,020	\$ 184,154,809	6.50%	\$ 1,796,379	\$ 249,497,054	21.65%
Virginia Electric & Power Company	151,608	28,605,285	1.01%	150,380	20,886,167	1.81%
Horti-Group USA LLC	85,598	16,150,600	0.57%	N/A	N/A	N/A
Verizon South, Inc.	79,026	14,910,472	0.53%	142,385	19,775,650	1.72%
Hilliard & Bartko	49,805	9,397,170	0.33%	33,322	4,628,000	0.40%
Northern Neck Electric Cooperative	41,316	7,795,440	0.28%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	46,824	8,834,702	0.31%	N/A	N/A	N/A
Dahlgren Office Building, LLC	39,957	7,539,000	0.27%	28,767	3,995,400	0.35%
Monmouth Woods Associates	39,169	7,390,302	0.26%	57,583	7,997,600	0.69%
Dahlgren Office Building, LLC	32,809	6,190,400	0.22%	N/A	N/A	N/A
King George Shopping Center	31,687	5,978,600	0.21%	N/A	N/A	N/A
CC&F Dahlgren Associates	27,207	5,133,302	0.18%	N/A	N/A	N/A
Heritage Hall LLC	26,599	5,018,702	0.18%	N/A	N/A	N/A
Birchwood Power Partners, LLC	N/A	N/A	N/A	117,486	16,317,500	1.42%
Eqstein, Ben & Associates	N/A	N/A	N/A	30,890	4,290,278	0.37%
Level 3 Communications, LLC	N/A	N/A	N/A	29,170	4,051,352	0.35%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	33,939	4,713,700	0.41%
TOTAL	\$ 1,627,625	\$ 307,098,784	10.85%	\$ 2,420,301	\$ 336,152,701	29.18%

Source - Commissioner of the Revenue.

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

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
2002-03	\$ 13,414,768	\$ 12,932,809	96.41%	\$ 231,815
2003-04	14,431,070	13,909,897	96.39%	268,331
2004-05	15,673,264	15,195,623	96.95%	461,807
2005-06	16,478,637	16,138,236	97.93%	340,682
2006-07	17,388,433	16,720,812	96.16%	389,443
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%	379,481
2010-11	20,270,753	19,769,446	97.53%	394,767
2011-12	20,900,625	20,140,541	96.36%	-

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

Table 8

Total Tax Collections		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
\$	13,164,155	98.13%	\$ 918,312	6.85%
	14,178,228	98.25%	1,014,078	7.03%
	15,657,430	99.90%	1,103,844	7.04%
	16,478,918	100.00%	1,131,343	6.87%
	17,110,255	98.40%	1,611,078	9.27%
	19,108,607	100.00%	1,737,848	9.09%
	19,303,194	100.00%	1,798,362	9.32%
	19,434,910	99.83%	1,743,426	8.96%
	20,164,213	99.47%	1,691,138	8.34%
	20,140,541	96.36%	1,876,766	8.98%

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
2002-03	\$ 9,715,000	\$ 4,224,000	\$ 213,481	\$ 867,825	\$ 18,730,000	\$ 1,000,000
2003-04	8,945,000	3,929,200	7,645,371	766,457	20,495,986	948,165
2004-05	40,636,000	3,634,400	15,073,052	660,993	20,068,450	496,099
2005-06	45,365,957	3,339,600	7,500,000	551,269	19,627,374	725,198
2006-07	53,357,853	3,044,800	7,730,141	437,112	23,203,178	680,381
2007-08	58,432,640	2,750,000	153,427	318,343	22,569,525	635,564
2008-09	73,386,480	2,500,000	76,713	194,775	24,219,604	590,749
2009-10	71,004,232	2,250,000	-	66,215	24,523,982	545,932
2010-11	67,915,844	2,000,000	-	-	24,258,029	501,115
2011-12	68,453,259	1,750,000	-	-	24,200,066	456,298

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

Total Primary Government		Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita	
\$	34,750,306	\$	N/A	17,657	\$	1,968
	42,730,179		N/A	18,213		2,346
	80,568,994		30,425	19,355		4,163
	77,109,398		31,338	20,637		3,736
	88,453,465		33,778	21,780		4,061
	84,859,499		33,778	22,205		3,822
	100,968,321		33,778	23,170		4,358
	98,390,361		33,690	23,891		4,118
	94,674,988		33,690	23,584		4,014
	94,859,623		33,690	23,333		4,065

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
2002-03	17,657	\$ 1,463,308,486	\$ 13,939,000	\$ -	\$ 13,939,000	0.95%	\$ 789
2003-04	18,213	1,531,612,125	12,874,200	-	12,874,200	0.84%	707
2004-05	19,355	1,590,070,189	44,270,400	1,090,604	43,179,796	2.72%	2,231
2005-06	20,637	2,201,826,217	48,705,557	1,095,309	47,610,248	2.16%	2,307
2006-07	21,780	2,941,002,174	56,402,653	1,113,229	55,289,424	1.88%	2,539
2007-08	22,205	3,074,677,546	61,182,640	1,135,777	60,046,863	1.95%	2,704
2008-09	23,170	3,133,234,239	75,886,480	1,154,693	74,731,787	2.39%	3,225
2009-10	23,891	2,959,203,992	73,254,232	1,150,043	72,104,189	2.44%	3,018
2010-11	23,584	3,036,965,841	69,915,844	1,149,880	68,765,964	2.26%	2,916
2011-12	23,333	3,041,556,297	70,203,259	1,149,880	69,053,379	2.27%	2,959

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, 2012

Direct: (1)

County of King George	\$	69,053,379	100%	\$	69,053,379
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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			
2002-03	\$	2,413,565	\$	1,669,250	\$	744,315	\$	342,432	\$	364,531	1.05
2003-04		3,008,576		2,456,146		552,430		451,368		926,310	0.40
2004-05		2,692,011		2,637,057		54,954		894,483		1,030,308	0.03
2005-06		3,823,051		3,021,332		801,719		821,701		1,005,324	0.44
2006-07		4,416,131		3,539,727		876,404		613,170		1,065,683	0.52
2007-08		4,821,130		3,039,040		1,782,090		797,239		1,135,260	0.92
2008-09		4,254,480		2,841,873		1,412,607		743,001		1,167,279	0.74
2009-10		3,957,585		2,836,695		1,120,890		233,377		1,011,166	0.90
2010-11		3,953,488		2,674,520		1,278,968		120,985		1,164,087	1.00
2011-12		4,498,586		2,863,077		1,635,509		102,780		1,232,690	1.22

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Total Personal Income	Student Enrollment
2002-03	17,657	2.60	\$ N/A	\$ N/A	3,235
2003-04	18,213	2.20	N/A	N/A	3,356
2004-05	19,355	2.90	30,425	588,875,875	3,372
2005-06	20,637	2.80	31,338	646,722,306	3,825
2006-07	21,780	3.31	33,778	735,684,840	3,801
2007-08	22,205	5.30	33,778	750,040,490	3,982
2008-09	23,170	7.90	33,778	782,636,260	4,066
2009-10	23,891	8.30	33,690	804,887,790	4,129
2010-11	23,584	7.30	33,690	794,544,960	4,228
2011-12	23,333	6.90	33,690	786,088,770	4,176

NA - Not available

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

Principal Employers

Current Year and Nine Years Prior

Employer	Fiscal Year 2012		Fiscal Year 2003	
	Employees (1)	Rank	Employees (1)	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 750	2	250 to 499	2
County of King George	250 to 499	3	-	-
Wal Mart	250 to 499	4	249 and under	10
EG & G, Inc.	250 to 499	5	249 and under	5
Northrop Grumman Corporation	250 to 499	6	-	-
Marconi Technology	249 and under	7	249 and under	3
Integrated Microcomputer System, Lockheed Martin	249 and under	8	-	-
Solutions Development Corporation	249 and under	9	-	-
Tatitlek Training Services Inc.	249 and under	10	-	-
Village Farms of Virginia Inc.	-	-	249 and under	7
Syscon Corporation	-	-	249 and under	9
White Packing Company	-	-	249 and under	6
Computer Sciences Corporation	-	-	249 and under	4
Synetics	-	-	249 and under	8

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2012

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

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	29	27	31	30	29	29	29	29	29	29
Judicial administration	7	8	9	10	13	12	12	12	12	12
Public safety										
Sheriffs department	36	36	39	38	43	43	43	43	43	43
Fire & rescue	9	14	17	20	21	25	25	25	25	28
Animal control	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	6	3	5	9	9	9	9	9	11	11
Landfill	3	3	3	2	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	-	-	13	14	14	16	16	16	16	16
Culture and recreation										
Parks and recreation	7	7	8	4	4	4	4	4	4	4
Library	3	3	3	3	4	4	4	4	4	4
Community development										
Planning	7	9	9	10	11	11	11	11	11	11
Totals	<u>111</u>	<u>114</u>	<u>141</u>	<u>144</u>	<u>155</u>	<u>160</u>	<u>160</u>	<u>160</u>	<u>162</u>	<u>165</u>

Source: Individual county departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriffs department:										
Physical arrests	1,341	2,129	1,410	908	892	652	601	856	1,313	1,382
Traffic violations	2,354	2,882	3,744	5,418	3,093	3,038	3,172	3,847	2,724	3,713
Civil papers	7,077	7,125	6,994	7,713	7,940	7,914	7,800	8,146	8,051	7,441
Fire and rescue:										
Number of calls answered	N/A	1,668	2,828	3,188	3,256	3,291	3,005	2,782	2,921	3,354
Building inspections:										
Permits issued	242	385	388	484	340	160	78	83	64	75
Animal control:										
Number of calls answered	850	776	636	452	488	705	636	974	1039	903
Public works										
General maintenance:										
Trucks/vehicles	12	12	12	12	3	3	3	3	3	4
Component Unit - School Board										
Education:										
School age population	3,163	3,400	3,524	3,830	3,791	3,882	3,997	4,029	4,075	4,072
Number of teachers	260	255	257	257	283	285	279	282	283	290
Local expenditures per pupil	7,107	7,178	7,084	7,529	7,823	9,281	8,585	8,438	7,465	8,604

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	1	1	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	21	28	29	29	29	31	36	36	32	30
Other vehicles	4	6	7	7	7	7	7	8	8	8
Building inspections:										
Vehicles	-	-	-	-	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	12	12	12	12	3	3	3	3	4	4
Landfill:										
Vehicles	1	1	1	1	2	2	2	2	2	1
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	6	6	6	6	6	5
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	10	10	10	10	6	6	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.63	159.63	159.93	159.93
Community development										
Planning:										
Vehicles	4	5	6	6	6	6	6	6	6	5
Component Unit - School Board										
Education:										
Schools	7	7	8	8	8	8	10	10	17	17
School buses	57	62	64	67	58	65	71	74	60	64

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
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, 2012, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated December 10, 2012. 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

Management of the County of King George, Virginia is responsible for establishing and maintaining effective 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 deficiencies, 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 other matters that we reported to management of County of King George, Virginia in a separate letter dated December 10, 2012.

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
December 10, 2012

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

**To the Honorable Members of the Board of Supervisors
County of King George
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 County of King George, Virginia's major federal programs for the year ended June 30, 2012. 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, 2012.

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

December 10, 2012

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2012

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Virginia Department of Housing and Community Development: Community development block grants/entitlement programs	14.228	53305-50790	\$ 138,945
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>			
<u>Direct payments:</u>			
Second chance act prisoner reentry initiative	16.812	N/A	\$ 45,279
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services: Interagency hazardous materials public sector training and planning grants	20.703	77501-52601	\$ 20,000
Virginia Department of Rail and Public Transportation: Alcohol impaired driving countermeasures incentive grants I	20.601	60507-51329/52031	8,296
Total Department of Transportation			\$ 28,296
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Hazard mitigation grant	97.039	N/A	\$ 14,250
<u>Pass through payments:</u>			
Department of Emergency Services: Disaster grants public assistance (presidentially declared disasters)	97.036	77602-146	3,648
Emergency management performance grants	97.042	77501-52740	35,000
Total U.S. Department of Homeland Security			\$ 52,898
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services: State administrative matching grants for the supplemental nutrition assistance program	10.561	0010111/0010112	\$ 197,578
Total Department of Agriculture			\$ 197,578
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass Through Payments:</u>			
CCDF Cluster:			
Child care and development block grant	93.575	0770110/0770111	\$ 101,006
Child care mandatory and matching funds of the child care and development fund	93.596	0760111/0760112	53,268
Total CCDF Cluster			\$ 154,274
Foster care-title IV-E	93.658	1100111/1100112	\$ 120,257
Adoption assistance	93.659	1120111/1120112	41,010
Chafee education and training vouchers program	93.599	9160111/9160112	8,361
Promoting safe and stable families	93.556	0950111/0950112	9,179
Temporary assistance for needy families	93.558	0400111/0400112	132,101
Refugee and entrant assistance - state administered programs	93.566	0500111/0500112	369
Low-income home energy assistance	93.568	0600411/0600412	10,950
Social services block grant	93.667	1000111/1000112	86,022
Stephanie Tubbs Jones child welfare services program	93.645	0900111/0900111	420
Chafee foster care independence program	93.674	9150111/9150112	7,967
Children's health insurance program	93.767	0540111/0540112	5,951
Medical assistance program	93.778	1200111/1200112	120,074
Total Department of Health and Human Services			\$ 696,935
Total Primary Government			\$ 1,159,931

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2012 (Continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	10.555/2011/2012	\$ 69,266
Department of Education:			
National school lunch program	10.555	10.555/2011/2012	441,079
Total 10.555			\$ 510,345
National school breakfast program	10.553	10.553/2011/2012	\$ 138,513
Total Department of Agriculture			\$ 648,858
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 68,974
Department of defense impact aid	12.558	N/A	57,453
Total Department of Defense			\$ 126,427
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid - facilities maintenance	84.041	N/A	\$ 78,621
State longitudinal data systems	84.384	N/A	38,868
Grants for enhanced assessment instruments	84.368	N/A	4,717
Total Direct Payments			\$ 122,206
<u>Pass through payments:</u>			
The College of William and Mary:			
ARRA - education for homeless children and youth	84.387	G048ARRA	\$ 3,830
Department of Education:			
Title I, Part A Cluster:			
Title I grants to local educational agencies	84.010	S010A090046/ S010A100046/ S011A100046	\$ 525,561
ARRA - Title I grants to local educational agencies	84.389	S389A090046	34,092
Total Title I, Part A Cluster			\$ 559,653
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A100107/ H027A110107/	\$ 1,034,409
Special education - preschool grants	84.173	H173A100112	8,635
ARRA - special education - grants to states	84.391	H391A090107	11,733
ARRA - special education - preschool grants	84.392	H392A090112	6,533
Total Special Education Cluster (IDEA)			\$ 1,061,310
Safe and drug-free schools and communities - state grants	84.186	Q186A090048/	\$ 1,870
ARRA - education jobs fund	84.410	S410A100047	830,142
ARRA - school improvement grants	84.388	S388A090047	358,334
Improving teacher quality state grants	84.367	S367A110044/ S367A100044	116,432
Career and technical education - basic grants to states	84.048	V048A100046	44,600
Total Department of Education			\$ 3,098,377
Total Component Unit School Board			\$ 3,873,662
Total Expenditures of Federal Awards			\$ 5,033,593

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, 2012

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, 2012. 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 - Food Distribution

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	1,020,986
Capital Projects Fund		<u>138,945</u>

Total primary government	\$	<u>1,159,931</u>
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Component Unit Public Schools:

School Operating Fund	\$	3,224,804
School Cafeteria Fund		<u>648,858</u>

Total component unit public schools	\$	<u>3,873,662</u>
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Total federal expenditures per basic financial statements	\$	<u><u>5,033,593</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>5,033,593</u></u>
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COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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 .510 programs:

CFDA #	Name of Federal Program or Cluster
84.388	ARRA - school improvement grants
10.555/10.553	Child Nutrition Cluster
84.410	ARRA - education jobs fund

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.