

Comprehensive Annual Financial Report



*For the Fiscal Year Ended
June 30, 2011
King William County, Virginia*

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2011

Prepared by:

Department of Finance
180 Horse Landing Road
King William, Virginia 23086

COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



King William County
Est. 1702

Board of Supervisors

Trenton L. Funkhouser, AICP, CM
County Administrator

C. Thomas Redd III, First District
Travis J. Moskalski, Second District
Stephen K. Greenwood, Third District
Terry S. Stone, Fourth District
Otto O. Williams, Fifth District

January 27, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of King William, Virginia, (the "County"), for the fiscal year ended June 30, 2011. This report was prepared by the County's General and Financial Administration Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. 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.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. These internal accounting controls are reviewed annually to identify areas in need of enhancement of improvement relative to guidelines, standards and recommendations of the Governmental Accounting Standards Board and similar professional organizations.

Budgetary Controls. In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. There were no one-time revenues budgeted that affected the current year financial statements. Activities of the general and capital projects funds are included in the annual appropriated budget.

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 fiscal year ended June 30, 2011 has been completed and no material violations of laws and regulations have been identified for Federal awards. Material internal control weaknesses were identified in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011. The Corrective Action Plan identifies specific actions the County has taken or will take to address the Findings.

The County adopts an annual budget by July 1 as required by §15.2-2503, *Code of Virginia, 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, 1950, as amended*. The County Administrator and Finance Department staff are responsible for budgetary compliance. The budget is implemented through appropriations the Board makes annually, with supplemental appropriations made as required. These appropriations, except those expenditures mandated by law, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of King William report includes all funds and accounts 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. These services include public safety, social services, recreation and cultural activities and community 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 one discretely presented component unit - the School Board. Discretely presented component units are 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. The County has no blended components. The School Board is a legally separate organization providing educational services to a public whose Board is elected and is fiscally dependent on the local government.

ECONOMIC CONDITION AND OUTLOOK

Expenditures have continued to grow at a faster pace than revenues, the result of federal and state costs passed on to the local level and an increased demand for services due to growth. The County has been fortunate that general property tax collections have remained relatively stable, increasing 2.3% from 2010 to 2011. The Commonwealth continues to reduce aid to localities, relative to local expenditure experience, both in future years and current years where local budgets have already been adopted. County departments have significantly cut spending in an attempt to absorb as many of these reductions as possible. Also, community organizations have seen no increases in annual allocations for several years.

The School Board and County have cooperated to establish a school reserve fund to set aside funds over the past several years in order to utilize them in future fiscal years. State funding, however, continues to be uncertain and is anticipated to continue to decline with regard to direct aid.

A new Courts and Public Safety Building was dedicated in October 2004. Debt totaling \$3,545,000 was issued in two phases (in FY08 and FY09) for the construction and renovation of the high school athletic fields. Debt service, while still within an acceptable range, has and will continue to become a larger part of the annual operating budget as the County continues to grow and undertake infrastructure construction, maintenance and replacement.

A replacement public safety communications system is required. The system would be used by law enforcement, emergency medical services, fire departments, the schools and public works. This system will also include the incorporated Town of West Point, which is within the boundaries of King William County. The cost of the overall system is estimated to range from \$8M to \$12M. Regional operation of a system and phasing the development of improved coverage should assist with initial cost management as well as debt service management. System selection will occur in Spring of 2012 with implementation plans developed during Summer of 2012.

Other future capital projects include the purchase of land for a new school, construction of a branch library and water and sewer utility line extensions. Staff is preparing a Capital Improvements Plan (CIP) for consideration by the Board of Supervisors during the FY13 budget process.

The Board adopted an ordinance in November 2009 authorizing billing for emergency medical services (EMS) and mileage provided by the volunteer rescue squads in the County. The program is administered by the County, which remits 75% of all service revenue and 100% of all mileage to the transporting department. Twenty-five percent of the service revenue is retained by the County to fund future paid EMS positions.

The present local and regional economic conditions have resulted in significant reductions in non-property tax local revenues, including Business, Professional and Occupational Licenses (BPOL), recordation taxes and building permits. Delinquent general property tax collections have not substantially risen and the Treasurer continues to administer a strict plan to collect outstanding taxes.

The County continues to see considerable growth in population, increasing 20% from 1990 to 2000 and 21% from 2000 to 2010. The challenge the County faces in the future is continuing to provide the same and higher levels of services to its citizens while maintaining stable tax rates and fees and other charges for services.

MAJOR INITIATIVES

Beginning in 1989, the City of Newport News executed multiple agreements and amendments with King William County relating to a planned reservoir project. On March 31, 2009, the United States District Court for the District of Columbia ruled that the U. S. Army Corps of Engineers and the Environmental Protection Agency had been deficient in some of their actions related to the issuance of the City's Clean Water Act Section 404 permit. In response to this ruling, the Corps suspended the permit. Subsequently the Newport News City Council determined that it would be in the best interests of the City to terminate the project.

On October 13, 2009, the Newport News City Council adopted a resolution that authorized termination of its consulting contracts and intergovernmental agreements, and the termination of all permits for the King William Reservoir Project. Work on the project was terminated and the City Manager requested termination of all permits issued by federal and state authorities in connection with the Project.

On October 26, 2009, the Newport News City Manager gave notice to the County that the City terminated all intergovernmental agreements with the County including the Project Development Agreement, the Lease, and the Interim Project Financing Agreement. The County is working with Newport News to sell the properties associated with the proposed reservoir and all properties are anticipated to be sold by the end of 2012.

The County issued \$1.7M in infrastructure bonds through the Virginia Resources Authority to construct a 300,000 gallon elevated water storage tank and water and sewer lines to serve a commercial/economic development service area in the Central Garage area of the County. The Shops at Central Crossing opened in October 2001 and the developers have completed construction of a phase II to the shopping center. Also, a branch of the Bank of Essex and a freestanding car wash has opened adjacent to the shopping center. The owner of phase II of the shopping center is also marketing two adjacent out-parcels.

The King William Commerce Park is an ongoing privately owned project. A retail strip mall currently adjacent to Route 360 includes a seafood restaurant and auction facility and restaurant. Eight other light industrial businesses are operating in the Commerce Park, including a drywall contractor, a septic system installer, a car repair shop, an auto/body shop, a custom motorcycle mechanic, a small engine repair shop, a metal buildings sales and installation company, day care center and a landscaping business. Two out-parcels with Route 360 frontage are available. A special exception permit was approved in 2010 for an amusement park, to be located at the rear of the Commerce Park but no site plans have been submitted to date.

The King William Business Park has approximately 100,000 square feet of retail and office space. This space is 100% leased and includes a car repair business, gym, library branch, Laundromat, physical therapy office, martial arts studio and a restaurant. A 20,000 square foot freestanding Dollar General Store opened in September 2009.

Jackson Square, constructed in 2006, has two buildings with a total of 20,507 square feet, equally split between retail and office space. The majority of the space is leased and includes community services board offices, and three restaurants.

Burger King has final plan approval for a free-standing restaurant on the northeast quadrant of Routes 360 & 30. Construction is anticipated to start in June 2012.

Construction of new single-family residential dwellings has slowed dramatically but is gradually increasing through development of existing lots scattered throughout the County and in established subdivisions such as McCauley Park and Kennington.

The Board of Supervisors has approved a water and sewer service area, which includes the Routes 360/30 corridor. The water system currently has 20 commercial and 189 residential customers; the sewer system currently has 20 commercial and 99 residential customers. Discussions are currently being held to provide water and sewer service to a number of potential retail and commercial businesses within the service area. Discussions are also underway to determine if the existing service area should be extended and/or a second water tank and pump station should be constructed.

During FY07 a new wastewater treatment plant was built on the site of the current plant by Hampton Roads Sanitation District (HRSD), the contractor who maintains all the county wastewater treatment facilities. The plant is the first of its type to be completed in Virginia and the technology allowed HRSD to greatly improve performance and capacity at an existing site. The fully automated plant, placed in operation May 2007, is able to treat up to 100,000 gallons of wastewater each day. The facility can be easily expanded when needed by adding more tanks and membrane modules. The facility, completed at a cost of \$3 million, includes two self-contained 50,000-gallons per day membrane units complete with all the necessary tanks and pumps. The extremely high quality effluent produced can provide water reuse options.

The final phase of the high school athletic fields construction and renovation was completed in June 2009. This two phase, multi-year project included the construction of a field house and locker rooms, a concession and restroom facility, a women's softball field, a community soccer field and the associated design and administrative costs.

The Regional Animal Shelter operated jointly by King & Queen County and King William County opened in September 2009. The 4,000 square foot facility is located just south of the King William Courthouse Complex and has experienced heavy usage since opening.

The County completed the final utility work in the Mount Olive Area in Fall of 2011 and 35 customers have a combination of water and/or sewer service. Community Development Block Grant (CDBG) requirements included County-subsidized water and sewer rates for a five year period.

During 2008-09, Virginia Natural Gas extended a line from an existing trunk in Hanover County. The construction of the 12-mile extension along Route 360 to the Nestlé-Purina Petcare Company is expected to greatly benefit economic development in the area. Similar work is underway to extend a Virginia Natural Gas line along Routes 33/30 from an existing trunk in New Kent County to the Town of West Point. The extension will initially serve the RockTenn paper mill and future extension to the Town schools and industrial areas is a high priority. Construction of the New Kent-West Point extension is expected to start in April 2012 and be completed by mid-Summer 2013.

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 William'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 the 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 and auditor's 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 to the County of King William, Virginia for its comprehensive annual financial report for the thirteen fiscal years ended June 30, 1998 through June 30, 2010. The Certificate of Achievement is a prestigious international 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 governmental unit 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 report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

We could not accomplish the preparation of this report in a timely manner without the efficient and dedicated service provided by the staffs of the Community Development Department, Finance Department, Public Works Department, Commissioner of Revenue, School Administration and Department of Social Services. 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 members of the Board of Supervisors for their continued interest and support in planning and conducting the financial operations of this County in a responsible, timely and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. L. Funkhouser', written in a cursive style.

Trenton L. Funkhouser, AICP, CM
County Administrator

COUNTY OF KING WILLIAM, VIRGINIA

Directory of Principal Officials
June 30, 2011

Board of Supervisors

Thomas G. Smiley, Chairman

C. T. Redd, III
Cecil L. Schools

Otto O. Williams
Daniel L. Wright

County Administrator

Trenton L. Funkhouser

School Board

Steven M. Tupponce, Chair
Veda G. Frazier, Vice Chair

Donald B. Longest

Kathy H. Morrison

Terry S. Stone

Superintendent of Schools

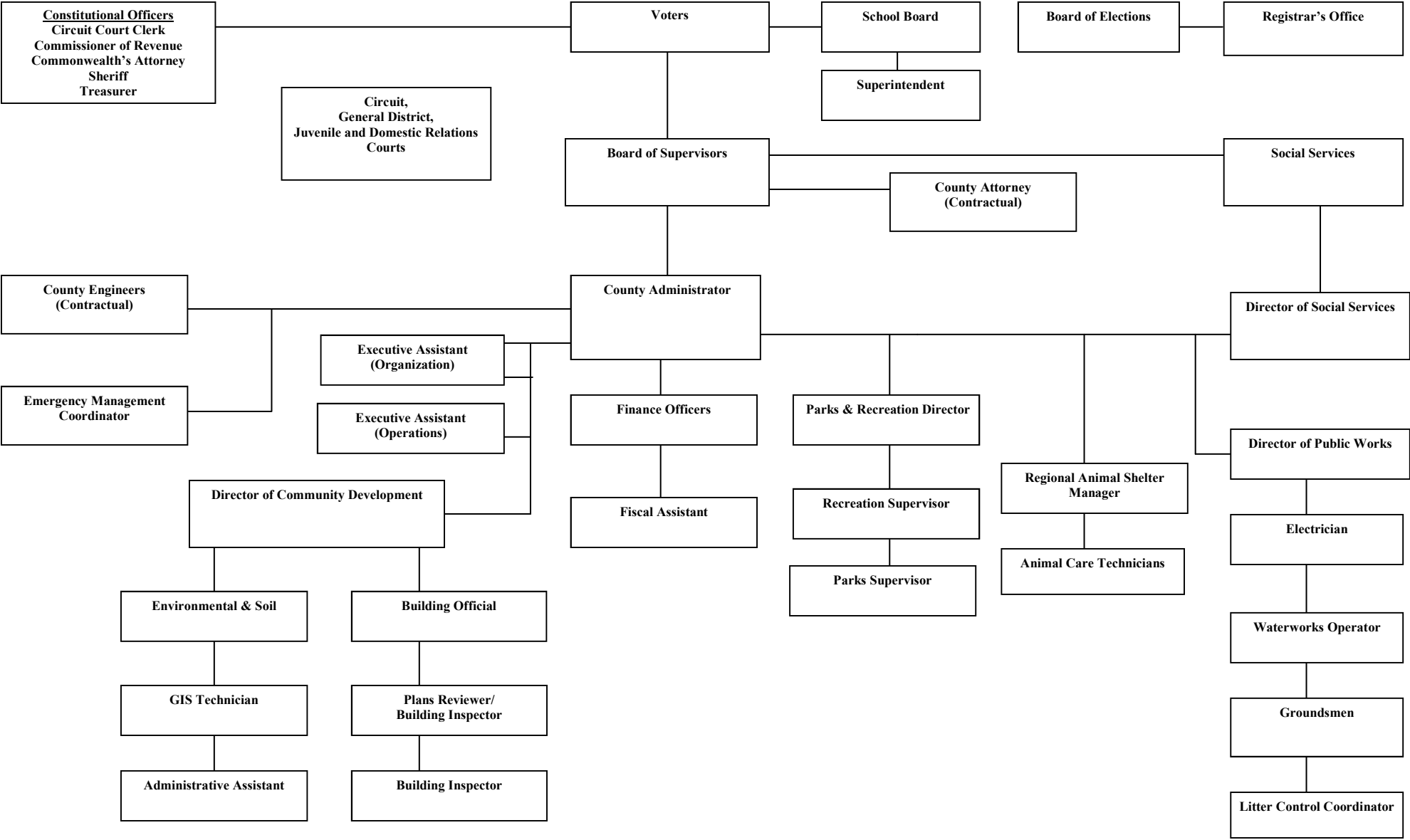
Dr. Mark R. Jones

Other Officials

Terri E. Hale
Daniel M. Stuck
Sally W. Pearson
J. S. "Jeff" Walton
Harry L. Whitt
Stephen A. Palmer
Thomas B. Hoover
Michael E. McGinty
George C. Fairbanks, IV
Patricia M. Norman
Anne Mitchell
Brian L. Purvis

Assistant County Administrator
County Attorney
Commissioner of the Revenue
Sheriff
Treasurer
Commonwealth Attorney
Judge of the Circuit Court
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
Clerk of the Circuit Court
Director of Social Services
Director of Public Works

**County of King William
Organization Chart**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King William
Virginia

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

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



President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of King William, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, (County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, the County restated beginning net assets in the governmental activities and the fund balance of the General Capital Projects Fund to correct errors in recording materially significant transactions in previous fiscal years. We also audited the adjustments described in Note 18 that were applied to restate beginning net assets and fund balance. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 3-9) and the required supplementary information (pages 56-57) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements and other schedules, listed in the Table of Contents as supplementary information and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such 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.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of King William, Virginia I offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. I encourage readers to consider the information presented here in conjunction with additional information that is furnished in the County's letter of transmittal.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,237,199 (net assets). The County continues to experience a high rate of growth and a significant increase in the demand for services. This demand for increased services, reductions in state revenues and costs passed on to the local government eroded and eventually eliminated the fund balance. During the last several fiscal years, the Board has attempted to rebuild the fund balance, through efforts such as, expenditure reductions, reduction of current programs, postponement of proposed programs and increases in taxes and fees. The County is developing a long-term financial plan focusing more closely on service goals, priorities and fund balances.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,156,232 an increase of \$2,055,555 over the prior year.
- The County's long-term obligations decreased by \$1,877,378 (6.0%) during FY11, primarily from the payoff of general obligation bonds, revenue bonds and literary fund loans. The Board of Supervisors did not issue any new debt during the year. Compensated absences increased by \$10,361 (4.5%).

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 and is collectively referred to as the Comprehensive Annual Financial Report (CAFR).

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business.

The 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 declining.

The statement of activities presents information showing how County net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to 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).

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 administration, judicial administration, public safety, public works, health and welfare, education, parks and recreation and cultural events, and community development.

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 the component unit is reported separately from the financial information present for the primary government.

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 William, 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 two categories: governmental funds and fiduciary 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 spendable resources, as well as balances of spendable 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 three 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 and the two Capital Projects Funds.

The County adopts an annual appropriated budget for the General Fund and the Capital Projects Funds, 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.

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individuals. As trustee, or fiduciary, for agency funds, the County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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

In addition to the basic financial statement and accompanying notes, this report also presents certain supplementary information for presentation of financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of a County's financial position. King William County assets exceeded liabilities by \$ 5,237,199 at the close of the fiscal year.

The County's investment in capital assets such as land, buildings and equipment totals \$29,931,811 (net of accumulated depreciation and amortization) at June 30, 2011. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets are reported net of related debt, 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.

Summary of Net Assets June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Current and other assets	\$ 18,382,512	\$ 11,646,870
Capital assets, net	29,931,811	30,309,509
Total assets	48,314,323	41,956,379
Current liabilities	13,423,836	9,858,887
Long-term liabilities outstanding	29,653,288	28,803,571
Total liabilities	43,077,124	38,662,458
Net assets:		
Invested in capital assets, net of related debt	1,669,963	(513,010)
Restricted	64,245	-
Unrestricted	3,502,991	3,806,931
Total net assets	\$ 5,237,199	\$ 3,293,921

Governmental Activities – Governmental activities reflect a change in net assets of \$2,152,787.

Changes in Net Assets
Years Ended June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 888,233	\$ 577,828
Operating grants and contributions	5,993,422	2,805,705
Capital grants and contributions	-	238,050
General revenues:		
General property taxes	15,744,965	15,559,634
Other local taxes	2,024,194	1,724,559
Use of money and property	67,703	76,982
C/VA non-categorical aid	1,598,315	1,262,902
Other general revenues	21,906	14,256
Total revenues	26,338,738	22,259,916
Expenses:		
General government administration	1,379,801	1,764,919
Judicial administration	719,715	704,861
Public safety	4,206,900	3,861,928
Public works	1,693,960	1,546,058
Health and welfare	1,837,002	2,001,233
Education	11,942,287	8,109,049
Parks, recreation, and cultural	836,773	805,377
Community development	537,673	728,707
Interest and other fiscal charges	1,031,300	1,505,477
Total expenses	24,185,951	21,027,609
Change in net assets	2,152,787	1,232,307
Net assets, beginning, as restated	3,084,412	2,061,614
Net assets, ending	\$ 5,237,199	\$ 3,293,921

Program and general revenues for governmental activities totaled \$26,338,738 for the fiscal year. Of this amount, general property taxes totaled \$15,744,965 and other local taxes totaled \$2,024,194 accounting for 67.5 % of governmental activity revenues.

The largest increase noted in revenues was Operating Grants and Contributions. Setting aside that highly variable category, the next highest increases were in a smaller range and include State aid (\$335,413), Charges for Services (\$310,405) and Other Local Taxes (\$299,635).

Increases in expenses closely paralleled inflation and growth in the demand for services. Emergency Medical Services (EMS) billing represents 44% of the increase in Charges for Services.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Total fund balance amount is unchanged but the categories used to describe its components are substantially altered. This approach focuses on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent and not on financial resources available for appropriation.

The formerly used terms of Reserved and Unreserved Fund Balance are replaced with the following terms: 1) Nonspendable, 2) Restricted, 3) Committed, 4) Assigned and 5) Unassigned.

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 of Total Governmental Funds may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. Spending may include one time purchases or similar expense or the commitment, restriction or assignment of funds, as approved, by the Board of Supervisors.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,156,232 an increase of \$2,055,555 in comparison to the prior year.

The general fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,542,611.

Nonspendable fund balances consist of County prepaid items only.

Restricted Fund Balances are: 1) school capital projects (\$517) and 2) general fund debt service (\$63,728). Schools have a limited capital projects fund balance of \$517 due to funds remaining following completion of projects.

Committed Fund Balances are two school funds for: 1) text books (\$448,725) and 2) operations and/or capital projects (\$2,184,498).

There are no Assigned fund balances.

Unassigned fund balance of the Total Governmental Funds is \$1,427,412. The General Capital Projects deficit of \$115,199 is due to the proper classification of certain liabilities and will be resolved through consideration of fund balance adjustments as may be approved by the Board of Supervisors.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final expenditure budget totaled \$246,326. Significant changes include capital projects, Mt. Olive community improvement project, repairs and improvements at the County Recreation Park, recruitment expenses for the County Administrator and County Attorney, E-911 system improvements and Emergency Repairs at the Courts Complex.

During the year actual general fund revenues exceeded actual expenditures by \$2,059,429. .

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2011 is \$29,931,811 (net of accumulated depreciation and amortization). This investment in capital assets includes land, infrastructure, buildings and improvements, and machinery and equipment.

Additional information of the County's capital asset increases and decreases during the year can be found in Note 6 to this CAFR.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$29,527,759. Of this amount \$18,177,219 comprises debt backed by the full faith and credit of the County and \$11,011,461 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased by \$1,877,378 during the fiscal year.

Additional detailed information of the County's long-term obligations can be found in Note 7 of this CAFR.

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength even in the current economy. The local unemployment rate was 6.6% at June 30, 2011, which is slightly lower than last year's rate of 7.0%. The local unemployment rate continues to compare favorably to the June 30, 2011 state and national rates of 6.3% and 9.3%, respectively.

The County's FY12 adopted budget totals \$51,214,910, an increase of \$1,931,770, or 3.9% from the FY11 budget. Increases in expenditures are due primarily to a net reduction in state aid to localities over time relative to increases in service delivery costs.

Infrastructure improvements, maintenance and replacement will place significant burdens on budgets over the next five years. Regardless of economic conditions, the Commonwealth of Virginia's continued devolution – a reduction in both direct aid and services rendered – will continue to challenge local governments to provide desired levels of services without significant reductions in other areas, increased taxes, fees or charges. State and Federal mandates in education and environmental matters continue to add costs to the operating and capital budgets of localities.

In many instances, initial reductions in operating budgets have been undertaken over the past two fiscal years. Further budget cuts could yield savings in certain areas but, are likely not sufficient to meet required capital costs for items such as roof replacements and public safety communications equipment replacement nor address the replacement of continued reductions in state aid to localities for education, social services and constitutional officers. Use of fund balances associated with the county and schools would be insufficient to provide more than 3-5 years of assistance in the range of \$500,000 – \$1,000,000 per year to address reductions in state funding in various service areas.

Requests for Information

This financial report is designed to provide a general overview of the County of King William, 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: County Administrator, P.O. Box 215 (mailing), 180 Horse Landing Road (physical), King William, Virginia 23086.

BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 1

Page 1

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Current Assets		
Deposits and investments	\$ 4,908,523	\$ 1,968,081
Receivables (net of allowances for uncollectibles)		
Taxes, including penalties	7,289,354	-
Accounts receivable	156,720	67,211
Due from other governments	955,016	1,345,843
Prepaid items	31,352	18,984
Land held for sale	4,015,297	-
Restricted cash	1,026,250	-
Total current assets	18,382,512	3,400,119
Capital assets, net of accumulated depreciation and amortization		
Land	723,098	42,423
Buildings and improvements	10,426,364	5,310,684
Equipment	1,961,190	2,955,473
Jointly owned assets	20,072,113	18,584,711
Land improvements	-	20,955
Infrastructure	5,409,053	294,167
Less: accumulated depreciation and amortization	(8,660,007)	(12,548,912)
Total capital assets	29,931,811	14,659,501
Total assets	48,314,323	18,059,620

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government Governmental Activities	Component Unit School Board
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 189,037	\$ 458,049
Accrued liabilities	309,904	2,137,648
Note payable - short-term	1,200,000	-
Contingency - land held for sale	4,015,297	-
Due to other governments	170,022	-
Unearned revenue	6,971,170	-
Insurance and benefit claim	-	161,077
Accrued interest payable	568,406	-
Total current liabilities	13,423,836	2,756,774
Noncurrent Liabilities		
Due within one year:		
Bonds payable	1,551,718	-
Literary loans	434,200	-
Capital leases	98,380	-
Compensated absences	159,774	134,743
Due in more than one year:		
Bonds payable, net	23,962,968	-
Literary loans	2,670,832	-
Capital leases	570,000	-
Compensated absences	79,887	67,372
Landfill obligation	62,000	-
Other postemployment benefits	63,529	137,263
Total noncurrent liabilities	29,653,288	339,378
Total liabilities	43,077,124	3,096,152
NET ASSETS		
Invested in capital assets, net of related debt	1,669,963	14,659,501
Restricted:		
Debt service	63,728	-
Capital projects	517	-
Unrestricted	3,502,991	303,967
Total net assets	\$ 5,237,199	\$ 14,963,468

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
Primary Government:						
Governmental activities:						
General government administration	\$ 1,379,801	\$ -	\$ 190,203	\$ -	\$ (1,189,598)	\$ -
Judicial administration	719,715	15,765	372,117	-	(331,833)	-
Public safety	4,206,900	394,742	784,085	-	(3,028,073)	-
Public works	1,693,960	168,958	7,644	-	(1,517,358)	-
Health and welfare	1,837,002	-	1,321,454	-	(515,548)	-
Education	11,942,827	-	3,263,714	-	(8,679,113)	-
Parks, recreation and cultural	836,773	131,642	5,000	-	(700,131)	-
Community development	537,673	177,126	49,205	-	(311,342)	-
Interest	1,031,300	-	-	-	(1,031,300)	-
Total governmental activities	\$ 24,185,951	\$ 888,233	\$ 5,993,422	\$ -	(17,304,296)	-
Component Unit:						
School Board - education	\$ 23,787,668	\$ 657,623	\$ 13,987,071	\$ -	-	(9,142,974)
General Revenues:						
General property taxes					15,744,965	-
Grants and contributions not restricted to specific programs					1,598,315	10,154,940
Local sales and use					722,243	-
Consumer utility					226,901	-
Business licenses					299,881	-
Motor vehicle licenses					357,659	-
Taxes on recordation and wills					138,994	-
Other					278,516	-
Revenue from use of money and property					67,703	7,118
Miscellaneous					21,906	55,468
Total general revenues					19,457,083	10,217,526
Change in net assets					2,152,787	1,074,552
Net assets, beginning, as restated					3,084,412	13,888,916
Net assets, ending					\$ 5,237,199	\$ 14,963,468

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 4,764,953	\$ 143,570	\$ -	\$ 4,908,523
Receivables, net of allowances for uncollectibles:				
Property taxes, including penalties	7,289,354	-	-	7,289,354
Accounts receivable	156,720	-	-	156,720
Due from other governments	955,016	-	-	955,016
Prepaid items	31,352	-	-	31,352
Land held for sale	4,015,297	-	-	4,015,297
Restricted cash	63,728	962,005	517	1,026,250
Total assets	\$ 17,276,420	\$ 1,105,575	\$ 517	\$ 18,382,512
LIABILITIES				
Accounts payable	\$ 188,637	\$ 400	\$ -	\$ 189,037
Accrued liabilities	309,904	-	-	309,904
Note payable - short-term	1,200,000	-	-	1,200,000
Contingency - land held for sale	4,015,297	-	-	4,015,297
Due to other governments	170,022	-	-	170,022
Deferred revenue	7,121,646	1,220,374	-	8,342,020
Total liabilities	13,005,506	1,220,774	-	14,226,280
FUND BALANCES				
Nonspendable:				
Prepaid items	31,352	-	-	31,352
Restricted:				
Debt service	63,728	-	-	63,728
Capital projects	-	-	517	517
Committed:				
Textbooks	448,725	-	-	448,725
School operations and capital projects	2,184,498	-	-	2,184,498
Unassigned	1,542,611	(115,199)	-	1,427,412
Total fund balances	4,270,914	(115,199)	517	4,156,232
Total liabilities and fund balances	\$ 17,276,420	\$ 1,105,575	\$ 517	\$ 18,382,512

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

	Governmental Funds
Total fund balances - total governmental funds	\$ 4,156,232
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
When capital assets 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.	
Governmental capital assets	\$ 38,591,818
Less: accumulated depreciation and amortization	<u>(8,660,007)</u>
Net capital assets	29,931,811
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	1,370,850
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds, net	(25,514,686)
Literary loans	(3,105,032)
Capital leases	(668,380)
Compensated absences	(239,661)
Interest payable	(568,406)
Landfill obligation	(62,000)
Other postemployment benefits	<u>(63,529)</u>
	<u>(30,221,694)</u>
Net assets of governmental activities	<u><u>\$ 5,237,199</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
Revenues:				
General property taxes	\$ 15,750,252	\$ -	\$ -	\$ 15,750,252
Other local taxes	2,024,194	-	-	2,024,194
Permits, privilege fees, proffers and regulatory licenses	180,222	5,976	-	186,198
Fines and forfeitures	79,454	-	-	79,454
Revenue from use of money and property	67,503	4	196	67,703
Charges for services	455,554	-	-	455,554
Miscellaneous	21,906	-	-	21,906
Reimbursements from component unit	3,263,714	-	-	3,263,714
Recovered costs	158,367	8,660	-	167,027
Intergovernmental:				
Commonwealth	3,637,470	-	-	3,637,470
Federal	690,553	-	-	690,553
Total revenues	26,329,189	14,640	196	26,344,025
Expenditures:				
Current:				
General government administration	1,372,400	-	-	1,372,400
Judicial administration	570,469	-	-	570,469
Public safety	4,100,800	-	-	4,100,800
Public works	1,574,143	-	-	1,574,143
Health and welfare	1,915,180	-	-	1,915,180
Education	10,161,600	-	-	10,161,600
Parks, recreation and cultural	801,103	-	-	801,103
Community development	545,236	-	-	545,236
Capital outlays	-	18,515	270,195	288,710
Debt service:				
Principal	2,088,978	-	-	2,088,978
Interest and fiscal charges	1,139,851	-	-	1,139,851
Total expenditures	24,269,760	18,515	270,195	24,558,470
Revenues over (under) expenditures	2,059,429	(3,875)	(269,999)	1,785,555
Other financing sources (uses):				
Issuance of debt	-	-	270,000	270,000
Transfers in (out)	837	(837)	-	-
Other financing sources (uses), net	837	(837)	270,000	270,000
Net change in fund balances	2,060,266	(4,712)	1	2,055,555
Fund balance (deficit), beginning, as restated	2,210,648	(110,487)	516	2,100,677
Fund balance (deficit), ending	\$ 4,270,914	\$ (115,199)	\$ 517	\$ 4,156,232

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Governmental Funds
Net change in fund balances - total governmental funds	\$ 2,055,555
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period. Details supporting this adjustment are as follows:	
Expenditures for capital assets	\$ 468,983
Less: depreciation and amortization expense	(982,354)
Excess of depreciation and amortization over capital outlays	(513,371)
Transfer of joint tenancy assets from Primary Government to the Component Unit	(1,279,424)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of these items consist of the change in deferred taxes.	(5,287)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on 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 on VPSA issuance	(270,000)
Landfill obligation	(725)
Principal retired on bond anticipation notes (capital leases)	122,356
Principal retired on revenue bonds	446,472
Principal retired on general obligation bonds	1,085,950
Principal retired on state literary fund loans	434,200
	1,818,253
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 interest payable	50,151
Change in compensated absences	(10,361)
Change in other postemployment benefits	(21,129)
Amortization of deferred amount on refunding	(5,232)
Amortization of premium on bonds payable	63,632
	77,061
Change in net assets of governmental activities	\$ 2,152,787

COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 15,498,210	\$ 15,498,210	\$ 15,750,252	\$ 252,042
Other local taxes	1,343,630	1,343,630	2,024,194	680,564
Permits, privilege fees and regulatory licenses	217,100	217,100	180,222	(36,878)
Fines and forfeitures	80,100	80,100	79,454	(646)
Revenue from use of money and property	89,000	89,000	67,503	(21,497)
Charges for services	297,660	297,660	455,554	157,894
Miscellaneous	4,800	4,800	21,906	17,106
Reimbursements from component unit	-	-	3,263,714	3,263,714
Recovered costs	159,830	159,830	158,367	(1,463)
Intergovernmental:				
Commonwealth	3,634,400	3,621,153	3,637,470	16,317
Federal	563,680	563,680	690,553	126,873
Total revenues	21,888,410	21,875,163	26,329,189	4,454,026
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	105,810	127,091	127,091	-
General and financial administration:				
County administrator	559,740	571,765	519,693	(52,072)
Legal services	250,270	250,270	58,520	(191,750)
Independent auditor	38,000	38,000	22,500	(15,500)
Commissioner of the revenue	220,200	220,450	219,480	(970)
Assessor	84,080	84,080	82,814	(1,266)
Treasurer	224,890	224,890	211,527	(13,363)
Total general and financial administration	1,377,180	1,389,455	1,114,534	(274,921)
Board of elections:				
Electoral board and officials	40,070	40,070	27,590	(12,480)
Registrar	95,900	95,900	103,185	7,285
Total board of elections	135,970	135,970	130,775	(5,195)
Total general government administration	1,618,960	1,652,516	1,372,400	(280,116)

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Expenditures: (Continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 24,560	\$ 48,233	\$ 45,363	\$ (2,870)
General district court	10,950	10,950	10,950	-
Special magistrates	400	400	218	(182)
Juvenile and domestic relations district court	13,610	26,460	26,460	-
Clerk of the circuit court	222,370	230,327	230,327	-
Victim and witness assistance	54,770	54,770	54,072	(698)
Total courts	326,660	371,140	367,390	(3,750)
Commonwealth attorney	206,410	206,410	203,079	(3,331)
Total judicial administration	533,070	577,550	570,469	(7,081)
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,638,530	1,613,591	1,542,680	(70,911)
Emergency 911 system	246,100	293,933	293,933	-
Other law enforcement and traffic control	500	30,234	30,234	-
Total law enforcement and traffic control	1,885,130	1,937,758	1,866,847	(70,911)
Fire and rescue services:				
Volunteer fire department	399,320	399,320	374,792	(24,528)
Ambulance and rescue services	51,850	58,875	173,874	114,999
Forest fire extinction	9,000	9,000	8,993	(7)
Total fire and rescue services	460,170	467,195	557,659	90,464
Correction and detention:				
Regional security center	977,960	1,047,378	1,035,513	(11,865)
Juvenile detention homes	96,290	96,290	39,751	(56,539)
Juvenile and district court services unit	11,050	17,497	17,517	20
Total correction and detention	1,085,300	1,161,165	1,092,781	(68,384)
Inspections:				
Building inspections	235,750	235,750	196,610	(39,140)
Fire marshal	2,000	2,000	1,547	(453)
Total inspections	237,750	237,750	198,157	(39,593)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Expenditures: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 116,990	\$ 116,990	\$ 111,198	\$ (5,792)
Regional animal shelter	193,930	193,930	186,986	(6,944)
Medical examiner	200	200	40	(160)
Emergency services coordinator	84,020	85,934	87,132	1,198
Total other protection	395,140	397,054	385,356	(11,698)
Total public safety	4,063,490	4,200,922	4,100,800	(100,122)
Public works:				
Sanitation and waste removal:				
Central garage utility system	254,100	254,100	187,122	(66,978)
Refuse collection	489,730	491,141	491,141	-
Refuse disposal	402,120	402,120	309,428	(92,692)
Litter control	19,440	19,440	19,245	(195)
Total sanitation and waste removal	1,165,390	1,166,801	1,006,936	(159,865)
Maintenance of general buildings and grounds	563,720	567,207	567,207	-
Total public works	1,729,110	1,734,008	1,574,143	(159,865)
Health and welfare:				
Health:				
Local health department and other health	334,110	167,073	160,780	(6,293)
Total health	334,110	167,073	160,780	(6,293)
Mental health and mental retardation:				
Community Services Board	48,860	48,860	48,860	-
Welfare:				
Public assistance and welfare administration	1,159,520	1,159,520	1,129,888	(29,632)
Comprehensive services	620,000	620,000	575,652	(44,348)
Total welfare	1,779,520	1,779,520	1,705,540	(73,980)
Total health and welfare	2,162,490	1,995,453	1,915,180	(80,273)

COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Expenditures: (Continued)				
Education:				
Contributions to community colleges	\$ 6,660	\$ 6,660	\$ 6,660	\$ -
Contribution to component unit - School Board	11,846,080	11,915,474	10,154,940	(1,760,534)
Total education	11,852,740	11,922,134	10,161,600	(1,760,534)
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	253,170	267,301	267,301	-
Recreation programs and events	84,190	123,802	123,802	-
Museums and spring fest celebration	10,000	10,000	10,000	-
Total parks and recreation	347,360	401,103	401,103	-
Library:				
Regional library	400,000	400,000	400,000	-
Total parks, recreation and cultural	747,360	801,103	801,103	-
Community development:				
Planning and community development:				
Planning	356,480	356,480	354,657	(1,823)
MP regional airport	20,710	20,710	20,707	(3)
Redevelopment and housing	5,630	5,630	5,495	(135)
Board of zoning appeals	5,850	8,000	8,000	-
Mt. Olive improvement project	15,400	80,790	80,790	-
Economic development	36,510	38,830	38,830	-
Total planning and community development	440,580	510,440	508,479	(1,961)
Environmental management:				
Soil and water conservation district	11,030	11,030	11,030	-
Cooperative extension program:				
VPI extension program	35,540	35,540	25,727	(9,813)
Total community development	487,150	557,010	545,236	(11,774)
Debt service:				
Principal	381,450	381,450	2,088,978	1,707,528
Interest and fiscal charges	513,440	513,440	1,139,851	626,411
Total debt service	894,890	894,890	3,228,829	2,333,939
Total expenditures	24,089,260	24,335,586	24,269,760	(65,826)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Other financing sources:				
Transfers in	\$ -	\$ -	\$ 837	\$ 837
Total other financing sources	-	-	837	837
Change in fund balance	(2,200,850)	(2,460,423)	2,060,266	4,520,689
Fund balance, beginning	2,200,850	2,460,423	2,210,648	(249,775)
Fund balance, ending	\$ -	\$ -	\$ 4,270,914	\$ 4,270,914

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 567
Due from other governments	<u>21,928</u>
Total assets	<u><u>\$ 22,495</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 567
Due to other governments	14,054
Accounts payable	<u>7,874</u>
Total liabilities	<u><u>\$ 22,495</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The County of King William, Virginia (County) was formed in 1702 and 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 police and volunteer fire protection; sanitation services; recreational activities; cultural events; education; and social services.

The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and accounting principles generally accepted in the United States of America (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The more significant of the County'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 County's financial activities in the form of a "management's discussion and analysis" (MD&A).

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the County'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 unit. For the most part, the effect of interfund activity has been removed from these statements and reports. Governmental type activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

Statement of Net Assets

The Statement of Net Assets is designed to display financial position of the primary government and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation and amortization 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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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 County'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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basis 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 general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the entity's governing body and the ability of the primary government to impose its will on the entity or if there is a financial benefit/burden relationship. In addition, an entity which is fiscally dependent on the County should be included in its reporting entity. These financial statements present the County of King William, Virginia (the County) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the County. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit

The County has no blended component units to be included for the fiscal year ended June 30, 2011.

Discretely Presented Component Unit

The School Board members are elected at large 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, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2011. The School Board is presented as a governmental fund type and consists of the following funds:

School Operating Fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and charges for services.

School Cafeteria Fund accounts for the centralized School cafeteria operations.

Additionally, the School Board reports three agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the School Activity Fund, Regional CTE Center and Regional Alternative Education Program.

The School Board also reports one internal service fund, the Self-Insurance Fund. This fund accounts for the costs associated with providing health insurance benefits to employees of the School Board with managing claims pertaining thereto.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations

The following related organizations meet the requirements for inclusion in the County's Comprehensive Annual Financial Report:

Economic Development Authority

The Economic Development Authority (Authority), formerly the Industrial Development Authority, was created as a political subdivision of the Commonwealth of Virginia (Commonwealth) by King William County in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, *Code of Virginia*. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board of Supervisors appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. To date, activity of the Authority has been minimal and, as such, has been historically accounted for as part of the County's general fund.

King William – King and Queen Regional Animal Shelter

The King William – King and Queen Regional Animal Shelter (Shelter) was created under a resolution between King William County and King and Queen County. The two counties share equally in both the cost of construction and operation of the facilities. The County serves as fiscal agent of the Shelter and administers the operation of the Shelter, and receives a fee of 3% of the annual operating expenditures from King and Queen County for managing the Shelter. The Shelter began operations in 2009 and the activity is accounted for as part of the County's general fund.

Related organizations that are excluded from the County's Comprehensive Annual Financial Report are as follows:

Hampton Roads Sanitation District

The Hampton Roads Sanitation District (HRSD) was created by resolution pursuant to state statute and is governed by an eight member board appointed by the Governor from the localities comprising HRSD's service area. The County currently has no representation on the board, but has agreements with HRSD to provide wastewater treatment services. In 1999, operation of the King William County Wastewater Treatment Plan and Wastewater Collection System, and all wastewater pumping stations owned by the County at that time were transferred to HRSD. The County still owns the Mount Olive Area 1 and Wastewater Treatment Facilities and associated Wastewater Collection Systems, which are operated by HRSD for an annual fee. The County has obtained an allocation of expanded treatment capacity at HRSD, the cost of which is being subsidized until which time actual flows reach at least 50% of the allocated expanded capacity.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: Chesterfield, Colonial Heights, Hanover, Henrico, King William, Petersburg, Powhatan, and Richmond. Through abbreviated memberships, other divisions also participate: Charles City, Hopewell, Prince George and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2011 was approximately \$59,000.

Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The Commission serves numerous localities and is funded through a per diem charge for each juvenile committed to the member jurisdictions, as well as by funding provided by the Commonwealth.

Middle Peninsula Planning District Commission

The Middle Peninsula Planning District Commission is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Essex, Gloucester, King and Queen, Middlesex, Mathews, and the County provide the financial support for the Commission and appoint its governing board. The majority of directors consist of elected officials of the governmental subdivisions within the planning district.

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of \$12,000 per quarter (\$48,000 annually).

Middle Peninsula Regional Airport Authority

The Middle Peninsula Regional Airport Authority is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. King and Queen County contributes 50% of the annual local tax revenue received from personal property at the airport to support operations, and the remaining expenses, net of revenues, are shared equally between the Town of West Point and the counties of Gloucester, King and Queen, and the County. Each member jurisdiction appoints one of the directors.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Middle Peninsula Regional Security Center

The Middle Peninsula Regional Security Center (Center) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Essex, Mathews, Middlesex, King and Queen, and the County provide the financial support for the Center and appoint its governing Board, which has the ability to execute contracts and to budget and expend funds. The County appoints two of the nine members to the board. No one locality contributes more than 50% of the Center's funding.

Pamunkey Regional Library

The Pamunkey Regional Library (Library) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Goochland, Hanover, King and Queen, and the County provide the financial support for the Library and appoint its governing board, which has the ability to execute contracts and to budget and expend funds. The County appoints two of the seven members of the board. No one locality contributes more than 50% of the Library's funding.

Virginia Peninsulas Public Service Authority

The Virginia Peninsulas Public Service Authority (Authority) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The board consists of 12 members who represent each of the member jurisdictions consisting of numerous localities. The member jurisdictions share in administrative costs on a per capita basis. The County has lease and operating agreements with the Authority to provide solid waste services for the County, which are billed monthly.

D. 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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 and amortization) 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.).

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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. 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.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

The County reports the following major governmental funds:

a. General Fund

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

b. Capital Projects Funds

The General Capital Projects Fund and School Capital Projects Fund account for all financial resources used for the acquisition or construction of major capital facilities. These funds have been judgmentally determined to be major for public interest reasons, in that the presentation is of particular importance to the financial statement users.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

2. Fiduciary Funds (Agency Funds)

Fiduciary Funds (Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Agency Funds include the Special Welfare Fund and Virginia Juvenile Community Crime Council Act (VJCCCA) Fund.

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category 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 and the School Board is authorized to transfer budgeted amounts within the school systems categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, School Capital Projects Fund, and the General Capital Projects Fund of the primary government and the School Fund and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments for the County, as well as for its component unit, are reported at fair value. The Local Government Investment Pool (LGIP) 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. The LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

G. Receivables

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 \$88,000 at June 30, 2011 and is comprised solely of property taxes.

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 June 5th and December 5th. The County bills and collects its own property taxes.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

I. Restricted Cash

In accordance with the agreements resulting in the issuance of debt, the General Fund has a portion of its cash balance restricted due to the intended use, as prescribed in the applicable bond covenants. The School Capital Projects Fund has restricted its cash balances in accordance with debt agreements. The restriction relates to the intended use of these funds, as prescribed in these agreements. The General Capital Projects Fund has restricted a portion of its balance, in accordance with the intended use of funds received by the County as developer proffers, and an additional portion has been restricted as prescribed in applicable bond covenants. These restrictions are shown as "Restricted Cash" on the Governmental Funds' Balance Sheet and the Statement of Net Assets.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings and improvements, infrastructure, and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings and improvements	5 to 40 years
Equipment	3 to 5 years
Infrastructure	40 years
Land improvements	15 years

K. 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 Governmental 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. The General Fund is responsible for paying the liability for compensated absences for the general government employees, and has been used in prior years to liquidate the governmental funds’ liability.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination.

The School Board compensates eligible retiring employees at an approved rate for their unused accumulated sick leave. The retiring employee must retire under the regulations of the VRS and have been under contract in the school division for five consecutive years preceding retirement. The maximum number of allowable days is 150 days. The rate is 16% of the daily rate, or \$20 per day, whichever is greater.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium, or discount and gain/loss on refunding.

In the fund financial statements, governmental fund types recognize bond premiums or discounts and gain/loss on refunding, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

M. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance as follows:

Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items).

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantor, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the action to remove or change the constraint.

Assigned – amounts constrained by the County's intent but are neither restricted or committed.

Unassigned fund balance – deficit balances in governmental funds other than the General Fund and the residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The County will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

N. Use of Estimates

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

O. Net Assets

Net assets are the difference between assets and liabilities. "Invested in capital assets – net of related debt" represents capital assets, less accumulated depreciation and amortization less any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net assets represent the restricted cash to be used for future debt service or purchase or construction of capital assets or other outlays.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

P. Component Unit – School Board Capital Asset and Debt Presentation (Jointed Owned Assets)

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.

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 for the primary government due to financing School Board capital assets with debt.

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.

Custodial Credit Risk (Deposits). This is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County’s investment policy requires all deposits to be insured under FDIC or comply with the Virginia Security for Public Deposits Act. At year end, none of the County’s deposits were exposed to custodial credit risk.

Investments. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

State statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers’ acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy

The County does not have a formal investment policy as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Credit Risk

The County has no investment policy that would limit its investment choices to certain investment grades.

As of June 30, 2011, 100% was invested in LGIP with a “AAAm” credit rating, as rated by Standard & Poor’s.

Concentration of Credit Risk

The County has no investment policy that establishes maximum percentages of the investment portfolio that may be invested in a single issuer.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2011, all investments were in the LGIP.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

The County has no investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

In accordance with the agreements resulting in the issuance of debt, the General Fund, General Capital Projects Fund, and School Capital Project Fund have a portion of their cash balance restricted on the Governmental Funds’ Balance Sheet and the Statement of Net Assets. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants.

The County’s rated debt investments as of June 30, 2011 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s Rating Scale.

	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 26,220

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenues

Receivables at June 30, 2011 for the County, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Property taxes	\$ 7,377,217
Trade and other accounts	<u>156,720</u>
Gross receivables	7,533,937
Less allowance for uncollectible accounts	<u>87,863</u>
Net receivables	<u>\$ 7,446,074</u>

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$87,863 as of June 30, 2011.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 1,370,850	\$ -
Advance collection of 2011-2012 taxes (General Fund)	-	111,427
2011-2012 property tax receivable (General Fund)	-	5,639,369
Developer proffers (General Capital Projects Fund)	<u>-</u>	<u>1,220,374</u>
	<u>\$ 1,370,850</u>	<u>\$ 6,971,170</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due To/From Other Governments

At June 30, 2011, the County has receivables from other governments as follows:

	Primary Government	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 45,140
Public assistance	22,862	-
Comprehensive services	71,054	-
Shared costs	148,193	-
Communications tax	56,865	-
Sales and use tax	605,737	-
Federal government:		
School funds	-	1,300,703
Public assistance	33,850	-
Other	3,250	-
Other governments:		
County of King and Queen	13,205	-
Total	\$ 955,016	\$ 1,345,843

At June 30, 2011, the County has payables to other governments as follows:

	Primary Government
Other governments:	
Town of West Point	<u>\$ 170,022</u>

Note 5. Land Held for Sale

The County and the City of Newport News (City) entered into a project involving the development of a reservoir. As part of this project, the City paid \$4,015,297 between 2008 and 2009 for the purchase of various parcels of land which are deeded to the County. In 2009, the City approved a resolution to abandon this project. The parcels of land which have been purchased by the City are included as land held for sale at June 30, 2011. A contingent liability equal to the land held for sale balance has been recorded in the financial statements. Now that the project is abandoned, the County intends to sell the land, at which point the County would repay the City. The County cannot enter into any sales contract without the approval of the City.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

Primary Government - Governmental Activities

	Beginning Balance, as Restated	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 723,098	\$ -	\$ -	\$ 723,098
Total capital assets, not being depreciated or amortized	723,098	-	-	723,098
Capital assets, being depreciated or amortized:				
Buildings and improvements	10,373,144	53,220	-	10,426,364
Equipment	2,118,669	64,673	(222,152)	1,961,190
Infrastructure	5,328,263	80,790	-	5,409,053
Jointly owned assets	21,401,963	270,300	(1,600,150)	20,072,113
Total capital assets being depreciated or amortized	39,222,039	468,983	(1,822,302)	37,868,720
Less accumulated depreciation or amortization for:				
Buildings and improvements	(2,220,180)	(252,611)	-	(2,472,791)
Equipment	(1,813,683)	(132,556)	222,152	(1,724,087)
Infrastructure	(933,806)	(95,384)	-	(1,029,190)
Jointly owned assets	(3,252,862)	(501,803)	320,726	(3,433,939)
Total accumulated depreciation or amortization	(8,220,531)	(982,354)	542,878	(8,660,007)
Total capital assets being depreciated or amortized, net	31,001,508	(513,371)	(1,279,424)	29,208,713
Governmental activities capital assets, net	\$ 31,724,606	\$ (513,371)	\$ (1,279,424)	\$ 29,931,811

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

Governmental activities:	
General government administration	\$ 47,366
Judicial administration	170,630
Public safety	96,967
Public works	120,299
Health and welfare	3,733
Education	501,803
Parks, recreation and cultural	41,556
Total depreciation and amortization expense – governmental activities	\$ 982,354

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Primary Government Governmental Activities
Beginning balance, June 30, 2010, as previously reported	\$ 30,309,509
Net effect of capitalizing costs associated with the Mt. Olive construction project, which was expensed in prior fiscal years, net of accumulated depreciation	1,415,097
Beginning balance, June 30, 2010, as restated	<u>\$ 31,724,606</u>

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 42,423	\$ -	\$ -	\$ 42,423
Total capital assets, not being depreciated or amortized	<u>42,423</u>	<u>-</u>	<u>-</u>	<u>42,423</u>
Capital assets, being depreciated or amortized:				
Buildings and improvements	5,326,727	253,957	(270,000)	5,310,684
Equipment	2,807,317	127,216	20,940	2,955,473
Infrastructure	294,167	-	-	294,167
Land improvements	20,955	-	-	20,955
Jointly owned assets	16,984,862	1,600,150	(301)	18,584,711
Total capital assets being depreciated or amortized	<u>25,434,028</u>	<u>1,981,323</u>	<u>(249,361)</u>	<u>27,165,990</u>
Less accumulated depreciation or amortization for:				
Buildings and improvements	(4,175,551)	(13,139)	-	(4,188,690)
Equipment	(2,165,398)	(121,588)	(20,940)	(2,307,926)
Infrastructure	(14,690)	(99,383)	-	(114,073)
Land improvements	(1,572)	(2,096)	-	(3,668)
Jointly owned assets	(5,149,211)	(785,344)	-	(5,934,555)
Total accumulated depreciation or amortization	<u>(11,506,422)</u>	<u>(1,021,550)</u>	<u>(20,940)</u>	<u>(12,548,912)</u>
Total capital assets being depreciated or amortized, net	<u>13,927,606</u>	<u>959,773</u>	<u>(270,301)</u>	<u>14,617,078</u>
Governmental activities capital assets, net	<u>\$ 13,970,029</u>	<u>\$ 959,773</u>	<u>\$ (270,301)</u>	<u>\$ 14,659,501</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County’s share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2011, the County transferred assets with costs of \$1,600,150 and accumulated depreciation of \$320,726 to the Component Unit - School Board.

Component Unit – School Board:	
Depreciation expense	\$ 700,824
Accumulated depreciation on joint-tenancy asset transfer	<u>320,726</u>
Total depreciation and amortization – School Board	<u>\$ 1,021,550</u>

Note 7. Long-Term Obligations

Changes in Long-Term Obligations

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

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 14,438,031	\$ 270,000	\$ (1,085,950)	\$ 13,622,081	\$ 1,087,480
Revenue bonds	11,557,351	-	(446,472)	11,110,879	464,238
State Literary Fund loans	3,539,232	-	(434,200)	3,105,032	434,200
Capital leases	790,736	-	(122,356)	668,380	98,380
Premium on bonds payable	944,776	-	(63,632)	881,144	-
Deferred amount on refunding	(104,650)	-	5,232	(99,418)	-
	<u>31,165,476</u>	<u>270,000</u>	<u>(2,147,378)</u>	<u>29,288,098</u>	<u>2,084,298</u>
Compensated absences	229,300	182,226	(171,865)	239,661	159,774
Governmental activities long-term liabilities	<u>\$ 31,394,776</u>	<u>\$ 452,226</u>	<u>\$ (2,319,243)</u>	<u>\$ 29,527,759</u>	<u>\$ 2,244,072</u>

Annual requirements to amortize long-term debt other than compensated absences are as follows:

Year Ending June 30,	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 98,380	\$ 37,911	\$ 464,238	\$ 524,087
2013	80,000	31,800	422,161	505,376
2014	85,000	26,850	440,216	488,012
2015	90,000	21,600	463,411	469,386
2016	100,000	15,900	476,751	449,514
2017-2021	215,000	13,050	2,454,138	1,904,010
2022-2026	-	-	2,915,000	1,268,546
2027-2031	-	-	2,720,000	496,800
2032-2036	-	-	665,000	86,875
2037	-	-	89,964	2,252
	<u>\$ 668,380</u>	<u>\$ 147,111</u>	<u>\$ 11,110,879</u>	<u>\$ 6,194,858</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2012	\$ 1,087,480	\$ 638,208	\$ 434,200	\$ 93,151
2013	1,089,476	588,909	434,200	80,125
2014	1,088,179	536,773	434,200	67,099
2015	1,093,287	481,998	434,200	54,073
2016	1,093,662	426,996	434,200	41,047
2017-2021	5,488,383	1,302,586	934,032	50,521
2022-2026	2,661,614	159,690	-	-
2027	20,000	-	-	-
	<u>\$ 13,622,081</u>	<u>\$ 4,135,160</u>	<u>\$ 3,105,032</u>	<u>\$ 386,016</u>

General Fund revenues are used to liquidate liabilities for compensated absences and other long-term obligations.

	Primary Government Governmental Activities
Beginning balance, June 30, 2010, as previously reported	\$ 30,822,519
Effect of recording previously unrecorded and unamortized bond premiums and discounts for issuances prior to the current fiscal year	227,957
Effect of recording bonds payable liability, not recorded in previous fiscal years	<u>115,000</u>
Beginning balance, June 30, 2010, as restated	<u>\$ 31,165,476</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Details of Long-Term Obligations

Revenue Bonds:

\$1,100,000 revenue bond, issued July 1998, due in annual maturities of \$64,238 to \$83,895 through July 2018, interest at 4.55%	\$ 515,879
\$5,995,000 IDA lease revenue bond, issued April 2003, due in annual maturities of \$180,000 to \$395,000 through April 2029, interest ranging from 3.5% to 5%	4,865,000
\$1,050,000 EDA lease revenue bond, issued December 2005, due in annual maturities of \$30,000 to \$70,000 through August 2030, interest at 4% to 5.125%	925,000
\$1,490,000 EDA lease revenue bond, issued July 2006, due in annual maturities of \$30,000 to \$90,000 through August 2036, interest ranging from 4% to 5%	1,390,000
\$1,460,000 VRA refunding bond, issued December 2006, due in annual maturities of \$50,000 to \$110,000 through October 2029, interest ranging from 4.6% to 5%	1,400,000
\$2,055,000 EDA lease revenue bond, issued August 2007, due in annual maturities of \$50,000 to \$140,000 through August 2032, interest ranging from 4.5% to 5%	1,955,000
\$470,000 revenue bond, issued May 1993, due in annual maturities of \$60,000 through May 2012, plus interest at 4%	<u>60,000</u>
Total revenue bonds	<u>11,110,879</u>

General Obligation Bonds:

\$6,513,732 issued November 2002, due in annual maturities of \$312,480 to \$371,613 through July 2022, plus interest payable semi-annually at 4.1% to 5.1%	4,067,081
\$715,000 issued November 1998, due in annual maturities of \$35,000 through July 2018, plus interest payable semi-annually at 4.6% to 5.1%	280,000
\$6,750,000 issued November 2002, due in annual maturities of \$335,000 to \$340,000 through July 2022, plus interest payable semi-annually ranging from 4.1% to 5.1%	4,030,000
\$7,055,000 issued November 2003, due in annual maturities of \$350,000 to \$355,000 through July 2023, plus interest payable semi-annually ranging from 4.1% to 5.4%	4,570,000
\$605,000 issued November 2004, due in annual maturities of \$35,000 through July 2024, plus interest payable semi-annually at 4.1% to 5.1%	420,000
\$270,000 issued July 2010, due in annual maturities of \$15,000 to \$20,000 through June 2027, interest free	<u>255,000</u>
Total general obligation bonds	<u>13,622,081</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

State Literary Fund Loans:

\$5,000,000 issued December 1998, due in annual maturities of \$250,000 through December 2018, interest at 3%	\$ 2,000,000
\$3,131,232 issued August 1996, due in annual maturities of \$184,032 through September 2016, interest at 3%	<u>1,105,032</u>
Total State Literary Fund loans	<u><u>3,105,032</u></u>

Capital Leases:

\$1,395,000 capital lease agreement, due in annual installments through August 2017, interest at 6.0%. This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices, and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. The total cost of assets acquired under this obligation was \$1,395,000.	645,000
\$74,526 capital lease agreement, due in annual installments through August 2011, interest at 6.25%. This lease was obtained to provide financing for two 2009 Ford Crown Victorias which are used by the police department. The total cost of assets acquired under this obligation was \$70,228.	<u>23,380</u>
Total capital leases	<u><u>668,380</u></u>
Premiums on bonds payable	<u>881,144</u>
Deferred amount on refunding of 2006 revenue refunding bond	<u>(99,418)</u>
Total long-term obligations	<u><u>\$ 29,288,098</u></u>

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the year ended June 30, 2011.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 186,388	\$ 193,245	\$ (177,518)	\$ 202,115	\$ 134,743

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Debt Refunding

The County issued \$1,460,000 in Utility Revenue Refunding Bonds, Series 2006, with an effective interest rate ranging from 4.6% to 5.0%. The Series 2006 bonds were issued to refund \$1,425,000 of VRA Revenue Bonds Series 2000B. The 2006 bonds will be repaid in various installments beginning October 1, 2007 to 2029. As a result, the 2000 bonds will be repaid in various installments beginning October 1, 2007 to 2029. As a result, the 2000 bonds maturing annually on April 1, 2007 to April 1, 2030 are considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$6,962. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$225,334 and resulted in an economic gain of \$138,372. At June 30, 2011, the defeased bonds had balances outstanding of \$1,400,000.

Note 9. Short-Term Debt

The County's short-term debt activity for the year ended June 30, 2011 is summarized as follows:

Project	Beginning Balance	Issued	Redeemed	Ending Balance
Revenue anticipation note	\$ 2,000,000	\$ 1,200,000	\$ (2,000,000)	\$ 1,200,000

The County uses this short-term debt for operational cash flow needs as necessary prior to and in anticipation of tax revenue receipts.

Note 10. Landfill Post-Closure Care Costs

The County closed its two landfills prior to the date mandated by state and federal laws and regulations and is liable for post-closure monitoring for a period of at least ten years. Post-closure monitoring costs of \$62,000 are recorded at June 30, 2011 and will be paid with General Fund revenues.

Note 11. 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 of King William, and its component unit, the County of King William School Board (School Board), contribute to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the VRS.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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 as described below. The County only participates in Plan 1.

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five 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.

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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward retirement. This 5% member contribution has been assumed by the County and School Board. 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. For the fiscal year ended June 30, 2011, the contribution rate for the County was 13.68%, for the School Board's professional employees, 8.93%, and for the School Board's non-professional employees, 12.64% of annual covered payroll.

For the years ended June 30, 2011, 2010, and 2009, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$962,094, \$977,357, and \$979,460, respectively, and were equal to 100% of the required contribution for professional employees for each year.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (APC)

For fiscal year 2011, the County and the School Board's non-professional employees' annual pension costs of \$620,839 were equal to the County's required and actual contributions.

Three-year trend information for the County and the School Board's non-professional employees is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 466,620	100%	\$ -
June 30, 2010	470,724	100%	-
June 30, 2009	470,953	100%	-
School Board Nonprofessional:			
June 30, 2011	\$ 154,219	100%	\$ -
June 30, 2010	145,312	100%	-
June 30, 2009	147,629	100%	-

The fiscal year 2011 required contributions were 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 7.0%, (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 COLA of 2.5% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the 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's and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County's Plan was 82.89% funded. The actuarial accrued liability (AAL) for benefits was \$11,459,933, and the actuarial value of assets was \$9,498,858, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,961,075. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,383,541, and ratio of the UAAL to the covered payroll was 57.96%.

As of June 30, 2010, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 90.84% funded. The actuarial accrued liability for benefits was \$1,648,499, and the actuarial value of assets was \$1,497,487, resulting in a UAAL of \$151,012. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,226,709, and ratio of the UAAL to the covered payroll was 12.31%.

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 plan assets is increasing or decreasing over time relative to the AAL for benefits.

For the June 30, 2010 actuarial valuation, there was a change in the assumed investment rate of return, which was reduced from 7.5% to 7.0%. This change will have affected the amounts reported in the Schedule of Funding Progress.

Note 12. Other Postemployment Benefits

The County and School Board adopted Government Auditing Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers of Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for non-pension postemployment benefits, the health care premiums for retirees.

A. Plan Provisions

In addition to providing the pension benefits described in Note 11, the County and School Board provide other postemployment benefits (OPEB) for employees who are eligible for retirement benefits. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and School Board and can be amended through its personnel manuals.

B. Funding Policy

The County and the School Board, as part of the budgetary process each year, establish employer contribution rates for their respective plan participants. The County 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. Retirees must pay their entire premium and pay 100% of family premiums if they participate. Coverage ceases when retirees reach the age of 65. Surviving family members of County employees can stay in the plan, but must pay the entire premium. Surviving family members of School Board employees cannot stay in its plan.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits (Continued)

C. Plan Description

Individuals who have attained the age of 50 with 10 years of service with the County and prior service through other Virginia agencies or who have attained the age of 55 with 5 years of service with the County and prior service through other Virginia agencies are eligible to receive benefits upon retirement. Health benefits include medical, dental, and vision coverage for retirees and eligible spouses. The retiree must pay the entire premium. Disabled individuals must meet the same eligibility requirements to be eligible for benefits. Participants in the School Board plan must meet the eligibility requirements based on service with the School system and prior service through other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. In addition, participants must meet at least one of the following criteria:

- Have attained age 50 and 10 years of service with the Virginia Retirement System
- Be disabled with at least 1 day of service with the School system, provided the disability did not exist at the time of employment
- Be between age 55 and 65

D. Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, 2011 was calculated as follows:

	County	School Board
Annual required contribution (ARC)	\$ 24,000	\$ 115,900
Interest on net OPEB obligation	1,696	3,532
Adjustment to annual required contribution	(1,467)	(3,169)
Annual OPEB cost	24,229	116,263
Estimated contributions made	(3,100)	(63,700)
Increase in net OPEB obligation	21,129	52,563
Net OPEB obligation, beginning of year	42,400	84,700
Net OPEB obligation, end of year	\$ 63,529	\$ 137,263

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

Trend Information

Two-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
County:			
June 30, 2011	\$ 24,229	12.79%	\$ 63,529
June 30, 2009	23,100	9.52%	42,400
School Board:			
June 30, 2011	\$ 116,263	54.79%	\$ 137,263
June 30, 2009	98,200	52.95%	84,700

E. Actuarial Methods and Assumptions

Valuation Methods

The projected unit credit (PUC) actuarial cost method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodology set forth in GASB Statement No. 45. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

Employees Included in the Calculations

All active employees are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Actuarial Assumptions

In the January 2009 County actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on discount rates of 4.0% and 7.5% for an unfunded and funded liability, respectively, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method. The actuarial liability was \$157,100. The remaining amortization period at June 30, 2009 was 30 years.

In the June 2011 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4% and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method. The actuarial liability was \$1,048,800. The remaining amortization period at June 30, 2011 was 30 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits (Continued)

F. Funding Status and Funding Progress

The following table shows the funding status for the County and School Board:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
July 1, 2009	\$ -	\$ 157,100	\$ 157,100	0.00%	\$ 3,657,600	4.30%
B. Component Unit – School Board:						
June 30, 2011	\$ -	\$ 1,048,800	\$ 1,048,800	0.00%	\$ 11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

Note 13. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2010 and 2009, the School Board paid \$86,243 and \$120,068, respectively, for non-professional employees toward these benefits, which was equal to the required contributions.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended, to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was .34% and 1.08% for the School Board's non-professional employees for the fiscal years ended June 30, 2010 and 2009, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2010 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 26 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – VRS Health Insurance Credit

C. Funded Status and Funding Progress

As of the actuarial valuation performed at June 30, 2010, the Plan for the School Board's employees was 0.00% funded. The AAL was \$22,105, and the actuarial value of assets was \$-0-, with a resulting UAAL of \$22,105.

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 the plan assets is increasing or decreasing over time relative to the AAL for benefits.

For the June 30, 2010 actuarial valuation, there was a change in the assumed investment rate of return, which was reduced from 7.5% to 7.0%. This change will have affected the amounts reported in the Schedule of Funding Progress.

Note 14. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the County has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools to operate as common risk management and insurance programs for member municipalities. The County is not self-insured.

The County has coverage with the Virginia Association of Counties Risk Pool (the "Pool") for all insurable risks identified by the County. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The County pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool 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. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Health Insurance – School Board

During the fiscal year, the School Board has chosen to retain a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There has been no significant reduction in insurance coverage during the past year.

School Board employees, retirees and employee dependents are eligible for medical benefits from a School Board, health insurance internal-service fund. Funding is provided by charges to School Board departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the School Board's annual liability.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management (Continued)

Based on the requirements of GASB Statement No. 10, the School Board records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2011:

Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
\$ -0-	\$ 1,338,250	\$ 1,177,173	\$ 161,077

Note 15. Commitments and Contingencies

Federal and State Assisted Programs

The County and School Board have received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Operating Leases

The County has numerous operating leases for office equipment. However, total future minimum lease commitments are considered insignificant.

Note 16. Pending GASB Statements

At June 30, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 61, *Financial Reporting Entity Omnibus*, will result in the financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Event

In August 2011, the King William County Board of Supervisors determined it to be advisable to refund all or a portion of the Economic Development Authority of the County's Lease Revenue Bonds, Series 2002, originally issued on October 17, 2002, for the purpose of acquisition, construction, and equipping of a new County courthouse and pay costs related to the financing. The bond may be issued in a maximum principal amount not to exceed \$5,250,000 and final maturity shall not exceed 19 years from the date of issuance.

Note 18. Restatement of Net Assets and Fund Balance

The following table shows the change to beginning fund balance from the amount previously reported:

	General Capital Projects
Fund balance, June 30, 2010, as previously reported	\$ 1,109,887
Effect of recording developer proffers received in prior years, previously recorded as revenue, as deferred revenue in the current fiscal year, to be recognized as revenue in the period for which the revenue is earned	<u>(1,220,374)</u>
Fund balance, June 30, 2010, as restated	<u>\$ (110,487)</u>

The following table shows the change to beginning net assets from the amount previously reported:

	Primary Government Governmental Activities
Net assets, June 30, 2010, as previously reported	\$ 3,293,921
Effect of recording developer proffers received in prior years, previously recorded as revenue, as deferred revenue in the current fiscal year, to be recognized as revenue in the period for which the revenue is earned	(1,220,374)
Effect of recording previously unrecorded and unamortized bond premiums and discounts for issuances prior to the current fiscal year	(227,957)
Effect of recording previously unrecorded landfill closure/post-closure liability	(61,275)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Restatement of Net Assets and Fund Balance (Continued)

	<u>Primary Government Governmental Activities</u>
Effect of recording bond payable liability, not recorded in previous fiscal years	\$ (115,000)
Net effect of capitalizing costs associated with the Mt. Olive construction project, which was expensed in prior fiscal years, net of accumulated depreciation	<u>1,415,097</u>
Net assets, June 30, 2010, as restated	<u><u>\$ 3,084,412</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT

Exhibit 9

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SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability(UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2010	\$ 9,498,858	\$ 11,459,933	\$ 1,961,075	82.89%	\$ 3,383,541	57.96%
June 30, 2009	9,138,622	10,363,582	1,224,960	88.18%	3,490,219	35.10%
June 30, 2008	8,661,220	9,555,939	894,719	90.64%	3,381,481	26.46%
B. Component Unit - School Board non-professional:						
June 30, 2010	\$ 1,497,487	\$ 1,648,499	\$ 151,012	90.84%	\$ 1,226,709	12.31%
June 30, 2009	1,357,656	1,373,188	15,532	98.87%	1,303,855	1.19%
June 30, 2008	1,166,111	1,143,670	(22,441)	101.96%	1,183,503	(1.90%)

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM HEALTH INSURANCE CREDIT PROGRAM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Component Unit - School Board non-professional:						
June 30, 2010	\$ -	\$ 22,105	\$ 22,105	0.00%	\$ 1,226,709	1.80%
June 30, 2009	-	17,405	17,405	0.00%	1,303,855	1.33%

SCHEDULE OF ANNUAL COST - VIRGINIA RETIREMENT SYSTEM HEALTH INSURANCE CREDIT PROGRAM

Fiscal Year Ended June 30,	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net Benefit Obligation
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Component Unit - School Board non-professional:

2010	\$ 86,243	100.00%	\$ -
2009	120,068	100.00%	-

COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT

Exhibit 9

Page 2

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2009	\$ -	\$ 157,100	\$ 157,100	0.00%	\$ 3,657,600	4.30%
B. Component Unit - School Board:						
June 30, 2011	\$ -	\$ 1,048,800	\$ 1,048,800	0.00%	\$ 11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2011	\$ 24,000	12.92%
2010	23,100	9.52%
B. Component Unit - School Board:		
2011	\$ 115,900	54.96%
2010	98,200	52.95%

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL CAPITAL PROJECTS
Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Developer proffers	\$ -	\$ 22,300	\$ 5,976	\$ (16,324)
Revenue from use of money	-	-	4	4
Recovered costs	-	-	8,660	8,660
Total revenues	-	22,300	14,640	(7,660)
Expenditures:				
Capital projects:				
Regional animal shelter	-	-	18,515	18,515
Revenues over (under) expenditures	-	22,300	(3,875)	(26,175)
Other financing use:				
Transfers out	-	22,300	(837)	(23,137)
Net change in fund balance	-	-	(4,712)	4,712
Fund balance (deficit), beginning, as restated	-	-	(110,487)	110,487
Fund balance (deficit), ending	\$ -	\$ -	\$ (115,199)	\$ 115,199

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SCHOOL CAPITAL PROJECTS
Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Revenue from use of money	\$ -	\$ -	\$ 196	\$ 196
Expenditures:				
Capital projects:				
Capital projects - high school	-	-	270,195	270,195
Revenues under expenditures	-	-	(269,999)	(269,999)
Other financing source:				
Issuance of debt	-	-	270,000	270,000
Change in fund balance	-	-	1	1
Fund balance, beginning	-	-	516	516
Fund balance, ending	\$ -	\$ -	\$ 517	\$ 517

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2011**

	Agency Funds		
	Special Welfare	VJCCCA	Totals
ASSETS			
Cash and cash equivalents	\$ 567	\$ -	\$ 567
Due from other governments	-	21,928	21,928
Total assets	\$ 567	\$ 21,928	\$ 22,495
LIABILITIES			
Amounts held for social services clients	\$ 567	\$ -	\$ 567
Due to other governments	-	14,054	14,054
Accounts payable	-	7,874	7,874
Total liabilities	\$ 567	\$ 21,928	\$ 22,495

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>SPECIAL WELFARE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 28,811	\$ -	\$ 28,244	\$ 567
LIABILITIES				
Amounts held for social services clients	\$ 28,811	\$ 567	\$ 28,811	\$ 567
<u>VJCCCA FUND</u>				
ASSETS				
Due from other governments	\$ 13,065	\$ 21,928	\$ 13,065	\$ 21,928
Total assets	\$ 13,065	\$ 21,928	\$ 13,065	\$ 21,928
LIABILITIES				
Due to other governments	\$ -	\$ 14,054	\$ -	\$ 14,054
Accounts payable	13,065	7,874	13,065	7,874
Total liabilities	\$ 13,065	\$ 21,928	\$ 13,065	\$ 21,928

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 28,811	\$ -	\$ 28,244	\$ 567
Due from other governments	13,065	21,928	13,065	21,928
Total assets	\$ 41,876	\$ 21,928	\$ 41,309	\$ 22,495
LIABILITIES				
Amounts held for social services clients	\$ 28,811	\$ 567	\$ 28,811	\$ 567
Due to other governments	-	14,054	-	14,054
Accounts payable	13,065	7,874	13,065	7,874
Total liabilities	\$ 41,876	\$ 22,495	\$ 41,876	\$ 22,495

COMBINING BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

June 30, 2011

	School Operating Fund	School Cafeteria Fund	Total Component Unit
ASSETS			
Cash and cash equivalents	\$ 1,163,659	\$ 221,475	\$ 1,385,134
Accounts receivable	67,211	-	67,211
Prepaid items	18,984	-	18,984
Due from other government units	1,345,843	-	1,345,843
Total assets	\$ 2,595,697	\$ 221,475	\$ 2,817,172
LIABILITIES			
Accounts payable	\$ 458,049	\$ -	\$ 458,049
Accrued liabilities	2,137,648	-	2,137,648
Total liabilities	2,595,697	-	2,595,697
FUND BALANCES			
Nonspendable:			
Prepaid items	18,984	-	18,984
Assigned:			
Cafeteria	-	221,475	221,475
Unassigned	(18,984)	-	(18,984)
Total fund balances	-	221,475	221,475
Total liabilities and fund balances	\$ 2,595,697	\$ 221,475	\$ 2,817,172

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2011**

Total fund balances - School Board	\$ 221,475
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

When capital assets 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.

Governmental capital assets	\$ 27,208,413	
Less: accumulated depreciation and amortization	<u>(12,548,912)</u>	
Net capital assets		14,659,501

Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

421,870

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 on the Statement of Net Assets.

Compensated absences	(202,115)	
Other postemployment benefits	<u>(137,263)</u>	
		<u>(339,378)</u>

Net assets of component unit		<u><u>\$ 14,963,468</u></u>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2011**

	School Operating Fund	School Cafeteria Fund	Total Component Unit
Revenues:			
Revenue from use of money and property	\$ 6,948	\$ 170	\$ 7,118
Charges for services	65,434	490,220	555,654
Miscellaneous revenue	29,318	26,150	55,468
Recovered costs	101,969	-	101,969
Intergovernmental:			
Appropriation from primary government	10,154,940	-	10,154,940
Commonwealth	11,203,990	19,837	11,223,827
Federal	2,255,242	508,002	2,763,244
Total revenues	23,817,841	1,044,379	24,862,220
Expenditures:			
Current:			
Education	23,817,841	1,016,479	24,834,320
Changes in fund balances	-	27,900	27,900
Fund Balances, beginning	-	193,575	193,575
Fund Balances, ending	\$ -	\$ 221,475	\$ 221,475

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2011**

Net change in fund balances - total governmental funds	\$	27,900
Amounts reported for governmental activities in the Statement of Activities are different because:		
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 and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.		
Expenditures for capital assets	\$	381,173
Less: depreciation and amortization expense		(700,824)
Excess of depreciation and amortization over capital outlays		(319,651)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		
		(270,301)
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.		
Change in other postemployment benefits		(48,963)
Change in compensated absences		(15,727)
		(64,690)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		2,107,974
Total expenses		(1,686,104)
		421,870
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit		1,279,424
Change in net assets of governmental activities	\$	1,074,552

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2011

	School Operating Fund				School Cafeteria Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)
Revenues:								
Revenue from use of money and property	\$ 4,300	\$ 4,300	\$ 6,948	\$ 2,648	\$ 250	\$ 250	\$ 170	\$ (80)
Charges for services	55,000	55,000	65,434	10,434	570,630	570,630	490,220	(80,410)
Miscellaneous revenue	2,000	2,000	29,318	27,318	18,200	18,200	26,150	7,950
Recovered costs	20,000	109,572	101,969	(7,603)	-	-	-	-
Intergovernmental:								
Appropriation from primary government	10,153,640	10,153,640	10,154,940	1,300	-	-	-	-
Commonwealth	10,473,370	10,886,168	11,203,990	317,822	19,000	19,000	19,837	837
Federal	1,944,920	1,939,920	2,255,242	315,322	405,430	405,430	508,002	102,572
Total revenues	22,653,230	23,150,600	23,817,841	667,241	1,013,510	1,013,510	1,044,379	30,869
Expenditures:								
Education:								
Instruction	14,813,520	15,214,318	15,189,859	(24,459)	-	-	-	-
Administration, attendance and health	1,204,670	1,261,242	1,228,243	(32,999)	-	-	-	-
Pupil transportation	1,393,730	1,393,730	1,390,520	(3,210)	-	-	-	-
Operation and maintenance	1,923,950	1,923,950	1,926,235	2,285	-	-	-	-
School food service costs	16,000	16,000	9,108	(6,892)	1,013,510	1,016,479	1,016,479	-
Technology	691,300	731,300	810,162	78,862	-	-	-	-
Reimbursement to primary government for debt service	2,290,410	2,290,410	2,271,432	(18,978)	-	-	-	-
Return of funds to primary government	289,650	289,650	992,282	702,632	-	-	-	-
Total expenditures	22,623,230	23,120,600	23,817,841	697,241	1,013,510	1,016,479	1,016,479	-
Excess (deficiency) of revenues over expenditures	30,000	30,000	-	(30,000)	-	(2,969)	27,900	30,869
Other financing use:								
Transfers out	(30,000)	(30,000)	-	30,000	-	-	-	-
Changes in fund balances	-	-	-	-	-	(2,969)	27,900	30,869
Fund Balances, beginning	-	-	-	-	-	-	-	-
Fund Balances, ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,969)	\$ 27,900	\$ 30,869

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - SCHOOL BOARD

FIDUCIARY FUNDS

June 30, 2011

	Agency Funds			
	School Activity Fund	Regional CTE Center	Regional Alternative Education Program	Totals
ASSETS				
Cash and cash equivalents	\$ 272,724	\$ 44,775	\$ 62,895	\$ 380,394
Accounts receivable	-	-	7,000	7,000
Total assets	\$ 272,724	\$ 44,775	\$ 69,895	\$ 387,394
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 7,365	\$ 7,365
Accrued liabilities	-	-	5,167	5,167
Held in trust	272,724	44,775	57,363	374,862
Total liabilities	\$ 272,724	\$ 44,775	\$ 69,895	\$ 387,394

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2011**

	Restated Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>SCHOOL ACTIVITY FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 222,962	\$ 589,449	\$ 539,687	\$ 272,724
LIABILITIES				
Held in trust	\$ 222,962	\$ 589,449	\$ 539,687	\$ 272,724
<u>REGIONAL CTE CENTER</u>				
ASSETS				
Cash and cash equivalents	\$ 49,572	\$ -	\$ 4,797	\$ 44,775
Total assets	\$ 49,572	\$ -	\$ 4,797	\$ 44,775
LIABILITIES				
Held in trust	\$ 49,572	\$ -	\$ 4,797	\$ 44,775
Total liabilities	\$ 49,572	\$ -	\$ 4,797	\$ 44,775
<u>REGIONAL ALTERNATIVE EDUCATION PROGRAM</u>				
ASSETS				
Cash and cash equivalents	\$ 64,428	\$ 371,370	\$ 372,903	\$ 62,895
Accounts receivable	-	7,000	-	7,000
Total assets	\$ 64,428	\$ 378,370	\$ 372,903	\$ 69,895
LIABILITIES				
Accounts payable	\$ -	\$ 7,365	\$ -	\$ 7,365
Accrued liabilities	-	5,167	-	5,167
Held in trust	64,428	-	7,065	57,363
Total liabilities	\$ 64,428	\$ 12,532	\$ 7,065	\$ 69,895

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2011**

	Restated Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 336,962	\$ 960,819	\$ 917,387	\$ 380,394
Accounts receivable	-	7,000	-	7,000
Total assets	\$ 336,962	\$ 967,819	\$ 917,387	\$ 387,394
LIABILITIES				
Accounts payable	\$ -	\$ 7,365	\$ -	\$ 7,365
Accrued liabilities	-	5,167	-	5,167
Held in trust	336,962	589,449	551,549	374,862
Total liabilities	\$ 336,962	\$ 601,981	\$ 551,549	\$ 387,394

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD

June 30, 2011

	Self- Insurance
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 582,947
	<hr/>
Total assets	582,947
	<hr/>
LIABILITIES	
Current liabilities:	
Insurance and benefit claims	161,077
	<hr/>
Total liabilities	161,077
	<hr/>
NET ASSETS	
Unrestricted	421,870
	<hr/>
Total net assets	\$ 421,870
	<hr/>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2011

	Self- Insurance
Operating revenues:	
Charges for services	\$ 2,107,674
Total operating revenues	<u>2,107,674</u>
Operating expenses:	
Administrative charges	164,486
Risk financing and benefit payments	1,338,250
Reinsurance premium	<u>183,368</u>
Total operating expenses	<u>1,686,104</u>
Operating income	<u>421,570</u>
Nonoperating revenue:	
Interest revenue	<u>300</u>
Total nonoperating revenue	<u>300</u>
Change in net assets	421,870
Total net assets, beginning	<u>-</u>
Total net assets, ending	<u><u>\$ 421,870</u></u>

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD

Year Ended June 30, 2011

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 2,107,674
Claims and benefits paid	(1,177,173)
Payments to suppliers for goods and services	(347,854)
	<hr/>
Net cash provided by operating activities	582,647
	<hr/>
Cash Flows From Investing Activities:	
Interest received on investment securities	300
	<hr/>
Net increase in cash and cash equivalents	582,947
Cash and Cash Equivalents:	
Beginning	-
	<hr/>
Ending	\$ 582,947
	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 421,570
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	161,077
	<hr/>
Net cash provided by operating activities	\$ 582,647
	<hr/>

SUPPLEMENTAL SCHEDULE

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2011**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 11,307,000	\$ 11,307,000	\$ 11,501,691	\$ 194,691
Real and personal public service corporation property	248,700	248,700	314,655	65,955
Personal property	2,264,810	2,264,810	2,279,190	14,380
Machinery and tools	1,432,700	1,432,700	1,342,107	(90,593)
Penalties	150,000	150,000	164,877	14,877
Interest	95,000	95,000	147,732	52,732
Total general property taxes	15,498,210	15,498,210	15,750,252	252,042
Other local taxes:				
Consumer utility	225,000	225,000	226,901	1,901
Business licenses	354,000	354,000	299,881	(54,119)
Motor vehicle licenses	296,630	296,630	357,659	61,029
Bank stock	61,000	61,000	50,392	(10,608)
Taxes on recordation and wills	182,000	182,000	138,994	(43,006)
Meals tax	225,000	225,000	228,124	3,124
Local sales and use	-	-	722,243	722,243
Total other local taxes	1,343,630	1,343,630	2,024,194	680,564
Permits, privilege fees and regulatory licenses:				
Animal licenses	15,000	15,000	9,928	(5,072)
Building permits	87,000	87,000	54,223	(32,777)
Other permits and licenses	115,100	115,100	116,071	971
Total permits, privilege fees and regulatory licenses	217,100	217,100	180,222	(36,878)
Fines and forfeitures	80,100	80,100	79,454	(646)
Revenue from use of money and property:				
Revenue from use of money	50,000	50,000	33,800	(16,200)
Revenue from use of property	39,000	39,000	33,703	(5,297)
Total revenue from use of money and property	89,000	89,000	67,503	(21,497)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2011

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Planning and community development	\$ 600	\$ 600	\$ 856	\$ 256
Law enforcement and traffic control	200	200	228	28
Court costs	10,920	10,920	9,532	(1,388)
Commonwealth attorney's fees	600	600	552	(48)
Sanitation and waste removal	190,000	190,000	168,958	(21,042)
Parks and recreation	88,190	88,190	131,642	43,452
Animal shelter	7,150	7,150	10,756	3,606
EMS billings	-	-	133,030	133,030
Total charges for services	297,660	297,660	455,554	157,894
Miscellaneous	4,800	4,800	21,906	17,106
Reimbursements from component unit:				
Reimbursement from component unit for debt service	-	-	2,271,432	2,271,432
Return of funds from component unit	-	-	992,282	992,282
Total reimbursements from component unit	-	-	3,263,714	3,263,714
Recovered costs:				
JDRC Recovery	4,000	4,000	3,570	(430)
High school resources officer	54,020	54,020	51,473	(2,547)
Other recovered costs	101,810	101,810	103,324	1,514
Total recovered costs	159,830	159,830	158,367	(1,463)
Total revenue from local sources	17,690,330	17,690,330	22,001,166	4,310,836
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling tax	6,500	6,500	13,355	6,855
Communications sales and use	354,000	354,000	373,418	19,418
Timber sales	1,000	1,000	7,451	6,451
Recordation tax	65,000	65,000	49,220	(15,780)
Motor vehicles carriers' tax	16,000	16,000	16,662	662
Motor vehicle rental tax	1,800	1,800	2,040	240
State budget reduction	(56,000)	(69,247)	(68,283)	964
Personal property tax relief	1,204,130	1,204,130	1,204,131	1
Miscellaneous	-	-	321	321
Total non-categorical aid	1,592,430	1,579,183	1,598,315	19,132

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2011

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over				
	Original	Final		(Under)				
Primary Government: (Continued)								
General Fund: (Continued)								
Intergovernmental: (Continued)								
Revenue from the Commonwealth: (Continued)								
Categorical aid:								
Shared costs:								
Commonwealth attorney	\$	144,540	\$	144,540	\$	151,649	\$	7,109
Sheriff		680,730		680,730		666,782		(13,948)
Commissioner of the revenue		79,530		79,530		85,623		6,093
Treasurer		70,160		70,160		66,569		(3,591)
Registrar/Electoral Board		43,640		43,640		38,011		(5,629)
Clerk of circuit court		150,800		150,800		169,920		19,120
Total shared costs		1,169,400		1,169,400		1,178,554		9,154
Other categorical aid:								
Welfare administration assistance		313,340		313,340		300,947		(12,393)
Victim witness assistance grant		50,550		50,550		50,548		(2)
Emergency services - four for life		10,000		10,000		17,104		7,104
Litter control grant		6,630		6,630		7,644		1,014
Fire program		25,520		25,520		29,683		4,163
Radiological emergency preparedness		10,000		10,000		10,000		-
Wireless E-911 grant		81,530		81,530		39,330		(42,200)
Miscellaneous public safety grants		-		-		2,727		2,727
Comprehensive services		370,000		370,000		382,430		12,430
Community development		-		-		10,000		10,000
Miscellaneous		5,000		5,000		10,188		5,188
Total other categorical aid		872,570		872,570		860,601		(11,969)
Total categorical aid		2,041,970		2,041,970		2,039,155		(2,815)
Total revenue from the Commonwealth		3,634,400		3,621,153		3,637,470		16,317
Revenue from the federal government:								
Categorical aid:								
Welfare and administration assistance		563,680		563,680		638,077		74,397
Community development		-		-		39,205		39,205
Public safety		-		-		13,271		13,271
Total categorical aid		563,680		563,680		690,553		126,873
Total revenue from the federal government		563,680		563,680		690,553		126,873
Total intergovernmental		4,198,080		4,184,833		4,328,023		143,190
Total General Fund	\$	21,888,410	\$	21,875,163	\$	26,329,189	\$	4,454,026

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2011

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Capital Projects Fund:				
Revenue from local sources:				
Developer proffers	\$ -	\$ 22,300	\$ 5,976	\$ (16,324)
Revenue from use of money	-	-	4	4
Recovered costs:				
King and Queen share - regional animal shelter	-	-	8,660	8,660
Total revenue from local sources	-	22,300	14,640	(7,660)
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	196	196
Total School Capital Projects Fund	\$ -	\$ -	\$ 196	\$ 196
Grand Total Revenues - Primary Government	\$ 21,888,410	\$ 21,897,463	\$ 26,344,025	\$ 4,446,562
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,300	\$ 1,300	\$ 598	\$ (702)
Revenue from use of property	3,000	3,000	6,350	3,350
Total revenue from use of money and property	4,300	4,300	6,948	2,648
Charges for services	55,000	55,000	65,434	10,434
Miscellaneous revenue	2,000	2,000	29,318	27,318
Recovered costs:				
E-rate	20,000	60,000	97,969	37,969
Other recovered costs	-	49,572	4,000	(45,572)
Total recovered costs	20,000	109,572	101,969	(7,603)
Total revenue from local sources	81,300	170,872	203,669	32,797

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2011

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenue:				
Appropriation from primary government	\$ 10,153,640	\$ 10,153,640	\$ 10,154,940	\$ 1,300
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	1,743,100	1,743,100	2,015,956	272,856
Basic school aid	5,910,590	5,910,590	6,040,499	129,909
Special education	915,990	915,990	937,399	21,409
Textbook payment	75,430	75,430	77,196	1,766
Alternative education	-	407,798	372,903	(34,895)
Fringe benefits - SS/teacher retirement	613,060	613,060	627,382	14,322
Technology	154,000	154,000	79,151	(74,849)
Hold harmless	537,100	537,170	490,641	(46,529)
Other state funds	524,100	529,030	562,863	33,833
Total revenue from the Commonwealth	10,473,370	10,886,168	11,203,990	317,822
Revenue from the federal government:				
Categorical aid:				
Title I	186,000	186,000	143,648	(42,352)
ARRA - Title I	125,300	125,300	120,833	(4,467)
Special education - preschool	14,200	14,200	27,715	13,515
Title VI-B flow through	461,490	461,490	416,005	(45,485)
ARRA - Title VI-B flow through	250,600	250,600	329,877	79,277
Title XI - Indian education	8,000	8,000	15,473	7,473
Vocational education	26,000	26,000	40,360	14,360
Title II - Eisenhower	67,500	67,500	51,902	(15,598)
Title II - Technology	5,000	-	8,987	8,987
Drug free	5,000	5,000	3,150	(1,850)
Air force - ROTC	60,000	60,000	68,462	8,462
ARRA - State fiscal stabilization	735,830	735,830	1,019,595	283,765
Other	-	-	9,235	9,235
Total revenue from the federal government	1,944,920	1,939,920	2,255,242	315,322
Total intergovernmental	22,571,930	22,979,728	23,614,172	634,444
Total School Operating Fund	\$ 22,653,230	\$ 23,150,600	\$ 23,817,841	\$ 667,241

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2011

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 250	\$ 250	\$ 170	\$ (80)
Charges for service	570,630	570,630	490,220	(80,410)
Miscellaneous	18,200	18,200	26,150	7,950
Total revenue from local sources	589,080	589,080	516,540	(72,540)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	19,000	19,000	19,837	837
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	405,430	405,430	508,002	102,572
Total intergovernmental	424,430	424,430	527,839	103,409
Total School Cafeteria Fund	\$ 1,013,510	\$ 1,013,510	\$ 1,044,379	\$ 30,869
Grand Total Revenues - Component Unit - School Board	\$ 23,666,740	\$ 24,164,110	\$ 24,862,220	\$ 698,110

STATISTICAL SECTION

COUNTY OF KING WILLIAM, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

Contents	Tables
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.	1-4
Revenue Capacity These tables contain information to help the reader assess the County's most significant local revenue source, property tax.	5-9
Debt Capacity These tables present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	10-12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County operates.	13-14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the financial reports relates to the services the County provides and the activities it performs.	15-17

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

COUNTY OF KING WILLIAM, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Eight Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Primary government:								
Governmental activities:								
Invested in capital assets, net of related debt	\$ (662,613)	\$ 930,177	\$ (659,035)	\$ 68,259	\$ 265,030	\$ (312,223)	\$ (513,010)	\$ 1,669,963
Reserved for permanent fund	1,921,039	-	43,036	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	64,245
Unrestricted	882,101	254,796	(783,037)	(869,156)	594,739	2,373,837	3,806,931	3,502,991
Total governmental activities net assets	\$ 2,140,527	\$ 1,184,973	\$ (1,399,036)	\$ (800,897)	\$ 859,769	\$ 2,061,614	\$ 3,293,921	\$ 5,237,199

COUNTY OF KING WILLIAM, VIRGINIA

Table 2

CHANGES IN NET ASSETS

Last Nine Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government administration	\$ 1,134,154	\$ 1,266,888	\$ 1,271,109	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984	\$ 1,577,182	\$ 1,764,919	\$ 1,379,801
Judicial administration	347,522	360,726	597,394	546,844	703,379	709,576	723,263	704,861	719,715
Public safety	2,648,174	3,068,285	3,371,458	3,876,633	2,902,265	3,607,687	4,049,433	3,861,928	4,206,900
Public works	1,089,605	1,257,118	1,291,848	1,365,801	1,634,409	1,663,886	1,702,038	1,546,058	1,693,960
Health and welfare	1,208,630	1,302,442	1,520,575	1,633,408	1,647,634	1,756,619	1,950,087	2,001,233	1,837,002
Education	5,840,723	8,592,689	6,480,149	8,735,293	7,914,185	7,904,725	8,541,759	8,109,049	11,942,827
Parks, recreation and cultural	577,685	630,563	675,125	768,139	795,222	808,883	856,020	805,377	836,773
Community development	521,455	475,418	509,256	588,039	632,854	628,507	602,788	728,707	537,673
Interest	588,299	1,625,043	1,565,132	1,650,115	1,683,999	1,726,966	1,470,892	1,505,477	1,031,300
Total governmental activities	13,956,247	18,579,172	17,282,046	20,583,514	19,501,459	20,460,833	21,473,462	21,027,609	24,185,951
Program revenue:									
Governmental activities:									
Charges for services:									
General government administration	4,071	550	908	-	-	-	-	-	-
Judicial administration	88,888	92,464	110,884	76,748	70,068	89,529	94,142	90,863	15,765
Public safety	92,809	6,998	163,256	149,436	141,582	155,621	129,696	94,812	394,742
Public works	47,124	215,880	135,539	144,706	242,938	283,945	118,984	130,839	168,958
Parks, recreation and cultural	58,705	60,308	65,390	63,657	62,935	90,002	103,290	86,706	131,642
Community development	122,973	114,453	326,978	280,923	366,445	429,266	193,292	174,608	177,126
Operating grants and contributions:									
General government administration	187,380	231,496	196,230	212,953	228,053	258,221	250,522	229,637	190,203
Judicial administration	279,020	223,772	303,716	395,244	373,098	357,510	387,240	341,892	372,117
Public safety	899,663	766,975	788,198	843,276	855,926	883,349	1,007,777	835,995	784,085
Public works	5,634	5,697	5,545	8,325	6,886	8,390	8,169	6,629	7,644
Health and welfare	824,542	839,269	1,061,677	1,068,504	1,068,868	1,133,758	1,301,243	1,386,233	1,321,454
Education	-	-	-	-	-	-	-	-	3,263,714
Parks, recreation and cultural	-	5,698	-	-	5,000	5,639	5,000	5,319	5,000
Community development	74,133	40,786	8,000	-	-	-	-	-	49,205
Capital grants and contributions:									
Public safety	-	105,548	-	-	-	-	-	25,550	-
Education	838,769	126,292	125,456	126,002	171,793	128,496	130,926	-	-
Community development	-	121,237	251,377	383,705	497,796	120,173	24,779	212,500	-
Total governmental activities revenues	3,523,711	2,957,423	3,543,154	3,753,479	4,091,388	3,943,899	3,755,060	3,621,583	6,881,655
Total primary government net expense	(10,432,536)	(15,621,749)	(13,738,892)	(16,830,035)	(15,410,071)	(16,516,934)	(17,718,402)	(17,406,026)	(17,304,296)

General revenues and other changes in net assets:

Governmental activities:

General property taxes	8,649,191	9,236,755	10,121,543	11,133,059	12,411,669	14,880,517	15,855,934	15,559,634	15,744,965
Grants and contributions not restricted to specific programs	1,162,588	1,192,490	1,184,450	1,323,143	1,331,018	1,323,126	1,242,316	1,262,902	1,598,315
Local sales and use	-	-	-	-	-	-	-	-	722,243
Consumer utility	367,865	353,768	367,020	392,552	316,991	226,398	216,877	224,395	226,901
Business licenses	217,014	236,897	243,080	343,348	307,841	353,398	376,767	278,531	299,881
Motor vehicle licenses	249,281	254,397	264,436	274,860	268,331	283,490	290,584	299,404	357,659
Emergency telephone tax	177,369	173,796	171,262	191,211	94,613	-	-	-	-
Taxes on recordation and wills	-	-	-	-	-	-	-	156,970	138,994
Communication sales tax	-	-	-	-	-	388,000	373,713	375,273	-
Other local taxes	156,253	179,069	327,245	399,023	614,552	370,588	332,040	389,986	278,516
Revenues from uses of money and property	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982	67,703
Miscellaneous	2,246	18,133	13,273	83,195	391,817	21,058	114,945	14,256	21,906
Total general revenues	11,290,681	11,764,225	12,783,338	14,246,027	16,008,211	18,177,600	18,920,247	18,638,333	19,457,083
Change in net assets	\$ 858,145	\$ (3,857,524)	\$ (955,554)	\$ (2,584,008)	\$ 598,140	\$ 1,660,666	\$ 1,201,845	\$ 1,232,307	\$ 2,152,787

COUNTY OF KING WILLIAM, VIRGINIA

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Reserved:										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,423	\$ 448,725	\$ 448,725	\$ -
Unreserved, designated	427,839	-	755,670	-	43,036	-	-	-	-	-
Unreserved, undesignated	2,032,599	2,487,016	677,017	102,245	(1,410,084)	(1,573,398)	(878,836)	725,041	1,761,923	-
Nonspendable	-	-	-	-	-	-	-	-	-	31,352
Restricted	-	-	-	-	-	-	-	-	-	63,728
Committed	-	-	-	-	-	-	-	-	-	2,633,223
Unassigned	-	-	-	-	-	-	-	-	-	1,542,611
Total General Fund	2,460,438	2,487,016	1,432,687	102,245	(1,367,048)	(1,573,398)	(614,413)	1,173,766	2,210,648	4,270,914
All Other Governmental Funds:										
Reserved:										
General capital projects	402,796	5,440,537	1,874,124	1,128,317	1,793,405	1,484,039	1,239,343	1,033,113	1,109,887	-
School capital projects	-	4,532,599	46,915	314,144	195,912	363,158	762,739	21,470	516	-
Restricted	-	-	-	-	-	-	-	-	-	517
Unassigned	-	-	-	-	-	-	-	-	-	(115,199)
Total all other governmental funds	402,796	9,973,136	1,921,039	1,442,461	1,989,317	1,847,197	2,002,082	1,054,583	1,110,403	(114,682)
Total fund balances	\$ 2,863,234	\$ 12,460,152	\$ 3,353,726	\$ 1,544,706	\$ 622,269	\$ 273,799	\$ 1,387,669	\$ 2,228,349	\$ 3,321,051	\$ 4,156,232

Note:

- (1) In fiscal year 2011, the County implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

COUNTY OF KING WILLIAM, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
General property taxes	\$ 10,714,845	\$ 8,770,382	\$ 9,215,984	\$ 10,080,458	\$ 11,046,031	\$ 12,335,200	\$ 14,645,208	\$ 15,598,733	\$ 15,393,779	\$ 15,750,252
Other local taxes	910,499	1,167,782	1,197,927	1,373,043	1,600,994	1,602,328	1,621,874	1,589,981	1,724,559	2,024,194
Permits, privilege fees, proffers and regulatory licenses	116,444	227,223	273,876	493,216	429,832	507,487	582,677	322,076	261,567	186,198
Fines and forfeitures	59,489	82,355	66,670	105,668	68,228	61,357	80,343	82,334	79,556	79,454
Revenue from use of money and property	99,912	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982	67,703
Charges for services	139,745	104,992	150,106	204,071	217,410	315,124	385,344	234,994	236,705	455,554
Miscellaneous	45,185	2,247	18,133	13,271	83,197	391,816	21,057	114,945	14,256	21,906
Reimbursement from component unit	-	-	-	-	-	-	-	-	-	3,263,714
Recovered costs	21,187	260,187	11,951	69,702	391,314	399,878	178,107	241,834	152,078	167,027
Intergovernmental:										
Commonwealth	2,511,857	3,679,339	2,849,923	3,012,019	3,351,886	3,420,574	3,556,576	3,719,698	3,532,727	3,637,470
Federal	509,840	592,390	809,337	912,630	1,009,266	1,117,864	662,086	638,274	773,930	690,553
Total revenues	15,129,003	15,195,771	14,712,827	16,355,107	18,303,794	20,423,007	22,064,297	22,659,940	22,246,139	26,344,025
Expenditures:										
General government administration	1,041,859	1,074,787	1,213,050	1,213,608	1,355,995	1,481,314	1,606,483	1,547,498	1,732,673	1,372,400
Judicial administration	334,282	345,525	357,920	379,921	483,269	545,276	548,832	595,412	538,227	570,469
Public safety	2,907,125	2,534,857	2,861,292	3,499,385	4,077,047	3,288,323	3,702,708	4,194,591	4,026,891	4,100,800
Public works	1,062,332	1,308,179	1,152,167	1,218,343	1,258,884	1,519,831	1,796,594	1,530,499	1,564,364	1,574,143
Health and welfare	848,669	1,201,238	1,303,245	1,518,078	1,632,905	1,641,189	1,754,245	1,933,241	2,005,090	1,915,180
Education	4,579,180	5,007,907	5,820,776	5,013,809	5,748,257	5,830,758	5,924,555	6,181,401	6,198,939	10,161,600
Parks, recreation and cultural	534,576	569,447	625,579	666,640	755,898	783,565	806,175	858,490	748,180	801,103
Community development	398,712	517,106	480,815	509,256	584,745	1,051,637	625,676	606,026	729,608	545,236
Capital outlays	388,948	11,957,118	6,890,404	983,746	574,226	2,273,439	2,275,620	1,060,899	43,034	288,710
Debt service:										
Principal	928,029	8,403,762	1,526,077	2,050,590	2,103,893	2,107,408	2,145,961	2,073,919	2,052,456	2,088,978
Interest and fiscal charges	584,612	1,012,106	1,594,867	1,761,426	1,701,112	1,772,121	1,818,578	1,637,624	1,513,975	1,139,851
Total expenditures	13,608,324	33,932,032	23,826,192	18,814,802	20,276,231	22,294,861	23,005,427	22,219,600	21,153,437	24,558,470
Excess (deficiency) of revenues over (under) expenditures	1,520,679	(18,736,261)	(9,113,365)	(2,459,695)	(1,972,437)	(1,871,854)	(941,130)	440,340	1,092,702	1,785,555
Other financing sources (uses):										
Operating transfers in	-	26,268	200,000	163,832	375,001	-	-	-	-	-
Operating transfers out	-	(26,268)	(200,000)	(163,832)	(375,001)	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(7,517,961)	-	-	(1,511,962)	-	-	-	-
Long-term debt issued	-	25,258,732	7,055,000	605,000	1,050,000	2,950,000	2,055,000	-	-	270,000
Premium on debt issued	-	525,107	469,900	45,675	-	85,346	-	-	-	-
Total other financing sources, net	-	25,783,839	6,939	650,675	1,050,000	1,523,384	2,055,000	-	-	270,000
Net change in fund balance	\$ 1,520,679	\$ 7,047,578	\$ (9,106,426)	\$ (1,809,020)	\$ (922,437)	\$ (348,470)	\$ 1,113,870	\$ 440,340	\$ 1,092,702	\$ 2,055,555
Debt service as a percentage of noncapital expenditures	11.44%	42.85%	18.43%	21.38%	19.31%	19.38%	19.12%	17.54%	16.89%	13.30%

COUNTY OF KING WILLIAM, VIRGINIA

Table 5

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property	Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle Licenses	Taxes on Recordation and Wills	Emergency Telephone	Communications (2)	Other Local	Total
2002	\$ 10,714,945	\$ -	\$ 354,614	\$ 27,145	\$ 250,095	\$ 70,762	\$ 145,258	\$ -	\$ 62,625	\$ 11,625,444
2003	8,770,382	-	367,865	217,014	249,281	105,570	177,369	-	50,683	9,938,164
2004	9,215,984	-	353,768	236,897	254,397	122,868	173,796	-	56,201	10,413,911
2005	10,080,458	-	367,020	243,080	264,436	268,045	171,262	-	59,200	11,453,501
2006	11,046,031	-	392,552	343,348	274,860	333,505	191,211	-	65,518	12,647,025
2007	12,335,200	-	316,991	307,841	268,331	368,069	94,613	176,376	70,107	13,937,528
2008	14,645,208	-	226,398	353,398	283,490	297,711	-	388,000	72,877	16,267,082
2009	15,598,733	-	216,877	376,767	290,584	202,938	-	373,713	129,102	17,188,714
2010	15,393,779	-	224,395	278,531	299,404	156,970	-	375,273	389,986	17,118,338
2011	15,750,252	722,243	226,901	299,881	357,659	138,994	-	-	278,516	17,774,446

Notes:

(1) Prior to fiscal year 2011, local sales and use tax receipts were accounted for in a separate agency fund. In the current fiscal year, the agency fund was blended into the General Fund.

(2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes.

COUNTY OF KING WILLIAM, VIRGINIA

Table 6

ASSESSED AND ESTIMATED VALUE OF PROPERTY

Last Ten Calendar Years

(Unaudited)

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Merchants' Capital	Direct Tax Rate	Public Service (2)	Total Direct Tax	Total
2001	\$ 718,618,250	\$ 0.94	\$ 82,662,496	\$ 3.55	\$ 87,071,707	\$ 3.00	\$ 2,890,646	\$ 3.90	\$ 37,389,664	\$ 1.39	\$ 928,632,763
2002	742,579,474	0.94	84,222,914	3.55	153,862,093	2.30	-	-	34,503,520	1.38	1,015,168,001
2003	765,744,726	1.08	83,436,554	3.55	148,076,370	2.30	-	-	33,431,805	1.47	1,030,689,455
2004	909,258,951	0.87	84,621,184	3.65	148,254,803	2.30	-	-	30,502,008	1.26	1,172,636,946
2005	1,066,913,767	0.92	95,011,903	3.65	135,948,296	2.30	-	-	39,061,299	1.26	1,336,935,265
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787	2.30	-	-	30,792,861	1.27	1,395,622,550
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977	2.50	-	-	32,529,671	1.32	1,684,519,040
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279	2.45	-	-	44,709,244	1.12	1,948,080,592
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870	2.45	-	-	40,248,359	1.10	1,951,759,141
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904	2.45	-	-	42,974,549	1.10	1,959,156,921

Notes:

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

COUNTY OF KING WILLIAM, VIRGINIA

Table 7

PROPERTY TAX RATES (1)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital	Public Service		Total Direct Tax Rate
					Real Estate	Personal Property	
2001-02	\$ 0.94/0.23	\$ 3.55/0.34	\$ 3.00/1.50	\$ 3.90/1.10	\$ 0.99/0.23	\$ 3.55/0.34	\$ 1.39
2002-03	0.94/0.23	3.55/0.34	2.30/0.80	3.90/1.10	0.94/0.23	3.55/0.34	1.38
2003-04	1.08/0.23	3.55/0.34	2.30/0.80	-	1.08/0.23	3.30/0.34	1.47
2004-05	0.87/0.23	3.65/0.34	2.30/0.80	-	0.87/0.23	3.65/0.34	1.26
2005-06	0.92/0.23	3.65/0.34	2.30/0.80	-	0.87/0.23	3.65/0.34	1.26
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	-	0.92/0.25	3.65/0.34	1.27
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	-	0.99/0.29	3.65/0.50	1.32
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.12
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.10
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.10

Notes:

(1) Per \$100 of assessed value

(2) For each type of tax, the two rates include that which is charged by the County, as well as the rate that is attributable to the County portion of the tax collected by the Town of West Point.

COUNTY OF KING WILLIAM, VIRGINIA

Table 8

PRINCIPAL TAXPAYERS

Current Year and Ten Years Ago

(Unaudited)

Taxpayer	Type of Business	Fiscal Year June 30,					
		2011			2001		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation*	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation*
Smurfit Stone Container Corporation	Paper Mill	\$ 39,901,700	1	2.40%	\$ 40,416,800	1	5.30%
Nestle Purina Pet Care	Cat Litter	8,215,000	2	0.49%	-		-
Central Garage Partnership	Developer	4,389,100	3	0.26%	3,730,500	3	0.36%
Charles S. Hunter, III	Land-Owner	2,189,400	4	0.13%	1,833,700	6	0.27%
The Lafferty Foundation	Grain Farm	2,875,300	5	0.17%	3,003,000	4	0.36%
Old Town LLC	Developer	2,575,700	6	0.15%	1,786,200	7	0.23%
Romancoke LLC	Land-Owner	2,455,900	7	0.15%	-		-
Widespread Properties LLC	Developer	2,282,700	8	0.14%	-		-
Siegel Family LP	Land-Owner	2,135,800	9	0.13%	-		-
Central Garage LLC	Developer	2,148,100	10	0.13%	-		-
John N. Mills & Sons	Grain Farm	-		-	3,763,900	2	0.54%
John T. & Alice H. Siegel	Land-Owner	-		-	2,760,800	5	0.28%
J. Harvey Martin Estate	Grain Farm	-		-	1,395,700	8	0.22%
Hayes Farm Partnership (I and II)	Sand and Gravel	-		-	1,194,300	9	0.21%
Frischkorn Limited L.	Petroleum	-		-	1,180,580	10	0.20%
Total		\$ 69,168,700		4.15%	\$ 61,065,480		7.97%

*Excludes Land Use Values

COUNTY OF KING WILLIAM, VIRGINIA

Table 9

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total (1)(3) Tax Levy	Current Tax (1)(3) Collections	Percent of Levy Collected	Delinquent Tax (1)(2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2001-02	\$ 11,911,979	\$ 11,419,975	95.87%	\$ 250,706	\$ 11,670,681	97.97%	\$ 701,051	5.89%
2002-03	9,639,712	9,371,946	97.22%	258,054	9,630,000	99.90%	714,184	7.41%
2003-04	10,103,620	9,932,651	98.31%	259,241	10,191,892	100.87%	701,441	6.94%
2004-05	11,102,130	10,736,144	96.70%	316,868	11,053,012	99.56%	779,445	7.02%
2005-06	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%	847,685	6.97%
2006-07	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%	970,125	7.22%
2007-08	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%	1,169,629	7.36%
2008-09	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%	1,429,258	8.36%
2009-10	17,712,478	16,089,974	90.84%	549,087	16,639,061	93.94%	1,661,636	9.38%
2010-11	16,992,846	14,898,722	87.68%	515,696	15,414,418	90.71%	1,578,428	9.29%

Notes:

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Locality began semi-annual real estate billing for the fiscal year ended June 30, 2002.

COUNTY OF KING WILLIAM, VIRGINIA

Table 10

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Capital Leases	Revenue Bonds			
2002	\$ 1,585,000	\$ 8,066,033	\$ 10,200,000	\$ 2,681,796	\$ 22,532,829	5.75%	\$ 1,454
2003	14,678,732	7,472,468	8,667,961	8,603,756	39,422,917	9.73%	2,557
2004	20,914,869	6,895,253	1,095,000	8,528,757	37,433,879	8.44%	2,496
2005	20,316,893	6,329,688	1,040,000	8,301,711	35,988,292	7.57%	2,499
2006	19,077,720	5,764,123	980,000	9,112,556	34,934,399	7.67%	2,371
2007	17,852,301	5,198,558	920,000	10,381,132	34,351,991	6.89%	2,233
2008	16,635,583	4,633,069	855,000	12,137,378	34,261,030	6.87%	2,227
2009	15,507,512	4,073,432	785,000	11,821,167	32,187,111	6.05%	2,007
2010	14,438,031	3,539,232	790,736	11,442,351	30,210,350	5.44%	1,859
2011	13,622,081	3,105,032	668,380	11,110,879	28,506,372	4.90%	1,789

Note:

(1) See demographic statistics on Table 13.

COUNTY OF KING WILLIAM, VIRGINIA

Table 11

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Debt Payable From Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2001-02	13,700	\$ 928,632,763	\$ 15,014,625	\$ 2,681,796	\$ 12,332,829	1.33%	\$ 900
2002-03	13,900	1,015,168,001	30,754,956	8,603,756	22,151,200	2.18%	1,594
2003-04	14,334	1,030,689,455	36,338,879	8,528,757	27,810,122	2.70%	1,940
2004-05	14,515	1,172,636,946	34,948,292	8,301,711	26,646,581	2.27%	1,836
2005-06	14,732	1,336,935,265	33,954,339	9,112,556	24,841,783	1.86%	1,686
2006-07	15,381	1,395,622,550	33,431,991	10,381,132	23,050,859	1.65%	1,499
2007-08	15,381	1,684,519,040	33,406,030	12,137,378	21,268,652	1.26%	1,383
2008-09	16,040	1,948,080,592	31,402,111	11,821,167	19,580,944	1.01%	1,221
2009-10	16,255	1,951,759,141	29,419,614	11,442,351	17,977,263	0.92%	1,106
2010-11	15,935	1,959,156,921	27,837,992	11,110,879	16,727,113	0.85%	1,050

Notes:

(1) www.fedstats.gov - 2009-10 information obtained from County records.

(2) Amounts taken from Table 6.

(3) Includes all long-term general obligation bonded debt and State Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences.

COUNTY OF KING WILLIAM, VIRGINIA

Table 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

At June 30, 2011

(Unaudited)

		Debt Outstanding
County of King William	100%	\$ 27,837,992

The County of King William has no overlapping debt.

COUNTY OF KING WILLIAM, VIRGINIA

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Population	(1) Per Capita Income	Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2001-02	13,700	\$ 28,594	\$ 391,737,800	1,800	4.10%
2002-03	13,900	29,147	405,143,300	1,870	3.80%
2003-04	14,334	30,926	443,299,000	1,859	4.20%
2004-05	14,515	32,771	475,672,000	1,909	3.50%
2005-06	14,732	30,916	455,454,512	2,021	2.60%
2006-07	15,381	32,417	498,605,877	2,055	2.80%
2007-08	15,381	32,417	498,605,877	2,120	3.70%
2008-09	16,040	33,186	532,303,440	2,139	7.40%
2009-10	16,255	34,138	554,913,190	2,144	7.00%
2010-11	15,935	36,532	582,137,420	2,252	6.60%

Sources:

(1) www.fedstats.gov - 2009-10 information obtained from VEC Virginia Workforce Connection website

(2) Virginia Department of Education

(3) Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

Table 14

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

(Unaudited)

Employer	Fiscal Year June 30,				
	2011		% of Total Employment	2001	
	Employees	Rank		Employees	Rank
Smurfit Stone Container Corporation	500 to 999	1	5.72%		
King William County Schools	250 to 499	2	2.86%	250 to 499	2
Nestle Purina Petcare Company	100 to 249	3	1.14%		
Town of West Point School Board	100 to 249	4	1.14%	100 to 249	4
County of King William	100 to 249	5	1.14%	50 to 99	6
Food Lion	100 to 249	6	1.14%		
Riverside Regional Medical Center	50 to 99	7	0.57%	50 to 99	10
Virginia Log Company	50 to 99	8	0.57%	50 to 99	8
H & R Block	50 to 99	9	0.57%		
McDonalds's	50 to 99	10	0.57%		
St. Laurent Paper Products Corporation	-	-	-	500 to 999	1
On Site Resource	-	-	-	100 to 249	3
Environmental Elements	-	-	-	50 to 99	5
Citizen's & Farmers Bank	-	-	-	50 to 99	9

Source: Virginia Employment Commission.

COUNTY OF KING WILLIAM, VIRGINIA

Table 15

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:	15.2	15.2	15.2	17.3	18.9	17.5	18.5	17.5	17.5	17.1
Judicial administration:	3.0	3.0	3.0	3.0	5.0	5.0	5.0	4.0	4.0	4.0
Public safety:										
Sheriff's department	27.0	28.0	29.0	30.4	30.3	31.0	32.0	32.0	32.0	32.0
Emergency Services	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Community connection program	2.0	2.0	2.0	2.0	2.6	2.5	2.5	3.0	3.0	3.0
Building inspections	4.0	4.0	5.0	5.0	6.0	5.0	5.0	4.0	4.0	4.0
Animal control	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works:										
General maintenance	5.0	5.0	5.0	7.0	6.5	7.0	7.5	8.5	8.5	8.5
Litter control	0.4	0.4	0.4	0.2	0.7	0.6	0.6	0.6	0.6	0.6
Health and welfare:										
Department of social services	11.5	11.5	11.5	12.0	12.0	12.0	11.0	13.3	13.3	13.3
Culture and recreation:										
Parks and recreation	2.0	2.0	2.0	2.0	4.0	4.0	4.0	3.0	3.0	3.0
Community development:										
Planning	4.0	5.0	5.0	5.0	5.0	4.0	4.0	5.0	5.0	5.0
Totals	76.1	78.1	80.1	85.9	94.0	91.6	93.1	93.9	93.9	93.5

Source: Payroll records

COUNTY OF KING WILLIAM, VIRGINIA

Table 16

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Last Ten Fiscal Years

(Unaudited)

Function/Activity		Fiscal Year June 30,									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sheriff	Physical arrests	395	383	511	701	809	744	688	779	855	873
	Traffic violations	872	794	844	998	750	683	1,050	884	715	618
Fire Protection	Number of stations	4	4	4	4	3	3	3	3	3	3
	Number of calls answered	235	235	235	235	235	496	210	1,863	1,819	2,359
	Number of inspections conducted	25	25	25	25	25	25	25	31	31	31
Community Development	Residential building permits	964	1,134	1,441	1,943	1,734	1,713	1,316	808	546	507
Parks and Recreation	Program participants	8,445	4,203	4,397	8,562	8,287	9,460	13,637	14,377	8,938	10,256
Water	Service connections	12	13	13	73	109	203	193	203	209	255
	Average daily consumption in gallons	11,661	8,400	13,800	35,700	52,860	57,538	53,040	57,538	56,435	68,850
Sewer	Service connections	11	12	12	14	15	109	98	109	119	161
	Average daily consumption in gallons	9,699	6,100	9,822	10,600	13,658	39,174	34,060	39,174	25,984	35,098

COUNTY OF KING WILLIAM, VIRGINIA

Table 17

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
General government administration:										
Administration buildings	1	1	1	1	1	1	1	1	1	2
Public safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	24	23	25	25	27	26	26	26	29
Building inspections:										
Vehicles	4	4	5	4	4	4	4	4	4	2
Animal control:										
Vehicles	1	1	1	2	2	2	2	2	2	2
Emergency services:										
Vehicles	-	-	-	-	-	3	3	3	2	2
Public works:										
General maintenance:										
Trucks/vehicles	6	6	6	7	8	8	8	8	10	6
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Sites (Including transfer sites)	4	4	4	4	4	4	4	4	4	4
Health and welfare:										
Department of Social Services:										
Vehicles	-	-	1	2	2	3	3	3	3	3
Culture and recreation:										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	1	1	1	1	1	1
Park Acreage	51	51	51	51	51	51	51	51	51	51
Baseball/Softball Fields	4	4	4	4	4	4	4	3	3	3
T-Ball Fields	2	2	3	3	3	3	3	3	3	3
Soccer Fields	2	2	2	2	2	2	2	1	1	1
Basketball Courts	2	2	2	2	2	2	2	2	2	2

Water system:										
Miles of water mains	1	1	1	1	1	10	11	11	11	11
Number of fire hydrants	8	8	8	8	8	55	55	63	67	67
Sewer system:										
Miles of sewer mains	4	4	4	4	4	13	13	13	13	13
Component Unit - School Board:										
Education:										
Number of Elementary Schools	1	2	2	2	2	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	39	39	40	40	40	42	45	47	44	44

Source: Finance Department

COMPLIANCE SECTION

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
<u>Pass-through payments:</u>		
<u>Virginia Department of Social Services:</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 130,991
<u>Virginia Department of Agriculture and Consumer Services:</u>		
Child Nutrition Cluster:		
Commodity Distributions	10.555	65,066
<u>Virginia Department of Education:</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	120,432
National School Lunch Program	10.555	322,504
		442,936
Total Department of Agriculture		638,993
DEPARTMENT OF TRANSPORTATION:		
<u>Pass-through payments:</u>		
<u>Virginia Department of Motor Vehicles:</u>		
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	3,820
Alcohol Open Container Requirements	20.607	6,434
Total Department of Transportation		10,254
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Pass-through payments:</u>		
<u>Virginia Department of Housing and Community Development:</u>		
Community Development Block Grant	14.228	39,205
Total Department of Housing and Urban Development		39,205

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Pass-through payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 13,969
Temporary Assistance to Needy Families	93.558	83,630
Refugee and Entrant Assistance - State Administered Programs	93.566	190
Low-Income Home Energy Assistance	93.568	5,774
CCDF Cluster:		
Child Care and Development Block Grant	93.575	106,997
ARRA - Child Care and Development Block Grant	93.575	8,070
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	66,115
ARRA - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,216
Chafee Education and Training Vouchers Program (ETV)	93.599	704
Child Welfare Services - State Grants	93.645	342
Foster Care - Title IV-E	93.658	43,382
ARRA - Foster Care - Title IV-E	93.658	789
Adoption Assistance	93.659	49,143
ARRA - Adoption Assistance	93.659	2,732
Social Services Block Grant	93.667	49,348
Chafee Foster Care Independent Living	93.674	1,232
State Children's Insurance Program	93.767	3,096
Medical Assistance Program (Medicaid; Title XIX)	93.778	70,322
Total Department of Health and Human Services		507,051
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:		
<u>Pass-through payments:</u>		
<u>Department of Criminal Justice Services:</u>		
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	1,924
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,093
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance		3,017
DEPARTMENT OF DEFENSE:		
<u>Direct payments:</u>		
ROTC Instruction	12.000	68,462
Total Department of Defense		68,462

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:		
<u>Direct payments:</u>		
<u>Department of Education:</u>		
Title VII - Indian Education	84.060	\$ 15,473
<u>Pass-through payments:</u>		
<u>Department of Education:</u>		
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	143,648
ARRA - Title I Grants to Local Educational Agencies	84.389	120,833
Special Education Cluster:		
Special Education - Grants to States	84.027	425,241
Special Education - Preschool Grants	84.173	27,715
Safe and Drug Free Schools and Communities State Grants	84.186	3,150
Vocational Education - Basic Grants to States	84.048	40,360
Education Technology State Grants	84.318	8,987
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	1,019,595
Improving Teacher Quality State Grants	84.367	51,902
		<u>1,841,431</u>
<u>Office of Special Education and Rehabilitative Services:</u>		
Special Education Cluster:		
ARRA - Special Education - Grants to States	84.391	<u>329,877</u>
Total Department of Education		<u>2,186,781</u>
Total Federal Awards Expended		<u>\$ 3,453,763</u>

See Notes to Expenditures of Federal Awards.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on an accrual basis of accounting consistent with the basis of accounting used by the County. The schedule includes all known federal funds expended by the County for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of King William, Virginia and its component unit were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of King William, Virginia and its component unit: Child Nutrition, CCDF, Title I, Part A, and Special Education.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$65,066 at the time received were consumed during the year ended June 30, 2011. These commodities were included in the determination of federal awards expended during the year ended June 30, 2011.

**INDEPENDENT AUDITOR'S 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 William, Virginia

We have audited the financial statements of the County of King William, Virginia, (County) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 27, 2012. 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 to 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Items 11-01, 11-02 and 11-03 to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Items 11-04, 11-05, 11-06, 11-07 and 11-08, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 11-09 and 11-10.

We noted certain matters that we reported to management of the County in a separate letter dated January 27, 2012.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
January 27, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Members of the Board of Supervisors
County of King William, Virginia

Compliance

We have audited the compliance of the County of King William, Virginia (County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County'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's management. Our responsibility is to express an opinion on the County'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, 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'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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 all 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, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
January 27, 2012

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<u>√</u>	Yes	<u> </u>	No
Significant deficiencies identified?	<u>√</u>	Yes	<u> </u>	None Reported
Noncompliance material to financial statements noted?	<u>√</u>	Yes	<u> </u>	No

Federal awards

Internal control over major programs:

Material weaknesses identified?	<u> </u>	Yes	<u>√</u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u>√</u>	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 section 510(a) of Circular A-133?	<u> </u>	Yes	<u>√</u>	No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.394	ARRA – State Fiscal Stabilization Fund – Education State Grants

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.391	ARRA – Special Education – Grants to States

Title I, Part A Cluster:

84.010	Title I Grants to Local Educational Agencies
84.389	ARRA – Title I Grants to Local Educational Agencies

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

I. SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs: (Continued)

CFDA Number	Name of Federal Program or Cluster
CCDF Cluster:	
93.575	Child Care and Development Block Grant
93.575	ARRA - Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.596	ARRA – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

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

Auditee qualified as low-risk auditee? √ Yes No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses and Significant Deficiencies in Internal Control

11-01: Material Weakness in Internal Control over Wire Transfers

Requirement: Internal control over wire transfers should be sufficient to prevent the unauthorized transfers of funds. This should include review and approval procedures, and segregation of duties to the fullest extent allowable.

Condition: In documenting procedures relating to wire transfers, we noted that under the current structure, wires are both initiated and authorized by the Treasurer, with no secondary approval required. Additionally, it was noted that there is currently no dollar threshold for the amount of money that can be wired at one time.

Effect: The potential effect of not requiring secondary approval is that the County is subject to risk of fraud or error, in that there is no check and balance upon authorizing a wire transfer. Additionally, this fraud or error could result in material amounts, given that there is no current limit or threshold on the amount of a single wire transaction.

Recommendation: We recommend that the County make it standard practice for an individual other than the initiator of wire transfers, to sign off or indicate some other level of approval, prior to the wire transfer being completed. This can be setup with the financial institution, in that once a wire transfer is submitted for authorization, a separate individual would need to contact the bank, or respond to bank contact affirmatively, in order for the request to be processed. Additionally, the financial institution can establish a control that for single transfers over a specified amount, further authorization be required.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-02: Material Weakness due to Restatement of Deferred Revenues

Requirement: Under the revenue recognition principle, revenue is generally recognized when it is realized and earned. Additionally, revenues are considered to be deferred when payment has been received and the goods or services have not been provided. Deferred revenues should be recorded as a liability until the revenue recognition criteria are met. The amount of the deferral is considered a liability, as it represents an obligation to perform a service or to provide goods or services in the future, arising from the receipt of cash.

Condition: In the current year, we identified approximately \$1.2 million in prior years' cash collections for developer proffers that were recorded as revenue in the year of the receipt. However, since the services have not been provided by the County to fulfill the terms of this receipt, revenue should not have been recognized, and should be treated as a liability of the County.

Effect: The financial statements have been restated in order to properly reflect beginning fund balance and net assets in the Capital Projects Fund and the Governmental Activities, respectively. Accordingly, a liability has been presented on the Capital Projects Fund balance sheet.

Recommendation: In instances where cash is received, but there has been no exchange of goods or services by the County, revenue should be deferred and recognized in the period in which satisfaction of the liability has taken place.

11-03: Material Weakness due to Material Audit Adjustments

Requirement: The year end financial numbers obtained from the County to be audited should be final and free of material misstatements.

Pertaining specifically to recording debt, when bonds are issued for general government purposes, the proceeds are recorded in governmental funds. The obligation for the debt is shown as a reconciling item and presented in the entity-wide financial statements only. The face amount of debt, underwriter's discount, original issue discount and premium, and cost of issuance must all be separately recorded in the accounting records. It is not appropriate to record only the net amount of cash received. Issuance costs, premiums and discounts should be amortized using a systematic and rational method. In addition to the costs noted on a typical issuance, in a debt refunding or defeasance, deferred charges relating to gains and/or losses on the refunding should also be recorded, and amortized over the life of the debt.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-03: Material Weakness due to Material Audit Adjustments (Continued)

Condition: Upon auditing the County's year end balances, there were instances of material adjustments identified, including entries to restate prior periods; entries to record assets as depreciable, that were formerly expensed; reclassifying debt which had been recorded as revenue; and issues relating to the non-recording of debt, issuance costs and premiums and discounts.

Included in these entries and restatements is the improper recording of a significant capital project that was completed in phases in prior years. As invoices for the project were received and paid, the County expensed the payments, instead of aggregating them and capitalizing and depreciating them as capital assets.

In auditing the debt and related accounts of the County, it was noted that considerations had not been made to record all premiums, discounts or deferred items. In turn, due to the lack of recording, subsequent amortization of these items had also not been considered.

Effect: As noted above, the effect of these transactions was to misstate prior year fund balances and net assets of the County. The necessary entries and restatements above were material to the financial statements, and were included as adjustments in order to more accurately represent the County's financial position. Failure to record the items noted above is a departure from Governmental Accounting Standards.

Recommendation: We recommend the County develop a system of policies and procedures to ensure that instances in which staff members are unsure of proper accounting treatment, options are available for research and counsel, to ensure proper treatment and recording. Additionally, as it pertains to the proper recording of project costs, we recommend that the County establish a "project manager" that is responsible for the oversight and aggregation of accounting information relating to significant projects. This will ensure that projects' costs can be accumulated and capitalized as depreciable property. The responsibilities can be given to an individual already employed by the County, and should be someone with the knowledge of these projects, and with some limited financial or job costing experience. As an example, an engineer, actively employed by the County, could serve in this capacity.

We recommend that the County perform due diligence in recording all future components of debt, and amortize them accordingly. Additionally, for the items recorded in the current year, schedules should be maintained, calculating the annual amortization and adjusting the general ledger appropriately prior to the audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-04: Significant Deficiency in Internal Control over Journal Entries

Requirement: Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, specifically identifies situations which may be deemed to be deficiencies, significant deficiencies, or material weaknesses in internal controls. Among these is the “failure in the operation of effectively designed controls over a significant account or process; for example, the failure of a control such as approval and review of the journal entry process.”

Condition: During our audit of the County, we selected journal entries posted during fiscal year 2011 and tested them for proper initiation and approval, as well as for reasonableness. In doing so, there were instances in which the individual initiating the entry was also the individual that posted the entry, with no secondary approval being noted.

Effect: Similar to the effects of a lack in controls over wire transfers, an absence of a secondary approval of journal entries can lead to instances of fraud or error that ultimately could be material to the financial statements.

Recommendation: We recommend that in all instances in which manual journal entries are needed, that the initiator of the entry be independent of the approver and, accordingly, each individual should sign off indicating acceptance. We believe this will serve to strengthen controls and provide a mitigating factor of errors and fraud in posting transactions to the general ledger.

11-05: Significant Deficiency in Lacking Documented Internal Control Policies and Procedures

Requirement: As an effect of Statement on Auditing Standards No. 112, superseded by No. 115, significant consideration was placed on the internal control framework of an entity and the evaluation of internal controls as they pertain to the reliability of financial reporting. This was done to ensure more effective and efficient operations, in an effort to provide a clear picture of the current financial position and performance over time, as well as to strengthen the integrity of the financial reporting of the entity.

Condition: The County and School Board are responsible under the aforementioned Standard, to assess and maintain documentation of the internal controls in place, in an effort to mitigate instances of errors or defalcation to the extent possible. Neither the County nor the School Board has formally documented these policies and procedures and, in turn, lack the ability to identify weaknesses or deficiencies in said controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-05: Significant Deficiency in Lacking Documented Internal Control Policies
and Procedures (Continued)

Effect: As a result of not having documented internal control policies and procedures, and assessing the associated risks of the control environment, we think the County and School Board could have alleviated a significant number of the deficiencies identified during the fiscal year 2011 audit. By defining the controls that are currently in place, the County and School Board will have a clearer picture of areas for improvement, and identify areas for additions or amendment to existing controls.

Recommendation: We recommend that both the County and School Board prepare an accounting procedures manual. The manual should include a chart of accounts, adequate explanations of account content, month-end and year-end closing procedures, appropriate descriptions of all accounting procedures and routines, and all matters that bear directly or indirectly on the functioning of the system of internal accounting control. In addition, this manual should focus on the internal control framework of the County and the School Board. Once completed, subsequent revisions should be subject to formal approval procedures. Although such a manual will take some time to develop initially, we feel the benefit will greatly outweigh the cost. Lastly, we suggest that the County and School Board cross-train and establish backup procedures for each process essential to the accounting function.

11-06: Significant Deficiency in Lacking Anti-Fraud Programs

Requirement: Highly publicized fraudulent activity in recent years has given way to newly adopted accounting standards requiring organizations to more closely monitor internal controls in an effort to mitigate fraud and to maintain integrity over financial reporting. Examples of mitigating factors include the adoption of fraud and whistleblower policies, as well as other anti-fraud programs within an organization.

Condition: The County does not currently have in place formalized anti-fraud programs, such as those noted above. Additionally, although the School Board currently has programs in place, it appears as though a review and update or revision is in order.

Effect: The potential effect of not having these policies and procedures in place, includes risks of the County being subjected to loss of funds, misappropriation, or other abuse. Each of these could lead to significant losses to the County, as well as undesired public attention. Furthermore, incorporation of anti-fraud policies and programs sets a "tone at the top," which would resonate throughout the County and could lead to strengthened controls elsewhere, indicating that fraud or other abuse will not be tolerated. Additionally, for the School Board, it is a matter of good practice to occasionally review and revise policies to ensure that they are current and applicable to prevent issues noted above.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-06: Significant Deficiency in Lacking Anti-fraud Programs (Continued)

Recommendation: We recommend the County consider adopting an official fraud policy statement. This statement should be distributed to all individuals who handle funds, as well as those who approve and request expenditure of those funds. We recommend that management establish policies and procedures to allow staff members the ability to come forward and report possible violations of controls, without the concern of retribution. We also recommend that the School Board review and update, as necessary, any policies that are in need.

11-07: Significant Deficiency in Maintaining and Accounting for Capital Assets

Requirement: In order to maintain accountability for the financial reporting of capital assets, the County and School Board should maintain capital asset listings, and should update the listings for acquisitions and disposals accordingly. Additionally, capital asset useful lives and depreciation should be checked for accuracy and appropriateness according to the County's established policies and thresholds.

Condition: Upon auditing the capital assets of the County and School Board, we were instructed to obtain the listing of capital assets from the predecessor auditor. It came to our attention that the County and School Board did not maintain in their possession, a listing of the capital assets which were owned and utilized by the County and School Board; moreover, there appeared to be no way of calculating the depreciation of these assets on an annual basis, or the gain or loss on disposal of assets, if and when they occurred.

Effect: A potential effect of the County and School Board not maintaining their own asset listing is the improper recording of capital assets, depreciation, gains and losses on disposal, and any other form of capital asset transaction. Additionally, without accountability for the listing, assets in the County and School Board's possession could be subject to misappropriation without detection.

Recommendation: During our audit, we recommended that the County consider purchasing a capital asset software module, so that the assets could not only be tracked internally, but depreciation schedules and other useful reports could be generated to foster more accurate financial reporting. On at least an annual basis, we recommend the County and School Board peruse the listing to ensure that assets included in the listing are still in use as well as insured, to avoid potential losses. Additionally, depreciation expense should be recorded into the general ledger, to again, comply with proper financial reporting practice.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses and Significant Deficiencies in Internal Control (Continued)

11-08: Significant Deficiency due to Restatement of Agency Fund Balances

Requirement: In governmental accounting, the agency fund consists of resources retained by the governmental unit as an agent for another governmental unit. This is a fiduciary relationship and should not be commingled with the operating funds of the fiscal agent.

Condition: The School Board is the fiscal agent for two programs. Each of these programs has previously been improperly recorded in the School Operating Fund, as opposed to a separate agency fund.

Effect: The effect of improperly reporting these programs is that the fund balance of the School Operating Fund has been overstated. Additionally, the current year restatement of fund balances, and segregation of these agencies in the financial statements, will provide a clearer picture of the fiscal agent/program relationship, as well as that of the School Operating fund balance.

Recommendation: We recommend that the School Board continue to maintain separate accounting for each of these programs, and continue to report them as such in the *Comprehensive Annual Financial Report*.

B. Compliance Findings

11-09: Social Services LASER Reconciliation to General Ledger not Completed

Per the *Specifications for Audits of Counties, Cities and Towns*, section entitled *General Ledger Reconciliation*, "amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the LDSS *Finance Guidelines Manual for Local Departments of Social Service*." During the fiscal year 2011 audit, we performed the audit specification referred to here, and noted that the LASER was not being reconciled to the General Ledger.

We recommend that the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to prevent interruptions in reimbursements or loss of funding.

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings (Continued)

11-10: Budget Appropriations were Made Without Prior Approval

Per the *Specifications for Audits of Counties, Cities, and Towns*, section entitled *General Ledger Reconciliation*, “no money may be paid out for any expenditure unless and until the governing body has made an appropriation for the expenditure.” During the fiscal year 2011 audit, we performed the audit specification referred to here, and noted that an appropriation was made without prior Board approval and total expenditures exceeded adjusted appropriations in the General Fund.

We recommend that the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to prevent unauthorized appropriations as well as expenditures in excess of adjusted appropriations.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2011**

Identifying Number: 11-01

Finding:

There is a lack of segregation of duties between initiation and authorization of wire transfers. Additionally, there is currently no dollar threshold limiting the amount of funds that can be transferred at one time.

Corrective Action Taken or Planned:

Separate two party authorizations of wire transfers will be required for future transactions and an appropriate limit will be established for additional authorization for transactions exceeding pre-determined limits.

Identifying Number: 11-02

Finding:

Revenue was improperly recognized in previous years for cash collected for developer proffers. This led to a material restatement of fund balance and net assets in the current year, to recognize amounts as deferred revenue.

Corrective Action Taken or Planned:

Proper recognition of revenues and deferred amounts will be observed for future transactions.

Identifying Number: 11-03

Finding:

Material audit adjustments were necessary to correct year-end balances, including prior period restatements; capitalization of assets previously expensed; reclassifying debt previously recorded as revenue; and issues relating to unrecorded debt, debt issuance costs, premiums, and discounts.

Corrective Action Taken or Planned:

Proper coordination will occur between financial consultants, other professional consultants and internal staff to eliminate future misstatements or other actions inconsistent with GASB standards and other similarly accepted professional practices. Particular emphasis will be placed on the recording of debt service, capital projects and other activities typically in need of careful review and monitoring to ensure all recordkeeping and accounting actions are proper. The County is developing a formal policies and procedures manual that will assist with training, cross-training and general guidance on typical and atypical activities of the Finance Department.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2011**

Identifying Number: 11-04

Finding:

Journal entries were selected for testing, in which certain selections lacked segregation between the initiator and the individual posting the adjustment.

Corrective Action Taken or Planned:

Specific procedures will be used to establish independence and segregation of initiators and approvers of journal entries.

The procedure for the School Board has been adapted to strengthen separation of duties. The tasks of preparing and entering the journal entries have been assigned to two different individuals. The superintendent will remain as the approver of all journal entries.

Identifying Number: 11-05

Finding:

There is a lack of formalized internal control policies and procedures at both the County and School Board.

Corrective Action Taken or Planned:

The County is developing a formal policies and procedures manual that will assist with training, cross-training and general guidance on typical and atypical activities of the Finance Department with an emphasis on required tasks, timing of required tasks, segregation of duties, minimum knowledge standards, and continuing education requirements. The County will work with the School Board and other outside agencies receiving County funds to coordinate development and implementation of the manual.

The School Board will have accounting manuals and internal control documentation completed by the end of fiscal year 2011-12.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2011**

Identifying Number: 11-06

Finding:

There is a lack of anti-fraud programs at the County and, although there were programs in place at the School Board, a review should be performed.

Corrective Action Taken or Planned:

Audit Committee, Whistleblower, "Red Flag" and related policies and programs are being prepared for consideration by the Board of Supervisors as part of the fiscal year 2012-2013 budget process.

The School Board has revised and strengthened its anti-fraud policies and documentation, according to the auditor's recommendations.

Identifying Number: 11-07

Finding:

The County and School Board do not currently maintain in their possession a listing of capital assets owned and utilized by the County and School Board. Additionally, there appeared to be no evidence of calculations for depreciation or gain or loss on disposals.

Corrective Action Taken or Planned:

Capital Asset Inventory and Management software has been purchased and initial set-up completed. Staff has received initial software training that will be supplemented by other appropriate training or continuing education to ensure sufficient knowledge to properly manage the financial reporting aspects of the County's capital assets. County staff will work with the School Board and other agencies receiving significant County funding such as HRSD and the Pamunkey Regional Library to ensure assets are properly identified and reported.

The School Board will develop and maintain a detailed capital asset listing system, to be completed by fall of 2012.

COUNTY OF KING WILLIAM, VIRGINIA

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2011

Identifying Number: 11-08

Finding:

The School Board Operating Fund previously reported the activities of two programs, which should have been treated as separately presented Agency Funds.

Corrective Action Taken or Planned:

The County and School Board will work closely on a regular basis to ensure respective fund balances are properly identified, recorded and presented.

We concur with the recommendation and will continue to maintain the separate Agency Funds.

Identifying Number: 11-09

Finding:

Per the *Specifications for Audits of Counties, Cities and Towns*, section entitled *General Ledger Reconciliation*, “amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the LDSS *Finance Guidelines Manual for Local Departments of Social Service*.” During the fiscal year 2011 audit, we performed the audit specification referred to here, and noted that the LASER was not being reconciled to the General Ledger.

We recommend that the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to prevent interruptions in reimbursements or loss of funding.

Corrective Action Taken or Planned:

Finance Department staff will work regularly with Social Services staff to ensure proper reconciliation of Social Services activities which are required or should be reconciled consistent with Auditor of Public Accounts (APA) and similar professional standards.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2011**

Identifying Number: 11-10

Finding:

Per the *Specifications for Audits of Counties, Cities, and Towns*, section entitled *General Ledger Reconciliation*, “no money may be paid out for any expenditure unless and until the governing body has made an appropriation for the expenditure.” During the fiscal year 2011 audit, we performed the audit specification referred to here, and noted that an appropriation was made without prior Board approval and total expenditures exceeded adjusted appropriations in the General Fund and School Operating Fund.

We recommend that the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to prevent unauthorized appropriations as well as expenditures in excess of adjusted appropriations.

Corrective Action Taken or Planned:

All appropriations shall be handled by amendment resolutions considered by the Board of Supervisors. Any line items transfers handled by the County Administrator, as authorized by the Board of Supervisors shall be handled in similar administrative procedures.

COUNTY OF KING WILLIAM, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.