

*Financial Statements
Year Ended
June 30, 2010*

County of King William, Virginia



County of King William, Virginia

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County of King William, Virginia

June 30, 2010

Board of Supervisors

Thomas G. Smiley, Chairman

C. T. Redd, III
Cecil L. Schools

Otto O. Williams
Daniel L. Wright

County Social Services Board

Leo C. Wagner, Chairman

Otto O. Williams
Anita H. Webb

Constance D. Mickens
Brenda Clements

County School Board

Terry S. Stone, Chair

Veda G. Frazier
Kathy H. Morrison

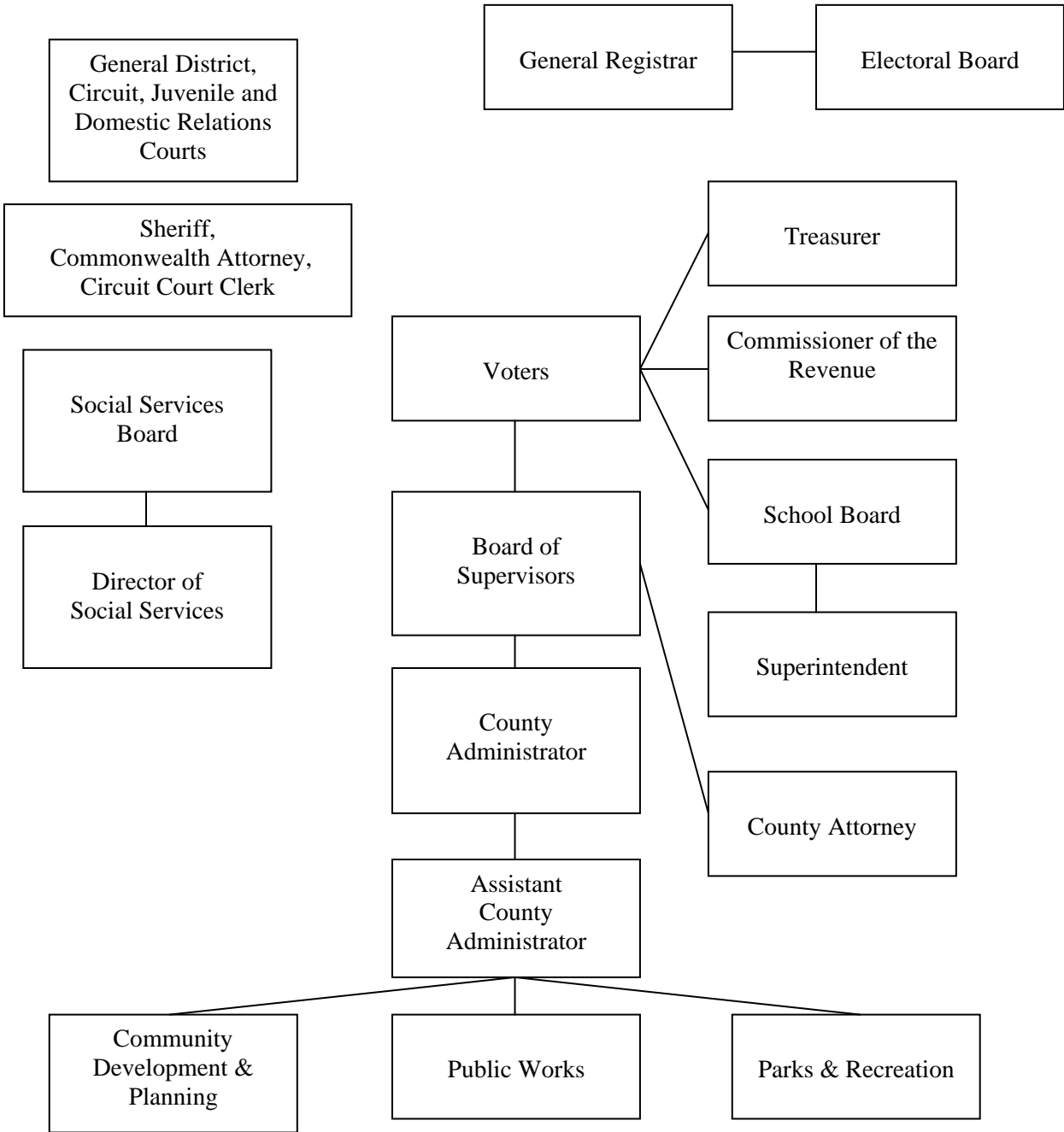
Donald B. Longest
Steven M. Tupponce

Other Officials

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

Thomas B. Hoover
Patricia M. Norman
Michael E. McGinty
George C. Fairbanks, IV
Stephen A. Palmer
Sally W. Pearson
Harry L. Whitt
J. S. “Jeff” Walton
Dr. Mark R. Jones
Ben P. Owen, IV
William C. Porter, Jr.
Terri E. Hale
William H. Hefty

County of King William, Virginia
Organizational Chart





King William County
Est. 1702

Board of Supervisors

William C. Porter, Jr.
Interim County Administrator

Terri E. Hale
Assistant County Administrator

C. Thomas Redd III, First District
Daniel L. Wright, Second District
Cecil L. Schools, Third District
Thomas G. Smiley, Fourth District
Otto O. Williams, Fifth District

November 24, 2010

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, 2010. This report was prepared by the County's Finance 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.

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.

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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, 2010 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

The County adopts an annual budget by July 1 as required by §15.2-2503, *Code of Virginia, 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*. Both the department head and Finance Department staff monitor budgetary compliance. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of King William report includes all funds and account groups 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. 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 reported in a discrete presentation. Based on GASB Statement 14 criteria, 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, down less than 1% from previous years. The Commonwealth continues to reduce aid to localities, 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 American Reinvestment Recovery Act (ARRA) has provided funding to the schools of \$685,933 during the current year. The FY11 budget includes \$1,111,730 in ARRA funding to preserve instructional positions. The school board has banked local dollars for the past several years in order to utilize them in future fiscal years when stimulus funding ends. State funding, however, continues to be uncertain.

During FY04, the County substantially completed the schools’ portion of a \$29M multi-year, multi-phase capital improvements plan approved by the Board in FY01. This included a new primary school and a significant addition and renovation of the high school. A 300,000-gallon elevated water tank and associated water and sewer lines were completed in June 2002. 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 become an area of metropolitan Richmond.

A Request for Proposals (RFP) has been issued, with the assistance of a consultant, to procure a County-wide communications system, which will 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. The County hopes to issue the required debt in the spring of 2011.

Other future capital projects still in the discussion stages include the purchase of land for a new school, construction of a branch library and utility line extensions. The staff is currently working on an updated Capital Improvements Plan (CIP) for consideration by the Board of Supervisors during the FY12 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 current downturn in the economy has resulted in significant reductions in non-property tax local revenues, including Business, Professional and Occupational Licenses (BPOL), recordation taxes and building permits, among others. Again, delinquent general property tax collections have not substantially risen, but the Treasurer continues to administer a strict plan to collect outstanding taxes.

The County continues to see considerable growth in population, 20.5% based on the 2000 census and an additional 23.1% projected through 2010. The challenge it faces in the future is continuing to provide the same and higher levels of services to its citizens while maintaining a stable tax rate.

MAJOR INITIATIVES

Beginning in 1989, the City of Newport News executed multiple agreements and amendments with King William County relating to the planned reservoir project, including a Memorandum of Understanding dated May 23, 1989; the King William Reservoir Project Development Agreement dated November 13, 1990, as amended; the King William Reservoir Project Lease dated January 1, 1999; the King William Reservoir Project Implementation Agreement dated June 22, 1999; and the King William Reservoir Interim Project Financing Agreement dated March 25, 2008.

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 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. There are currently four businesses open and one space is being refitted for a doctor's office. This approximately 7,000 square feet facility currently has three vacancies.

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 project, in which the developer sells lots to individual businesses. Currently a dozen lots have been sold, including a lot for a new retail strip mall that is now fully constructed. This strip mall currently houses a seafood restaurant and a bait & tackle shop. The former sports bars is being replaced by a family restaurant scheduled to open in December 2010. Other stores are not known at this time. At least eight other light industrial businesses are already operating, 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, among others. The developer has also created two out-parcels that front on Route 360, which are currently marketed as retail space. This year a special exception permit was approved for an amusement park, although no plans have been submitted to date.

Also ongoing, the King William Business Park has approximately 100,000 square feet of retail and office space. This space is about 90% leased and includes a car repair business; a gym; a library branch; and a martial arts studio, among others. 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. Currently, approximately 50% of the space is leased to a titling company, a real estate firm and three restaurants.

Burger King has submitted final plans for a stand alone restaurant on the one vacant quadrant of Routes 360 & 30. A construction date is not known at this time.

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. Its 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 is relatively portable and self-contained, and 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.

Construction is in progress for the planned development McCauley Park, which includes 247 single-family homes, retail shops and office space, and multi-family senior apartments. Section I of this project, which utilized the public water system, includes 93 homes, has been sold and/or built out. Sections II and III are now being marketed with public water and sewer and include 77 homes each. Only seven building permits were issued for single-family homes during the year, an indicator of the still slow economy. Another planned development named Kennington was approved in January 2004 to be constructed over a five-year period that includes 272 single-family homes and 172 multi-family units consisting of townhouses, carriage-style homes for sale and commercial property. The developers have completed the construction of the subdivision and are currently applying for permits. To date, permits have been issued for 28 single-family homes and 18 town homes. Construction on the clubhouse and pool are complete. Kennington has both public water and sewer.

Property was rezoned in 1996 for 141 single family lots for a development named Highview. A construction date is unknown at this time, as is the use of public utilities.

During FY01 the Board of Supervisors approved capital expenditures for the schools in the amount of \$22M. The first phase of debt for these projects was issued in June 2001 for the construction of a new primary school and significant renovations and an addition to the high school. The new Cool Spring Primary School opened in January 2003. Temporary financing for the second and final phase of school debt was issued in July 2002 for the remaining portions of the projects. Permanent financing has been obtained through the issuance of Virginia Public School Authority (VPSA) bonds in the November 2002, 2003 and 2004 issues.

In October 2002 lease revenue bonds in the amount of \$5,995,000 were issued for the construction of a new Courts and Public Safety Building adjacent to the existing courthouse green at the courthouse complex. The 28,600 square foot facility opened in October 2004. The Circuit, General District and Juvenile and Domestic Relations Courts are located in the new building, as well as the clerks' offices, the Sheriff's Office and the Commonwealth's Attorney's office.

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 County had entered into an agreement with two other middle peninsula counties to construct and operate a regional animal shelter. Plans for the approximately 4,000 square foot facility were being finalized when one of the localities withdrew from the agreement. The two remaining counties scaled back the size of the facility and the location was changed to one more central, on a parcel adjacent to the King William Courthouse Complex. The project cost for each participating jurisdiction was approximately \$750,000. The shelter opened in September 2009.

Finally, in April 2010 Virginia Governor Robert McDonnell announced the extension of a Virginia Natural Gas line from an existing trunk in Hanover County. The construction of the 12-mile extension along Route 360 to Nestle Purina Petcare Company is expected to be completed in December 2010. The County expects this to greatly benefit economic development in the area.

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, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of King William, Virginia for its comprehensive annual financial report for the twelve fiscal years ended June 30, 1998 through June 30, 2009. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a 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 Finance Department, Treasurer, 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,



William C. Porter, Jr.
Interim County Administrator



Terri E. Hale
Assistant County Administrator

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, 2009

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



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enen".

Executive Director



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Report of Independent Auditors

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* (a State of Incorporation) as of and for the year ended June 30, 2010, which collectively comprise the *County of King William, Virginia's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *County of King William, Virginia's* management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions 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* as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of the *County of King William, Virginia's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress on pages 3 through 8, 40 through 42, and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

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procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Loechman & Company, LLP

Chester, Virginia
November 24, 2010

County of King William, Virginia

Management's Discussion and Analysis

June 30, 2010

As management of the County of King William, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$3,293,921 (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, however, the deficit fund balance has been eliminated. In collaboration with staff, the Board has developed a plan to continue to rebuild the fund balance, which includes, but is not limited to, expenditure reductions, reduction of current programs, postponement of proposed programs and increases in taxes and fees. Also, the Board is in discussions with a financial advisor to develop a long term financial plan focusing more closely on service goals, priorities and fund balance.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,321,051, an increase of \$1,092,702 over the prior year.
- The County's long-term obligations decreased by \$2,029,228 during FY10, resulting primarily from the payoff of general obligation bonds and literary fund loans. The Board of Supervisors did not issue any new debt during the year. Also, compensated absences decreased by 10.2%, or \$25,993.

Overview of the Financial Statements

This discussion and analysis are 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.

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 deteriorating.

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 required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. King William County assets exceeded liabilities by \$3,293,921 at the close of the fiscal year.

The County's investment in capital assets such as land, buildings and equipment totals \$30,309,509 (net of accumulated depreciation) at June 30, 2010. 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, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities	
	2010	2009
Current and other assets	\$ 11,646,870	\$ 9,017,156
Capital assets	30,309,509	32,426,689
Total assets	41,956,379	41,443,845
Current liabilities	9,858,887	8,410,888
Long-term liabilities outstanding	28,803,571	30,971,343
Total liabilities	38,662,458	39,382,231
Net assets:		
Invested in capital assets, net of related debt	(513,010)	(312,223)
Restricted	-	-
Unrestricted	3,806,931	2,373,837
Total net assets	\$ 3,293,921	\$ 2,061,614

Governmental Activities – Governmental activities reflect a change in net assets of \$1,232,307.

Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 577,828	\$ 639,404
Operating grants and contributions	2,805,705	2,959,951
Capital grants and contributions	238,050	155,705
General revenues:		
General property taxes	15,559,634	15,855,934
Other local taxes	1,724,559	1,589,981
Use of money and property	76,982	117,071
C/VA non-categorical aid	1,262,902	1,242,316
Other general revenues	14,256	114,945
Total revenues	22,259,916	22,675,307
Expenses		
General government administration	1,764,919	1,577,182
Judicial administration	704,861	723,263
Public safety	3,861,928	4,049,433
Public works	1,546,058	1,702,038
Health and welfare	2,001,233	1,950,087
Education	8,109,049	8,541,759
Parks, recreation, and cultural	805,377	856,020
Community development	728,707	602,788
Interest and other fiscal charges	1,505,477	1,470,892
Total expenses	21,027,609	21,473,462
Change in net assets	1,232,307	1,201,845
Net assets, July 1, 2009	2,061,614	859,759
Net assets, June 30, 2010	\$ 3,293,921	\$ 2,061,604

Program and general revenues for governmental activities totaled \$22,259,916 for the fiscal year. Of this amount, general property taxes totaled \$15,559,634 and other local taxes totaled \$1,724,559, accounting for 77.6% of governmental activity revenues.

The largest increase noted in revenues was other local taxes, which increased \$134,578.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,321,051 an increase of \$1,092,702 in comparison to the prior year.

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,761,923, while the total fund balances were \$3,321,051.

The general capital projects fund balance increased by \$76,774 in FY10, a result of voluntary proffer revenue and recovered costs from King & Queen County for the regional animal shelter.

The school capital projects fund balance is almost completely depleted at \$516. This decrease of \$20,954 is a result of final expenditures for phase II of the high school athletic fields construction and renovation project.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$631,045, or 2.9% increase in the total annual appropriation. These increases are briefly summarized as follows:

- \$241,487 for the Mt. Olive community improvement project
- \$120,608 for the schools
- \$100,606 for the county attorney
- \$56,000 for the E911 system
- \$51,599 for the county administrator
- \$49,494 for the Department of Social Services
- \$11,251 in miscellaneous functional increases

During the year actual revenues exceeded actual expenditures by \$1,036,882.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$30,309,509 (net of accumulated depreciation). 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 4 to this CAFR.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$31,094,219. Of this amount \$19,756,518 comprises debt backed by the full faith and credit of the County and \$11,337,701 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased by \$2,029,228 during the current fiscal year and no new debt was issued.

Additional detailed information of the County's long-term obligations can be found in note 6 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 7.0% at June 30, 2010, which is slightly lower than last year at this time. The local unemployment rate, however, still compares favorably to the June 30, 2010 state and national rates of 7.1% and 9.6% respectively. According to the National Bureau of Economic Research, the current recession began in December 2007. Since that time the County's labor force has decreased 1.7%, from 8,266 to 8,130.

The County's FY11 adopted budget totals \$42,283,140, which is a decrease of \$1,455,346, or 16.6% from the FY10 budget, due primarily to the completion of several capital projects and reductions in the school operating fund, a result of state reductions in aid to localities.

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 the Assistant County Administrator, Post Office Box 215 (mailing), 180 Horse Landing Road (physical), King William, Virginia 23086.

County of King William, Virginia

Basic Financial Statements

Year Ended June 30, 2010

County of King William, Virginia
Government-Wide Financial Statements

County of King William, Virginia
Statement of Net Assets

Exhibit 1

June 30, 2010

	Primary Government Governmental Activities	Component Unit
Assets		
Current assets		
Deposits and investments	\$ 5,394,111	\$ 1,428,163
Receivables (net of allowances for uncollectibles)		
Taxes, including penalties	1,593,732	-
Accounts receivable	170,439	39,486
Due from primary government	-	733,063
Due from other funds	13,065	-
Due from other governmental units	460,226	743,718
Inventory	4,015,297	-
Total current assets	<u>11,646,870</u>	<u>2,944,430</u>
Noncurrent assets		
Capital assets (net of accumulated depreciation):		
Land	723,098	42,423
Buildings	8,152,964	1,151,474
Equipment	304,987	641,920
Jointly owned assets	18,149,101	11,835,351
Land improvements	-	19,383
Infrastructure	2,979,359	279,478
Total capital assets	<u>30,309,509</u>	<u>13,970,029</u>
Total assets	<u>\$ 41,956,379</u>	<u>\$ 16,914,459</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 201,322	\$ 583,357
Note payable	2,000,000	-
Accrued liabilities	-	2,053,498
Contingency	4,015,297	-
Due to component unit - School Board	733,063	-
Unearned revenue	-	114,000
Accrued interest payable	618,557	-
Current portion of long-term obligations	2,290,648	274,688
Total current liabilities	<u>9,858,887</u>	<u>3,025,543</u>
Noncurrent liabilities		
Noncurrent portion of long-term obligations	28,803,571	-
Total liabilities	<u>38,662,458</u>	<u>3,025,543</u>
Net Assets		
Invested in capital assets - net of related debt	(513,010)	13,970,029
Unrestricted	3,806,931	(81,111)
Total net assets	<u>3,293,921</u>	<u>13,888,918</u>
	<u>\$ 41,956,379</u>	<u>\$ 16,914,461</u>

The accompanying notes are an integral part of these financial statements.

County of King William, Virginia
Statement of Activities

Exhibit 2

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
Primary government						
Governmental activities:						
General government administration	\$ 1,764,919	\$ -	\$ 229,637	\$ -	\$ (1,535,282)	\$ -
Judicial administration	704,861	90,863	341,892	-	(272,106)	-
Public safety	3,861,928	94,812	835,995	25,550	(2,905,571)	-
Public works	1,546,058	130,839	6,629	-	(1,408,590)	-
Health and welfare	2,001,233	-	1,386,233	-	(615,000)	-
Education	8,109,049	-	-	-	(8,109,049)	-
Parks, recreation, and cultural	805,377	86,706	5,319	-	(713,352)	-
Community development	728,707	174,608	-	212,500	(341,599)	-
Interest on long-term debt	1,505,477	-	-	-	(1,505,477)	-
Total governmental activities	21,027,609	577,828	2,805,705	238,050	(17,406,026)	-
Component unit						
School Board	\$ 22,086,718	\$ 575,441	\$ 14,159,800	\$ -		(7,351,477)
General revenues						
General property taxes					\$ 15,559,634	\$ -
Grants and contributions not restricted to specific programs					1,262,902	-
Consumer utility tax					224,395	-
Business licenese tax					278,531	-
Motor vehicle licenses					299,404	-
Communications tax					375,273	-
Taxes on recordation and wills					156,970	-
Other local taxes					389,986	637,576
Revenue from use of money and property					76,982	9,467
County contribution to the School Board					-	7,546,377
Miscellaneous					14,256	69,393
Total general revenues					18,638,333	8,262,813
Change in net assets					1,232,307	911,336
Net assets - beginning of year					2,061,614	12,977,582
Net assets - end of year					\$ 3,293,921	\$ 13,888,918

The accompanying notes are an integral part of these financial statements.

County of King William, Virginia

Fund Financial Statements

Balance Sheet - Governmental Funds**June 30, 2010**

Assets	General	General Capital Projects	School Capital Projects	Total Governmental Funds
Deposits and investments	\$ 4,179,571	\$ 1,214,024	\$ 516	\$ 5,394,111
Receivables (net of allowances for uncollectibles)				
Taxes, including penalties	1,593,732	-	-	1,593,732
Accounts receivable	170,066	373	-	170,439
Due from other governmental units	460,226	-	-	460,226
Due (to)/from other funds	115,898	(102,833)	-	13,065
Inventory	4,015,297	-	-	4,015,297
Total assets	\$ 10,534,790	\$ 1,111,564	\$ 516	\$ 11,646,870
Liabilities				
Accounts payable	\$ 199,645	\$ 1,677	\$ -	\$ 201,322
Note payable	2,000,000	-	-	2,000,000
Contingency	4,015,297	-	-	4,015,297
Due to component unit - School Board	733,063	-	-	733,063
Deferred revenue	1,376,137	-	-	1,376,137
Total liabilities	8,324,142	1,677	-	8,325,819
Fund Balances				
Fund balances				
Designated for:				
Capital projects	-	1,109,887	516	1,110,403
Reserved for:				
Textbooks	448,725	-	-	448,725
Unreserved, undesignated	1,761,923	-	-	1,761,923
Total fund balances	2,210,648	1,109,887	516	3,321,051
	\$ 10,534,790	\$ 1,111,564	\$ 516	\$ 11,646,870

The accompanying notes are an integral part of these financial statements.

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010

Total fund balances - governmental funds \$ 3,321,051

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	30,309,509
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(618,557)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	1,376,137
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.	<u>(31,094,219)</u>
Net assets of governmental activities	<u>\$ 3,293,921</u>

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2010

	General	General Capital Projects	School Capital Projects	Total Government Funds
Revenues				
General property taxes	\$ 15,393,779	\$ -	\$ -	\$ 15,393,779
Other local taxes	1,724,559	-	-	1,724,559
Permits, privilege fees and regulatory licenses	199,739	61,828	-	261,567
Fines and forfeitures	79,556	-	-	79,556
Revenue from use of money and property	76,948	32	2	76,982
Charges for services	236,705	-	-	236,705
Miscellaneous	14,256	-	-	14,256
Recovered costs	115,123	36,955	-	152,078
Intergovernmental:				
Commonwealth	3,532,408	319	-	3,532,727
Federal	773,930	-	-	773,930
Total revenues	22,147,003	99,134	2	22,246,139
Expenditures				
Current:				
General government administration	1,732,673	-	-	1,732,673
Judicial administration	538,227	-	-	538,227
Public safety	4,026,891	-	-	4,026,891
Public works	1,564,364	-	-	1,564,364
Health and welfare	2,005,090	-	-	2,005,090
Education	6,198,939	-	-	6,198,939
Parks, recreation, and cultural	748,180	-	-	748,180
Community development	729,608	-	-	729,608
Capital outlays and projects	-	22,078	20,956	43,034
Debt service:				
Principal retirement	2,052,456	-	-	2,052,456
Interest and fiscal charges	1,513,693	282	-	1,513,975
Total expenditures	21,110,121	22,360	20,956	21,153,437
Net changes in fund balances	1,036,882	76,774	(20,954)	1,092,702
Fund balances - beginning of year	1,173,766	1,033,113	21,470	2,228,349
Fund balances - end of year	\$ 2,210,648	\$ 1,109,887	\$ 516	\$ 3,321,051

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to Statement of Activities**

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 1,092,702

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

Governmental funds report capital outlays as expenditure. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment as follows:

Capital outlay	\$ 263,398	
Depreciation expense	<u>(1,026,480)</u>	(763,082)

Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,354,098)
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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 as well as water charges received later than sixty days after year end.		165,855
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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:

Principal retired on bond anticipation notes (capital leases)	\$ 94,842	
Principal retired on revenue bonds	378,816	
Principal retired on general obligation bonds	1,069,481	
Principal retired on state literary fund loans	<u>534,200</u>	2,077,339

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in accrued leave	\$ 25,993	
Change in other post employment benefits	(20,900)	
Change in interest payable	(38,876)	
Amortization of deferred amount on refunding	(5,232)	
Amortization of premium on bonds payable	<u>52,606</u>	13,591

Change in net assets of governmental activities		<u>\$ 1,232,307</u>
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The accompanying notes are an integral part of these financial statements.

County of King William, Virginia
Statement of Fiduciary Net Assets

Exhibit 7

June 30, 2010

	Agency Funds
Assets	
Cash and cash equivalents	\$ 28,811
Due from other localities	6,887
Due from other governments	<u>674,838</u>
Total assets	<u>\$ 710,536</u>
Liabilities	
Reconciled overdraft	\$ 459,394
Due to other localities	209,266
Due to other funds	13,065
Amounts held for social services client	<u>28,811</u>
Total liabilities	<u>\$ 710,536</u>

The accompanying notes are an integral part of these financial statements.

County of King William, Virginia

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

The *County of King William, Virginia* (County) was formed in 1702 and it 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 of King William, Virginia* have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

Management's Discussion and Analysis

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

Government-wide Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit.

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The County has no business-type activities for the year ended June 30, 2010.

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 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. The County had no restricted net assets at June 30, 2010.

Statement of Activities

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

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

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

B. Individual Component Unit Disclosures

Blended Component Unit

The County has no blended component units to be included for the fiscal year ended June 30, 2010.

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. The primary funding is from the Commonwealth of Virginia. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2010.

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. King William County serves as fiscal agent of the facility and administers the operation of the facility, and receives a fee of 3% of the annual operating expenditures from King and Queen County for managing the facility. 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, the King William County Wastewater Treatment Plant 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 2 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.

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 nineteen-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 2010 was \$63,350.

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 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 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.

Middle Peninsula Regional Security Center

The Middle Peninsula Regional Security 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, in which is vested the ability to execute contracts and to budget and expend funds. The County appoints two (2) of the nine (9) members to the Board. No one locality contributes more than 50% of the Center's funding.

Pamunkey Regional Library

The Pamunkey Regional 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, in which is vested the ability to execute contracts and to budget and expend funds. The County appoints two (2) of the seven (7) 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 is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The board consists of twelve members, who represent each of the member jurisdictions which consist 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. 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) 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.).

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

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

a. General Fund

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

b. Capital Project 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. Both of these funds are considered a major fund for government-wide reporting purposes.

2. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency Funds include the Special Welfare Fund, Undistributed Sales Tax Fund and Virginia Juvenile Community Crime Control 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; however, 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 Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30th for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

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 government.

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

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$67,904 at June 30, 2010 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. 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, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two

years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	40 years
Building improvements	5 to 15 years
Infrastructure	40 years
Vehicles	3 to 5 years
Office and computer equipment	5 years
Buses	12 years
Communication equipment	10 years
Kitchen equipment	15 years

I. Unearned revenue

The School Board is the fiscal agent for the regional alternative education program and the regional career technical education (CTE) program. As such, the School Board recognizes revenue from each program to the extent of expenses related to the program. The difference between the cash the School Board receives and the expenses is recognized as unearned revenue.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of 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.

K. Long-term Obligations

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

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

L. Fund Equity

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

M. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's funds pension costs as they accrue.

N. Use of Estimates

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

O. Net Assets

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

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

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

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

Q. Inventories

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists of land held for resale.

R. Subsequent Events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 24, 2010, the date the financials were available to be issued.

2. Deposits and Investments

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The County's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's Rating Scale.

Locality's Rated Debt Investments		Fair Quality Rating AAAm
Local Government Investment Pool	\$	26,165
State Non-Arbitrage Pool		1,352
Money Market Mutual Funds		192,046
	\$	219,563

Interest Rate Risk

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

External Investment Pools:

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

3. Due From Other Governmental Units

At June 30, 2010 the County has receivables from other governments as follows:

	Primary Government	Component Unit
County of King & Queen	\$ 7,944	\$ -
Town of West Point	4,099	-
Commonwealth of Virginia:		
School funds	-	86,521
Public assistance	23,200	-
Comprehensive services	108,580	-
Shared expenses	182,222	-
Communications tax	63,344	-
Federal Government:		
School funds	-	657,197
Public assistance	39,859	-
Other	30,978	-
	<u>\$ 460,226</u>	<u>\$ 743,718</u>

4. Due To/From Primary Government/Component Units

Fund	Due to Component Unit	Due From Primary Government
General Fund	\$ 733,063	\$ -
School Operating Fund	-	733,063
Total	<u>\$ 733,063</u>	<u>\$ 733,063</u>

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

5. Inventory and related Contingency

The County of King William and City of Newport News entered into a project involving the development of a reservoir. As part of this project the City of Newport News paid \$4,015,297 between 2008 and 2009 for the purchase of various parcels of land which are deeded to ***County of King William, Virginia***. In 2009, the City of Newport News approved a resolution to abandon this project. The parcels of land which have been purchased by the City of Newport News are included as Inventory at June 30, 2010. A contingent liability equal to the inventory 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 of Newport News.

6. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2010:

Governmental Activities

	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 723,098	\$ -	\$ -	\$ 723,098
Construction in progress	1,294,703	-	(1,294,703)	-
Total capital assets not being depreciated	2,017,801	-	(1,294,703)	723,098
Capital assets being depreciated:				
Buildings and improvements	9,112,629	1,260,515	-	10,373,144
Equipment	2,472,490	102,103	(455,924)	2,118,669
Infrastructure	3,717,682	195,484	-	3,913,166
Jointly owned assets	23,080,644	-	(1,678,681)	21,401,963
Total capital assets being depreciated	38,383,445	1,558,102	(2,134,605)	37,806,942
Less accumulated depreciation for:				
Buildings and improvements	(1,974,730)	(245,450)	-	(2,220,180)
Equipment	(2,116,572)	(153,034)	455,923	(1,813,683)
Infrastructure	(840,867)	(92,939)	-	(933,806)
Jointly owned assets	(3,042,388)	(535,057)	324,583	(3,252,862)
Total accumulated depreciation	(7,974,557)	(1,026,480)	780,506	(8,220,531)
Total capital assets being depreciated, net	30,408,888	531,622	(1,354,099)	29,586,411
Governmental activities capital assets, net	\$ 32,426,689	\$ 531,622	\$ (2,648,802)	\$ 30,309,509

Discretely Presented Component Unit-School Board

	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 42,423	\$ -	\$ -	\$ 42,423
Total capital assets not being depreciated	42,423	-	-	42,423
Capital assets being depreciated:				
Buildings and improvements	5,326,727	-	-	5,326,727
Equipment	2,640,267	167,050	-	2,807,317
Infrastructure	294,167	-	-	294,167
Land improvements	-	20,955	-	20,955
Jointly owned assets	15,306,181	1,678,681	-	16,984,862
Total capital assets being depreciated	23,567,342	1,866,686	-	25,434,028
Less accumulated depreciation for:				
Buildings and improvements	(4,065,741)	(109,810)	-	(4,175,551)
Equipment	(2,061,829)	(103,569)	-	(2,165,398)
Infrastructure	(7,345)	(7,345)	-	(14,690)
Land improvements	-	(1,572)	-	(1,572)
Jointly owned assets	(4,400,014)	(749,197)	-	(5,149,211)
Total accumulated depreciation	(10,534,929)	(971,493)	-	(11,506,422)
Total capital assets being depreciated, net	13,032,413	895,193	-	13,927,606
Governmental activities capital assets, net	\$ 13,074,836	\$ 895,193	\$ -	\$ 13,970,029

School Board capital assets are jointly owned by the County (primary government) and the Component Unit School Board. The County 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, 2010 the County transferred assets with costs of \$1,678,681 and accumulated depreciation of \$324,583 to the Component Unit School Board.

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

Government activities:	
General government administration	\$ 45,577
Judicial administration	169,840
Public safety	100,978
Public works	133,389
Health and welfare	5,455
Education	535,057
Parks, recreation and cultural	36,184
Total	<u>\$ 1,026,480</u>
Component Unit School Board:	
Depreciation expense	\$ 646,910
Accumulated depreciation on joint-tenancy asset transfer	<u>324,583</u>
Total increase in accumulated depreciation	<u>\$ 971,493</u>

7. Compensated Absences

In accordance with GASB statement 16, "Accounting and Financial Reporting Principal for Claims and Judgments and Compensated Absences," the County and School Board have accrued the liability arising from outstanding claims and judgments and compensated absences.

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

Primary Government	<u>\$ 229,300</u>
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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 \$20.00 per day, whichever is greater.

Component Unit-School Board	<u>\$ 186,388</u>
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8. Long-Term Obligations

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

Year Ending June 30,	Capital Leases		Revenue Bonds		General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 122,356	\$ 45,246	\$ 391,442	\$ 539,180	\$ 1,070,950	\$ 686,693	\$ 434,200	\$ 106,177
2012	98,380	37,912	404,238	523,411	1,072,480	638,208	434,200	93,151
2013	80,000	31,800	422,161	507,214	1,074,476	588,909	434,200	80,125
2014	85,000	26,850	440,210	489,874	1,073,179	536,773	434,200	67,099
2015	90,000	21,600	463,411	471,621	1,078,287	481,998	434,200	54,073
2016	100,000	15,900	476,751	451,758	1,078,662	426,996	434,200	41,047
2017	105,000	9,750	495,243	346,061	1,084,318	371,403	434,032	28,021
2018	110,000	3,300	523,895	407,312	1,090,269	315,078	250,000	15,000
2019	-	-	455,000	382,174	1,096,533	258,875	250,000	7,500
2020	-	-	475,000	360,056	1,068,124	184,551	-	-
2021	-	-	505,000	336,734	1,074,139	152,683	-	-
2022	-	-	530,000	311,834	1,080,001	100,645	-	-
2023	-	-	560,000	285,779	1,086,613	47,360	-	-
2024	-	-	580,000	258,441	380,000	10,995	-	-
2025	-	-	605,000	229,949	30,000	690	-	-
2026	-	-	640,000	199,865	-	-	-	-
2027	-	-	660,000	168,313	-	-	-	-
2028	-	-	700,000	135,483	-	-	-	-
2029	-	-	730,000	100,898	-	-	-	-
2030	-	-	360,000	64,583	-	-	-	-
2031	-	-	270,000	49,544	-	-	-	-
2032	-	-	205,000	37,750	-	-	-	-
2033	-	-	215,000	27,500	-	-	-	-
2034	-	-	80,000	16,750	-	-	-	-
2035	-	-	80,000	12,750	-	-	-	-
2036	-	-	85,000	8,750	-	-	-	-
2037	-	-	90,000	4,500	-	-	-	-
						4,801,85	3,539,23	
Total	\$ 790,736	\$ 192,358	\$ 11,442,351	\$ 6,728,084	\$ 14,438,031	\$ 7	\$ 2	\$ 492,193

Changes in Long-Term Obligations

The following is summary of long-term obligation transactions of the County for the year ended June 30, 2010:

	Amount Payable July 01, 2009	Increase	Decrease	Amount Payable June 30, 2010	Amounts Due Within One Year
Governmental Obligations:					
Capital leases	\$ 785,000	\$ 132,538	\$ (126,802)	\$ 790,736	\$ 122,356
Compensated absences	255,293	202,883	(228,876)	229,300	229,300
Other post employment benefits	21,500	23,100	(2,200)	42,400	42,400
Revenue bonds	11,821,167	-	(378,816)	11,442,351	391,442
Deferred amount on refunding	(109,882)	-	5,232	(104,650)	-
General obligation bonds	15,507,512	-	(1,069,481)	14,438,031	1,070,950
State Literary fund loans	4,073,432	-	(534,200)	3,539,232	434,200
Premium on Bonds payable	769,425	-	(52,606)	716,819	-
Total	\$ 33,123,447	\$ 358,521	\$ (2,387,749)	\$ 31,094,219	\$ 2,290,648

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

Details of Long-Term Obligations

	Amount Outstanding
Revenue Bonds:	
\$1,100,000 revenue bond due in annual principal installments of \$87,712 through July 2018, interest at 4.55%	\$ 577,351
\$5,995,000 IDA lease revenue bond due in various annual principal installments through April 2029, interest ranging from 3% to 5%	5,040,000
\$1,050,000 EDA lease revenue bond due in various annual principal installments through August 2030, interest at 4.43%	955,000
\$1,490,000 EDA lease revenue bond due in various annual principal installments through August 2036, interest ranging from 3.65% to 5%	1,420,000
\$1,460,000 VRA revenue refunding bond due in various annual principal installments through October 2029, interest ranging from 3.6% to 4.91%	1,445,000
\$2,055,000 EDA lease revenue bond due in various annual principal installments through August 1, 2032, interest ranging from 4.25% to 5%	2,005,000
Total revenue bonds	11,442,351
General Obligation Bonds:	
\$6,513,732 issued November 2002 due in various annual installments through July 2022, interest payable semi-annually at 4.77%	4,378,031
\$715,000 issued November 1998 due in various annual installments through July 2018, interest payable semi-annually at 4.72%	315,000
\$6,750,000 issued November 2002 due in various annual installments through July 2022, interest payable semi-annually ranging from 2.35% to 5.1%	4,370,000

\$7,055,000 issued November 2003 due in various annual installments through July 2023, interest payable semi-annually ranging from 3.1% to 5.1%	4,925,000
\$605,000 issued November 2004 due in various annual installments through July 2024, interest payable semi-annually at 3.83%	<u>450,000</u>
Total general obligation bonds	<u>14,438,031</u>
State Literary Funds:	
\$5,000,000 issued December 1998, due in annual principal installments of \$250,000 through December 2018, interest at 3%	2,250,000
\$3,131,232 issued August 1996, due in annual installments of \$184,200 through September 2016, interest at 3%	<u>1,289,232</u>
Total state literary fund loans	<u>3,539,232</u>
Capital Leases:	
\$1,395,000 Capital lease agreement, due in annual installments through August 2017, interest at 5.773%: 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.	715,000
\$95,880 Capital lease agreement, due in annual installments through July 2010, interest at 5.3%: This lease was obtained to provide financing for two 2008 Dodge Chargers and one 2009 Ford Crown Victoria, all of which are to be used by the police department. The total cost of assets acquired under this obligation was \$91,134.	30,351
\$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 to be used by the police department. The total cost of assets acquired under this obligation was \$70,228.	<u>45,385</u>
Total capital leases	<u>790,736</u>
Compensated absences	<u>229,300</u>
Other post employment benefits	<u>42,400</u>
Premium on bonds payable:	
Unamortized premium on 2006 revenue refunding bond	329,339
Unamortized premium on 2006 revenue refunding bond	313,266
Unamortized premium on 2006 revenue refunding bond	<u>74,214</u>
Total premium on bonds payable	<u>716,819</u>
Deferred amount on refunding of 2006 revenue refunding bond	<u>(104,650)</u>
Total general long-term obligations	<u>\$ 31,094,219</u>

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2010:

	Amounts Payable July 01, 2009	Increases	Decreases	Amount Payable June 30, 2010	Amount Due Within One Year
Compensated absences payable	\$ 176,113	\$ 182,592	\$ (172,317)	\$ 186,388	\$ 186,388
Other post employment benefits	42,100	98,200	(52,000)	88,300	88,300
Total	\$ 218,213	\$ 280,792	\$ (224,317)	\$ 274,688	\$ 274,688

9. Debt Refunding

The *County of King William, Virginia* issued \$1,460,000 in Utility Revenue Refunding Bonds, Series, 2006 with an effective interest rate ranging from 3.6% to 5.1%. 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 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, 2010, the defeased bonds had balances outstanding of \$1,445,000.

10. Short-term Debt

The County's short-term debt activity for the year ended June 30, 2010 is summarized as follows:

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

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

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)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's nonprofessional employee contribution rates for the fiscal year ended 2010 were 8.39% and 6.81% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$977,357, \$979,460, and \$1,079,852, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009, and 2008, respectively and these contributions represented 8.81%, 8.81% and 10.30%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$294,950 was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's nonprofessional employees was \$83,791 which was equal to the Board's required and actual contributions.

Three-Year Trend Information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)(1)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2010	\$ 294,950	100%	\$ -
June 30, 2009	295,060	100%	-
June 30, 2008	187,448	100%	-
School Board Nonprofessional:			
June 30, 2010	\$ 83,791	100%	\$ -
June 30, 2009	85,127	100%	-
June 30, 2008	61,626	100%	-

(1) Employer portion only

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

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 88.18% funded. The actuarial accrued liability for benefits was \$10,363,582, and the actuarial value of assets was \$9,138,622, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,224,960. The covered payroll (annual payroll of active employees covered by the plan) was \$3,490,219, and ratio of the UAAL to the covered payroll was 35.10%.

As of June 30, 2009, the most recent actuarial valuation date, the School Board's plan was 98.87% funded. The actuarial accrued liability for benefits was \$1,373,188, and the actuarial value of assets was \$1,357,656, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,532. The covered payroll (annual payroll of active employees covered by the plan) was \$1,303,855, and ratio of the UAAL to the covered payroll was 1.19%.

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

Required Supplementary Information

Schedule of Funding Progress - County

Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll (4)	UAAL as % of Payroll (2-1)/(4)
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%
June 30, 2007	\$ 7,745,942	\$ 8,454,451	\$ 708,509	91.62%	\$ 3,252,141	21.79%

Schedule of Funding Progress - School Board

Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll (4)	UAAL as % of Payroll (2-1)/(4)
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%)
June 30, 2007	\$ 969,803	\$ 930,554	\$ (39,249)	104.22%	\$ 1,142,843	(3.43%)

12. Postretirement Benefits Other Than Pensions

The County and Public Schools adopted Government Auditing Standards Board (GASB) Statement N. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for nonpension 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 Public Schools 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 Public Schools and can be amended through their personnel manuals.

B. Funding Policy

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

C. Plan Description

Individuals who have attained the age of 50 with 10 years of service earned with the County and prior service earned through other Virginia agencies or who have attained the age of 55 with 5 years of service earned with the County and prior service earned 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 King William County Public Schools Plan must meet the eligibility requirements based on service earned with the School System and prior service earned 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, 2010 was calculated as follows:

	County	School Board
Annual required contribution	\$ 23,100	\$ 98,200
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	23,100	98,200
Contributions made	(2,200)	(52,000)
Increase in net OPEB obligation	20,900	46,200
Net OPEB obligation – beginning of year	21,500	42,100
Net OPEB obligation – end of year	\$ 42,400	\$ 88,300

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 who 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 thirty years.

In the June 2009 School actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on discount rates of 4% 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 \$907,000. The remaining amortization period at June 30, 2009, was thirty years.

F. Schedule of Funding Progress

The funded status of the plan as of January 1 and June 30, 2009, respectively, is as follows:

*A biannual valuation report was used.

	County	School Board
Actuarial accrued liability (AAL)	\$ 157,100	\$ 907,000
Actuarial value of plan assets	\$ -	\$ -
Unfunded actuarial accrued liability	\$ 157,100	\$ 907,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 3,657,600	\$ 11,209,300
UALL as a percentage of covered payroll	4.30%	8.09%

G. Schedule of Employer Contributions

	Annual Pension Cost	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
Fiscal Year Ended June 30, 2010			
County	\$ 23,100	9.52%	\$ 42,400
School Board	\$ 98,200	52.95%	\$ 88,300

13. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the association for its workers compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Surety Bond Information

	<u>Amount</u>
The Travelers Insurance Company of Hartford, Connecticut – Surety:	
Patricia M. Norman, Clerk of the Circuit Court	\$ 25,000
Harry L. Whitt, Treasurer	400,000
Sally W. Pearson, Commissioner of the Revenue	3,000
J.S. "Jeff" Walton, Sheriff	30,000
William C. Porter, Interim County Administrator	25,000
Ben P. Owen, IV, Director of Social Services	100,000
The Travelers Insurance Company of Hartford, Connecticut – Surety:	
Dr. Mark R. Jones, Superintendent of Schools	10,000
Cecil L. Schools, Supervisor	1,000
Daniel L. Wright, Supervisor	1,000
Otto O. Williams, Supervisor	1,000
Charles T. Redd, III, Supervisor	1,000
Thomas G. Smiley, Supervisor	1,000
Commonwealth of Virginia, Department:	
Social Service employees - blanket bond	1,000,000

15. Commitments and Contingencies

Federal programs

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-I 33, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Operating leases

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

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 are believed to be minimal and will be paid for with general fund revenues.

Litigation

The School Board is currently a defendant in a lawsuit for damage to property allegedly caused by discharge from a stormwater basin constructed as part of the athletic complex expansion at King William County High School. The plaintiff seeks an injunction to require the School Board to reroute stormwater discharges as well as a judgment for damages. The School Board has defended and will continue to defend this action vigorously. The School Board has not formally asserted its indemnification claims, but may do so in the future.

The Court has not yet set a trial date for a determination of the School Board's alleged liability for damages, but is expected to do so. Further, the Court is expected to reschedule a mandatory mediation session among the parties to be conducted by a retired Virginia circuit court judge. The School Board has consulted with its counsel and is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss at this time. As such, no accrual of liability related to this pending litigation is considered necessary or appropriate at this time.

At June 30, 2010, there were no matters of litigation, other than discussed above, involving the County which could potentially materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

16. Subsequent Event

In July 2010, the County issued debt for school improvements which totaled approximately \$270,000.

* * * * *

County of King William, Virginia
Required Supplementary Information
Year Ended June 30, 2010

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund**

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 15,363,240	\$ 15,483,848	\$ 15,393,779	\$ (90,069)
Other local taxes	1,699,000	1,699,000	1,724,559	25,559
Permits, privilege fees and regulatory licenses	353,500	353,500	199,739	(153,761)
Fines and forfeitures	80,100	80,100	79,556	(544)
Revenue from use of money and property	132,300	132,300	76,948	(55,352)
Charges for services	334,570	334,570	236,705	(97,865)
Miscellaneous	4,500	5,217	14,256	9,039
Recovered costs	122,660	122,660	115,123	(7,537)
Intergovernmental:				
Commonwealth	3,236,800	3,346,962	3,532,408	185,446
Federal	562,200	726,194	773,930	47,736
Total revenues	21,888,870	22,284,351	22,147,003	(137,348)
Expenditures				
General government administration				
Legislative:				
Board of supervisors	108,770	108,770	100,226	8,544
General and financial administration:				
County administrator	551,050	602,649	604,403	(1,754)
Legal services	242,220	342,826	342,826	-
Independent auditor	35,000	35,000	21,637	13,363
Commissioner of revenue	223,180	218,127	217,548	579
Assessor	103,000	103,000	101,363	1,637
Treasurer	230,330	225,381	220,735	4,646
Total general and financial administration	1,384,780	1,526,983	1,508,512	18,471
Board of Elections:				
Electoral board and officials	43,440	42,388	30,379	12,009
Registrar	103,290	96,785	93,556	3,229
Total board of elections	146,730	139,173	123,935	15,238
Total general government administration	1,640,280	1,774,926	1,732,673	42,253
Judicial administration				
Courts:				
Circuit court	24,360	24,360	20,176	4,184
General district court	10,890	10,890	10,788	102
Juvenile and domestic relations district court	8,360	8,360	7,676	684
Clerk of the circuit court	259,220	245,661	245,659	2
Victim and witness assistance	50,010	54,050	53,737	313
Total courts	352,840	343,321	338,036	5,285
Commonwealth's attorney:				
Commonwealth Attorney	203,150	201,450	200,191	1,259
Total judicial administration	555,990	544,771	538,227	6,544

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)**

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures (continued)				
Public safety				
Law enforcement and traffic control:				
Sheriff	1,634,110	1,621,592	1,586,620	34,972
Emergency 911 system	275,840	331,840	302,708	29,132
Other law enforcement and traffic control	500	1,217	1,217	-
Total law enforcement and traffic control	1,910,450	1,954,649	1,890,545	64,104
Fire and rescue services:				
Volunteer fire department	389,320	405,058	404,104	954
Ambulance and rescue services	55,650	56,634	56,634	-
Forest fire extinction	8,800	8,993	8,993	-
Total fire and rescue services	453,770	470,685	469,731	954
Correction and detention:				
Regional security center	982,020	982,020	972,221	9,799
Juvenile detention homes	107,350	102,694	99,753	2,941
Juvenile and district court services unit	11,410	11,410	10,776	634
Total correction and detention	1,100,780	1,096,124	1,082,750	13,374
Inspections:				
Building inspections	238,090	238,090	216,957	21,133
Fire marshall	1,500	1,500	1,296	204
Total inspections	239,590	239,590	218,253	21,337
Other protection:				
Animal control	124,310	124,310	120,611	3,699
Regional animal shelter	135,460	135,460	125,050	10,410
Medical examiner	200	200	80	120
Emergency services coordinator	97,060	122,610	119,871	2,739
Total other protection	357,030	382,580	365,612	16,968
Total public safety	4,061,620	4,143,628	4,026,891	116,737
Public works				
Sanitation and waste removal:				
Central garage utilities system	137,390	171,265	171,266	(1)
Refuse collection	466,250	466,250	466,232	18
Refuse disposal	377,180	377,180	367,372	9,808
Litter control	21,540	21,540	19,110	2,430
Total sanitation and waste removal	1,002,360	1,036,235	1,023,980	12,255
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	555,280	555,280	540,384	14,896
Total public works	1,557,640	1,591,515	1,564,364	27,151
Health and welfare				
Health:				
Direct assistance	3,640	3,640	-	3,640
Local health department and other health	161,380	161,380	159,569	1,811
Total health	165,020	165,020	159,569	5,451
Mental health and mental retardation:				
Community services board	48,860	48,860	48,860	-
Welfare:				
Public assistance and welfare administration	1,147,040	1,196,534	1,196,537	(3)
Comprehensive services	573,200	600,124	600,124	-
Total welfare	1,720,240	1,796,658	1,796,661	(3)
Total health and welfare	1,934,120	2,010,538	2,005,090	5,448

(Continued)

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)**

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures (continued)				
Education				
Contributions to community colleges	6,660	6,660	6,660	-
Contribution to component unit school board	6,712,050	6,832,050	6,192,279	639,771
Total education	6,718,710	6,838,710	6,198,939	639,771
Parks, recreation, and cultural				
Parks and recreation:				
Parks and recreation administration	318,040	271,361	268,443	2,918
Recreation programs and events	85,100	85,100	69,137	15,963
Museums and spring fest celebration	10,600	10,600	10,600	-
Total parks and recreation	413,740	367,061	348,180	18,881
Library:				
Regional library	400,000	400,000	400,000	-
Total parks, recreation, and cultural	813,740	766,453	748,180	18,881
Community development				
Planning and community development:				
Planning	357,980	357,980	333,058	24,922
MP regional airport	32,480	32,480	32,428	52
Redevelopment and housing	5,030	5,539	5,539	-
Board of zoning appeals	8,050	8,050	5,123	2,927
Mt. Olive improvement project	26,500	267,987	267,987	-
Economic development	50,210	50,210	43,696	6,514
Total planning and community development	480,250	722,246	687,831	34,415
Environmental management:				
Soil and water conservation district	11,030	11,030	11,030	-
Cooperative extension program:				
VPI extension program	37,050	37,050	30,747	6,303
Total community development	528,330	770,326	729,608	40,718
Debt service				
Principal retirement	2,086,450	2,086,450	2,052,456	33,994
Interest and fiscal charges	1,596,710	1,596,710	1,513,693	83,017
Total debt service	3,683,160	3,683,160	3,566,149	117,011
Total expenditures	21,493,590	22,124,027	21,110,121	1,014,514
Other financing sources (uses)				
Transfers in (out)	(279,390)	(160,324)	-	160,324
Contingency	(115,890)	-	-	-
Total other financing sources (uses)	(395,280)	(160,324)	-	160,324
Change in fund balance	-	-	1,036,882	(991,538)
Fund balance at beginning of year	-	-	1,173,766	1,337,122
Fund balance at end of year	\$ -	\$ -	\$ 2,210,648	\$ 345,584

See report of independent auditor.

**Schedule of Funding Progress - Virginia Retirement System and Other Post-Employment Benefits
Last Three Fiscal Years**

Virginia Retirement System**County**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Unfunded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 9,138,622	\$ 10,363,582	\$ 1,224,960	88.18%	\$ 3,490,219	35.10%
6/30/2008	8,661,220	9,555,939	894,719	90.64%	3,381,481	26.46%
6/30/2007	7,745,942	8,451,451	705,509	91.62%	3,252,141	21.79%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Unfunded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 1,357,656	\$ 1,373,188	\$ 15,532	98.87%	\$ 1,303,855	1.19%
6/30/2008	1,166,111	1,143,670	(22,441)	101.96%	1,183,503	-1.90%
6/30/2007	969,803	930,554	(39,249)	104.22%	1,142,843	-3.43%

Other Post-Employment Benefits**County**

Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Unfunded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2009	\$ -	\$ 157,100	\$ 157,100	0.00%	\$ 3,657,600	4.30%

Discretely Presented Component Unit - School Board

Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Unfunded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ -	\$ 907,000	\$ 907,000	0.00%	\$ 11,209,300	8.09%

Note: A biannual valuation report was used, as such, the funding progress is the same for the past two years (2009 and 2010) and 2009 is the first year that such liability was required to be valued and disclosed.

See report of independent auditor.

County of King William, Virginia

Other Supplementary Information

Year Ended June 30, 2010

County of King William, Virginia

Combining and Individual Fund Statements and Schedules

General Capital Projects

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Permits, privilege fees and regulatory licenses	\$ 59,300	\$ 59,300	\$ 61,828	\$ 2,528
Revenue from use of money and property	3,750	3,750	32	(3,718)
Recovered costs	-	-	36,955	36,955
Intergovernmental:				
Commonwealth	350	350	319	(31)
Total revenues	63,400	63,400	99,134	35,734
Expenditures				
Capital projects:				
Regional animal shelter	-	-	22,078	(22,078)
Debt service:				
Interest and fiscal charges	100	100	282	(182)
Total expenditures	100	100	22,360	(22,260)
Other financing sources (uses)				
Transfers	(4,000)	(4,000)	-	4,000
Change in fund balance	59,300	59,300	76,774	61,994
Fund balance at beginning of year	-	-	1,033,113	(1,033,113)
Fund balance at end of year	\$ 59,300	\$ 59,300	\$ 1,109,887	\$ 1,050,587

See report of independent auditor.

School Capital Projects

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

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Revenue from use of money and property	\$ 35,000	\$ 35,000	\$ 2	\$ (34,998)
Expenditures:				
Capital projects:				
Capital projects - high school	35,000	35,000	20,956	14,044
Change in fund balance	-	-	(20,954)	(20,954)
Fund balance at beginning of year	-	-	21,470	21,470
Fund balance at end of year	\$ -	\$ -	\$ 516	\$ 516

See report of independent auditor.

**Combining Statement of Fiduciary Net Assets -
Agency Funds**

June 30, 2010

Assets	Special Welfare	Undistributed Sales Tax	VJCCCA	Totals
Cash and cash equivalents	\$ 28,811	\$ -	\$ -	\$ 28,811
Due from other localities	-	-	6,887	6,887
Due from other governments	-	668,660	6,178	674,838
	<u>\$ 28,811</u>	<u>\$ 668,660</u>	<u>\$ 13,065</u>	<u>\$ 710,536</u>
Liabilities				
Reconciled overdraft	\$ -	\$ 459,394	\$ -	\$ 459,394
Due to other localities	-	209,266	-	209,266
Due to other funds	-	-	13,065	13,065
Amounts held for social services client	28,811	-	-	28,811
	<u>\$ 28,811</u>	<u>\$ 668,660</u>	<u>\$ 13,065</u>	<u>\$ 710,536</u>

The accompanying notes are an integral part of these financial statements.

Combining Statement of Changes in Assets and Liabilities - Agency Funds

June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 5,402	\$ 23,409	\$ -	\$ 28,811
Liabilities:				
Amounts held for social services client	\$ 5,402	\$ 28,811	\$ 5,402	\$ 28,811
Undistributed Sales Tax Fund				
Assets:				
Due from other governments	\$ 559,929	\$ 668,660	\$ 559,929	\$ 668,660
Liabilities:				
Due to other localities	\$ 197,646	\$ 209,266	\$ 197,646	\$ 209,266
Reconciled overdraft	362,283	459,394	362,283	459,394
Total liabilities	\$ 559,929	\$ 668,660	\$ 559,929	\$ 668,660
VJCCCA Fund				
Assets:				
Cash and cash equivalents	\$ 3,914	\$ -	\$ 3,914	\$ -
Due from other governments	-	6,178	-	6,178
Due from other localities	-	6,887	-	6,887
Total assets	\$ 3,914	\$ 13,065	\$ 3,914	\$ 13,065
Liabilities:				
Accounts payable	\$ 3,914	\$ -	\$ 3,914	\$ -
Due to other funds	-	13,065	-	13,065
Total liabilities	\$ 3,914	\$ 13,065	\$ 3,914	\$ 13,065
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 9,316	\$ 23,409	\$ 3,914	\$ 28,811
Due from other localities	-	6,887	-	6,887
Due from other governments	559,929	674,838	559,929	674,838
Total assets	\$ 569,245	\$ 705,134	\$ 563,843	\$ 710,536
Liabilities:				
Accounts payable	\$ 3,914	\$ -	\$ 3,914	\$ -
Reconciled overdraft	362,283	459,394	362,283	459,394
Amounts held for social services client	5,402	28,811	5,402	28,811
Due to other funds	-	13,065	-	13,065
Due to other localities	197,646	209,266	197,646	209,266
Total liabilities	\$ 569,245	\$ 710,536	\$ 569,245	\$ 710,536

The accompanying notes are an integral part of these financial statements.

County of King William, Virginia

Discretely Presented Component Unit – School Board

Combining Balance Sheet - Discretely Presented Component Unit - School Board

June 30, 2010

	School Operating Fund	School Cafeteria Fund	Total Component Unit
Assets			
Cash and cash equivalents	\$ 1,261,163	\$ 167,000	\$ 1,428,163
Accounts receivable	39,116	370	39,486
Due from primary government	733,063	-	733,063
Due from other governmental units	717,513	26,205	743,718
Total assets	\$ 2,750,855	\$ 193,575	\$ 2,944,430
Liabilities			
Accounts payable	\$ 583,357	\$ -	\$ 583,357
Accrued liabilities	2,053,498	-	2,053,498
Deferred revenue	114,000	-	114,000
Total liabilities	2,750,855	-	2,750,855
Fund Balances			
Unreserved:			
Designated for subsequent expenditures	-	193,575	193,575
Total fund balances	-	193,575	193,575
	\$ 2,750,855	\$ 193,575	\$ 2,944,430

The accompanying notes are an integral part of these financial statements.

***Reconciliation of Balance Sheet to the Statement of Net Assets -
Discretely Presented Component Unit - School Board***

June 30, 2010

Total fund balances - School Board \$ 193,575

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

13,970,031

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.

(274,688)

Net assets of component unit

\$ 13,888,918

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board**

Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	Total Component Unit
Revenues			
Other local taxes	\$ 637,576	\$ -	\$ 637,576
Revenue from use of money and property	9,352	115	9,467
Charges for services	63,404	512,037	575,441
Miscellaneous revenue	49,314	20,079	69,393
Recovered costs	21,889	-	21,889
Intergovernmental:			
County contribution to School Board	6,192,279	-	6,192,279
Commonwealth	12,202,035	18,823	12,220,858
Federal	1,520,217	418,725	1,938,942
Total revenues	20,696,066	969,779	21,665,845
Expenditures			
Current:			
Education	20,666,066	927,163	21,593,229
Excess of revenues over expenditures	30,000	42,616	72,616
Other financing sources (uses)			
Transfers in (out)	(30,000)	30,000	-
Changes in fund balances	-	72,616	72,616
Fund balances - beginning of year	-	120,959	120,959
Fund balances - end of year	\$ -	\$ 193,575	\$ 193,575

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to Statement of Activities - Discretely Presented Component Unit - School
Board**

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 72,616

**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 expense. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:

Capital additions	188,007	
Depreciation expense	<u>(646,910)</u>	(458,903)

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. A summary of items supporting this adjustment is as follows:

Change in other post employment benefits	(46,200)	
Change in accrued leave	<u>(10,275)</u>	(56,475)

Transfer of joint tenancy assets from Primary Government to the Component Unit		<u>1,354,098</u>
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Change in net assets of governmental activities		<u><u>\$ 911,336</u></u>
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**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board**

Year Ended June 30, 2010

	School Operating Fund				School Cafeteria Fund			
	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ 702,860	\$ 702,860	\$ 637,576	\$ (65,284)	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	3,700	3,700	9,352	5,652	450	450	115	(335)
Charges for services	53,300	53,300	63,404	10,104	669,500	669,500	512,037	(157,463)
Miscellaneous revenue	-	-	49,314	49,314	-	-	20,079	20,079
Recovered costs	46,000	97,735	21,889	(75,846)	-	-	-	-
Intergovernmental:								
County contribution to School Board	6,712,050	6,832,050	6,192,279	(639,771)	-	-	-	-
Commonwealth	12,317,730	12,747,760	12,202,035	(545,725)	2,490	2,490	18,823	16,333
Federal	2,009,040	2,009,040	1,520,217	(488,823)	377,750	377,750	418,725	40,975
Total revenues	21,844,680	22,446,445	20,696,066	(1,685,095)	1,050,190	1,050,190	969,779	(80,411)
Expenditures								
Education								
Instruction	16,156,210	16,586,240	15,510,836	1,075,404	-	-	-	-
Administration, attendance, and health	1,261,600	1,313,335	1,255,129	58,206	-	-	-	-
Pupil transportation	1,433,790	1,483,790	1,444,978	38,812	-	-	-	-
Operation and maintenance	2,347,400	2,297,400	1,773,108	524,292	-	-	-	-
School food service costs	16,000	16,000	14,092	1,908	1,050,190	1,050,190	927,163	123,027
Technology	749,680	749,680	667,923	81,757	-	-	-	-
Total expenditures	21,964,680	22,446,445	20,666,066	1,780,379	1,050,190	1,050,190	927,163	123,027
Excess of revenues over expenditures	(120,000)	-	30,000	(30,000)	-	-	42,616	(42,616)
Other financing sources (uses)								
Transfers in (out)	120,000	-	(30,000)	(30,000)	-	-	30,000	30,000
Changes in fund balances	-	-	-	-	-	-	72,616	72,616
Fund balances at beginning of year	-	-	-	-	-	-	120,959	120,959
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,575	\$ 193,575

See report of independent auditor.

County of King William, Virginia

Supporting Schedules

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual

Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary government:				
General fund				
Revenue from local sources:				
General property taxes				
Real property tax	\$ 11,209,000	\$ 11,295,203	\$ 11,287,217	\$ (7,986)
Real and personal PSC tax	320,000	320,000	273,949	(46,051)
Personal property tax	2,101,240	2,135,645	2,173,122	37,477
Machinery and tools tax	1,500,000	1,500,000	1,430,390	(69,610)
Penalties	140,000	140,000	132,814	(7,186)
Interest	93,000	93,000	96,287	3,287
Total general property taxes	15,363,240	15,483,848	15,393,779	(90,069)
Other local taxes				
Consumer utility tax	238,000	238,000	224,395	(13,605)
Communications tax	388,000	388,000	375,273	(12,727)
Business license tax	328,000	328,000	278,531	(49,469)
Motor vehicle licenses	300,000	300,000	299,404	(596)
Bank stock tax	70,000	70,000	65,088	(4,912)
Taxes on recordation and wills	250,000	250,000	156,970	(93,030)
Meals tax	125,000	125,000	227,747	102,747
Local sales tax	-	-	97,151	97,151
Total other local taxes	1,699,000	1,699,000	1,724,559	25,559
Permits, privilege fees and regulatory licenses				
Animal licenses	12,000	12,000	12,825	825
Building permits	150,000	150,000	74,840	(75,160)
Other permits and licenses	191,500	191,500	112,074	(79,426)
Total permits, privilege fees and regulatory licenses	353,500	353,500	199,739	(153,761)
Fines and forfeitures				
Court and other fines and forfeitures	80,100	80,100	79,556	(544)
Revenue from use of money and property				
Revenue from use of money	95,000	95,000	37,269	(57,731)
Revenue from use of property	37,300	37,300	39,679	2,379
Total revenue from use of money and property	132,300	132,300	76,948	(55,352)
Charges for services				
Planning and community development	500	500	706	206
Law enforcement and traffic	200	200	304	104
Court costs	9,920	9,920	10,852	932
Commonwealth Attorney fees	600	600	455	(145)
Sanitation and waste removal	215,000	215,000	130,839	(84,161)
Parks and recreation	85,100	85,100	86,706	1,606
Animal shelter	23,250	23,250	6,843	(16,407)
Total charges for services	334,570	334,570	236,705	(97,865)
Miscellaneous				
Miscellaneous revenues	4,500	5,217	14,256	9,039
Recovered costs				
JDRC Recovery	4,000	4,000	3,856	(144)
High school resources officer	48,970	48,970	51,717	2,747
Other recovered costs	69,690	69,690	59,550	(10,140)
Total recovered costs	122,660	122,660	115,123	(7,537)
Total revenue from local sources	18,089,870	18,211,194	17,840,665	(370,529)

(Continued)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual (Continued)

Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary government (continued):				
General fund (continued)				
Revenue from the Commonwealth:				
Noncategorical aid				
Mobile home titling tax	6,500	6,500	10,179	3,679
Timber sales	2,000	2,000	31,102	29,102
Recordation tax	70,000	70,000	53,962	(16,038)
Motor vehicles carriers' tax	15,000	15,000	16,371	1,371
Motor vehicle rental tax	2,000	2,000	2,200	200
State budget reduction	(56,040)	(56,040)	(55,044)	996
Personal property tax relief act funds	1,204,130	1,204,130	1,204,132	2
Total noncategorical aid	1,243,590	1,243,590	1,262,902	19,312
Categorical aid				
Shared expenses				
Commonwealth Attorney	151,580	149,880	157,331	7,451
Sheriff	667,550	655,032	679,615	24,583
Commissioner of Revenue	98,400	93,347	96,984	3,637
Treasurer	91,240	86,291	89,846	3,555
Registrar/electoral board	48,490	40,933	42,807	1,875
Clerk of the Circuit Court	169,910	156,351	184,561	28,210
Total shared expenses	1,227,170	1,181,834	1,251,144	69,310
Other categorical aid				
Welfare administration assistance	313,340	313,340	321,483	8,143
Victim witness assistance grant	46,500	50,540	50,548	8
Emergency services - four life life	15,000	15,984	15,835	(149)
Litter control grant	8,000	8,000	6,629	(1,371)
Fire programs	-	25,550	28,361	2,811
Radiological emergency preparedness	10,000	10,000	10,000	-
Wireless e-911 grant	45,000	45,000	38,238	(6,762)
Miscellaneous public safety grants	-	-	2,550	2,550
Comprehensive services	323,200	350,124	414,803	64,679
Community development	-	98,000	98,000	-
Commonwealth other categorical aid	-	-	26,915	26,915
Miscellaneous	5,000	5,000	5,000	-
Total other categorical aid	766,040	921,538	1,018,362	96,824
Total categorical aid	1,993,210	2,103,372	2,269,506	166,134
Total revenue from the Commonwealth	3,236,800	3,346,962	3,532,408	185,446
Revenue from the federal government:				
Categorical aid				
Welfare and administration assistance	551,200	600,694	649,947	49,253
Community development	-	114,500	114,500	-
Public safety	11,000	11,000	9,483	(1,517)
Total revenue from the federal government	562,200	726,194	773,930	47,736
Total general fund	21,888,870	22,284,351	22,147,003	(137,348)

(Continued)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual (Continued)

Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary government (continued):				
General capital projects fund				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses				
Developer proffers	59,300	59,300	61,828	2,528
Revenue from use of money and property				
Revenue from use of money	3,750	3,750	32	(3,718)
Recovered costs				
King and Queen share - regional animal shelter	-	-	36,955	36,955
Total revenue from local sources	63,050	63,050	98,815	35,765
Revenue from the Commonwealth:				
Categorical aid				
Animal friendly license plates	350	350	319	(31)
Total general capital projects fund	63,400	63,400	99,134	35,734
School capital projects fund				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from use of money	35,000	35,000	2	(34,998)
Revenue from the Commonwealth:				
Categorical aid				
Construction funds	-	-	-	-
Total school capital projects fund	35,000	35,000	2	(34,998)
Grand total revenues - primary government	\$21,987,270	\$22,382,751	\$22,122,073	\$ (260,678)
Component unit - School Board:				
School operating fund				
Revenue from local sources:				
Other local taxes				
Local sales and use taxes	\$ 702,860	\$ 702,860	\$ 637,576	\$ (65,284)
Revenue from use of money and property				
Revenue from use of money	1,200	1,200	542	(658)
Revenue from use of property	2,500	2,500	8,810	6,310
Total revenue from use of money and property	3,700	3,700	9,352	5,652
Charges for services				
Charges for education	53,300	53,300	63,404	10,104
Miscellaneous revenue				
Miscellaneous	-	-	49,314	49,314
Recovered costs				
E-rate	46,000	46,000	19,726	(26,274)
Other recovered costs	-	51,735	2,163	(49,572)
Total recovered costs	46,000	97,735	21,889	(75,846)
Total revenue from local sources	805,860	857,595	781,535	(76,060)
Intergovernmental revenue:				
County contribution to School Board	9,450,780	9,450,780	6,192,279	(3,258,501)

(Continued)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual (Continued)

Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component unit - School Board (continued):				
School operating fund (continued):				
Revenue from the Commonwealth:				
Categorical aid				
Share of state sales tax	1,829,980	1,829,980	1,940,420	110,440
Basic school aid	7,079,820	7,079,820	6,578,712	(501,108)
K-3 initiative	197,850	197,850	191,866	(5,984)
Special education	1,172,080	1,172,080	1,186,912	14,832
Textbook payment	178,780	178,780	-	(178,780)
Alternative education	-	425,030	363,508	(61,522)
Fringe benefits - SS/teacher retirement	950,330	950,330	821,747	(128,583)
State lottery payments	137,070	137,070	175,362	38,292
Technology	154,000	154,000	90,164	(63,836)
Other state funds	617,820	622,820	853,344	230,524
Total revenue from the Commonwealth	12,317,730	12,747,760	12,202,035	(545,725)
Revenue from the federal government:				
Categorical aid				
Title I	311,000	311,000	225,806	(85,194)
Innovative program	-	-	358	358
Special education - preschool	14,200	14,200	14,145	(55)
Title VI-B flow through	685,990	685,990	561,496	(124,494)
Title XI - Indian education	8,000	8,000	15,049	7,049
Vocational education	26,000	26,000	18,621	(7,379)
Title II - Eisenhower	67,500	67,500	69,599	2,099
Title II - Technology	5,000	5,000	3,470	(1,530)
Drug free	5,000	5,000	7,996	2,996
Air force - ROTC	56,670	56,670	61,569	4,899
Other	829,680	829,680	542,108	(287,572)
Total revenue from the federal government	2,009,040	2,009,040	1,520,217	(488,823)
Total school operating fund	24,583,410	25,065,175	20,696,066	(4,369,109)
School cafeteria fund				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from use of money	450	450	115	(335)
Charges for services				
Cafeteria sales	669,500	669,500	512,037	(157,463)
Miscellaneous revenue				
Miscellaneous	-	-	20,079	20,079
Total revenue from local sources	669,950	669,950	532,231	(137,719)
Revenue from the Commonwealth:				
Categorical aid				
School food program grant	2,490	2,490	18,823	16,333
Revenue from the federal government:				
Categorical aid				
Child nutrition cluster	377,750	377,750	418,725	40,975
Total school cafeteria fund	1,050,190	1,050,190	969,779	(80,411)
Grand total revenues - component unit - School Board	\$ 25,633,600	\$ 26,115,365	\$ 21,665,845	\$ (4,449,520)

See report of independent auditor.

County of King William, Virginia

Statistical Section (unaudited)

Year Ended June 30, 2010

Net Assets by Component
Last Seven Fiscal Years

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

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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
Judicial administration	347,522	360,726	597,394	546,844	703,379	709,576	723,263	704,861
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
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
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
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
Parks, recreation, and cultural	577,685	630,563	675,125	768,139	795,222	808,883	856,020	805,377
Community development	521,455	475,418	509,256	588,039	632,854	628,507	602,788	728,707
Interest and other fiscal charges	588,299	1,625,043	1,565,132	1,650,115	1,683,999	1,726,966	1,470,892	1,505,477
Total governmental activities expenses	13,956,247	18,579,172	17,282,046	20,583,514	19,501,459	20,460,833	21,473,462	21,027,609
Program revenues								
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
Public safety	92,809	6,998	163,256	149,436	141,582	155,621	129,696	94,812
Public works	47,124	215,880	135,539	144,706	242,938	283,945	118,984	130,839
Parks, recreation, and cultural	58,705	60,308	65,390	63,657	62,935	90,002	103,290	86,706
Community development	122,973	114,453	326,978	280,923	366,445	429,266	193,292	174,608
Operating grants and contributions:								
General government administration	187,380	231,496	196,230	212,953	228,053	258,221	250,522	229,637
Judicial administration	279,020	223,772	303,716	395,244	373,098	357,510	387,240	341,892
Public safety	899,663	766,975	788,198	843,276	855,926	883,349	1,007,777	835,995
Public works	5,634	5,697	5,545	8,325	6,886	8,390	8,169	6,629
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
Parks, recreation, and cultural	-	5,698	-	-	5,000	5,639	5,000	5,319
Community development	74,133	40,786	8,000	-	-	-	-	-
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
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)
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
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
Consumer utility taxes	367,865	353,768	367,020	392,552	316,991	226,398	216,877	224,395
Business license taxes	217,014	236,897	243,080	343,348	307,841	353,398	376,767	278,531
Motor vehicle taxes	249,281	254,397	264,436	274,860	268,331	283,490	290,584	299,404
Emergency telephone tax	177,369	173,796	171,262	191,211	94,613	-	-	-
Recordation taxes	-	-	-	-	-	-	-	156,970
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
Unrestricted revenues from use of money and property	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982
Miscellaneous	2,246	18,133	13,273	83,195	391,817	21,058	114,945	14,256
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
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

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved:										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,423	\$ 448,725	\$ 448,725
Unreserved, designated	585,645	427,839	-	755,670	-	43,036	-	-	-	-
Unreserved, undesignated	354,114	2,032,599	2,487,016	677,017	102,245	(1,410,084)	(1,573,398)	(878,836)	725,041	1,761,923
Total general fund	939,759	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
All other governmental funds										
Reserved:										
General capital projects	864,795	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
Total all other governmental funds	864,795	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
Total fund balances	\$ 1,804,554	\$ 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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 7,725,226	\$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
Other local taxes	902,199	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
Permits, privilege fees and regulatory licenses	109,685	116,444	227,223	273,876	493,216	429,832	507,487	582,677	322,076	261,567
Fines and forfeitures	84,261	59,489	82,355	66,670	105,668	68,228	61,357	80,343	82,334	79,556
Revenue from use of money and property	188,952	99,912	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982
Charges for services	350,268	139,745	104,992	150,106	204,071	217,410	315,124	385,344	234,994	236,705
Miscellaneous	62,695	45,185	2,247	18,133	13,271	83,197	391,816	21,057	114,945	14,256
Recovered costs	20,167	21,187	260,187	11,951	69,702	391,314	399,878	178,107	241,834	152,078
Intergovernmental:										
Commonwealth	1,966,212	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
Federal	554,245	509,840	592,390	809,337	912,630	1,009,266	1,117,864	662,086	638,274	773,930
Total revenues	11,963,910	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
Expenditures										
General government administration	1,052,260	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
Judicial administration	258,429	334,282	345,525	357,920	379,921	483,269	545,276	548,832	595,412	538,227
Public safety	2,336,567	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
Public works	1,023,845	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
Health and welfare	802,517	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
Education	4,622,591	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
Parks, recreation, and cultural	527,430	534,576	569,447	625,579	666,640	755,898	783,565	806,175	858,490	748,180
Community development	357,924	398,712	517,106	480,815	509,256	584,745	1,051,637	625,676	606,026	729,608
Capital outlays and projects	132,631	388,948	11,957,118	6,890,404	983,746	574,226	2,273,439	2,275,620	1,060,899	43,034
Debt service										
Principal retirement	84,164	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
Interest and fiscal charges	158,483	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
Total expenditures	11,356,841	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
Excess (deficiency) of revenues over expenditures	607,069	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
Other financing sources (uses)										
Operating transfers in	12,877	-	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	-	-
Premium on debt issued	-	-	525,107	469,900	45,675	-	85,346	-	-	-
Total other financing sources (uses)	12,877	-	25,783,839	6,939	650,675	1,050,000	1,523,384	2,055,000	-	-
Net change in fund balances	\$ 619,946	\$ 1,520,679	\$ 7,047,578	\$(9,106,426)	\$(1,809,020)	\$ (922,437)	\$ (348,470)	\$ 1,113,870	\$ 440,340	\$ 1,092,702
Debt service as a percentage of noncapital expenditure:	2.16%	11.44%	42.85%	18.43%	21.38%	19.31%	19.38%	19.12%	17.54%	16.89%

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Taxes on Recordation and Wills	Emergency Telephone Taxes	Communi- cations Taxes	Other Local Taxes	Total
2001	\$ 7,725,226	\$ 341,468	\$ -	\$ 238,713	\$ 70,687	\$ 157,747	\$ -	\$ 93,584	\$ 8,627,425
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

**Assessed and Estimated Value of Property
Last Ten Fiscal Years**

Fiscal 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
2000-01	\$ 627,556,801	\$ 0.82	\$ 79,681,800	\$ 3.55	\$ 86,319,136	\$ 2.45	\$ 2,492,495	\$ 3.90	\$ 34,122,852	\$ 1.28	\$ 830,173,084
2001-02	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
2002-03	742,579,474	0.94	84,222,914	3.55	153,862,093	2.30	-	-	34,503,520	1.38	1,015,168,001
2003-04	765,744,726	1.08	83,436,554	3.55	148,076,370	2.30	-	-	33,431,805	1.47	1,030,689,455
2004-05	909,258,951	0.87	84,621,184	3.65	148,254,803	2.30	-	-	30,502,008	1.26	1,172,636,946
2005-06	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
2006-07	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
2007-08	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
2008-09	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
2009-10	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

Notes: (1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchants'	Public Service		Total Direct Tax Rate
					Real Estate	Personal Property	
2000-01	\$ 0.82/0.17	\$ 3.55/0.34	\$ 2.45/0.95	\$ 3.90/1.10	\$ 0.82/0.17	\$ 3.55/0.34	\$ 1.28
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

Note: (1) Per \$100 of assessed value.

Principal Tax Payers

Taxpayer	Type of Business	2010 Assessed Valuation*	Percentage of Total Assessed Valuation*
Smurfit Stone Container Corporation	Paper Mill	\$ 41,901,700	2.52%
Nestle Purina Pet Care	Cat Litter	8,160,800	0.49%
Central Garage Partnership	Developer	4,389,172	0.26%
The Lafferty Foundation	Grain Farm	4,134,500	0.25%
Charles S. Hunter, III	Land-Owner	3,382,700	0.20%
Old Town, LLC	Developer	2,643,700	0.16%
Romancoke, LLC	Land-Owner	2,455,900	0.15%
Widespread Properties, LLC	Developer	2,279,690	0.14%
Central Garage, LLC	Developer	2,148,096	0.13%
Siegel Family, LP	Land-Owner	2,135,800	0.13%
		<u>\$ 73,632,058</u>	<u>4.43%</u>
Smurfit Stone Container Corporation	Paper Mill	\$ 42,023,400	5.30%
John Hancock Mutual Life Insurance	Insurance	4,297,700	0.54%
St. Laurent Paper Products Company	Paper Products	2,873,700	0.36%
John T. & Alice Siegel	Land Owners	2,833,500	0.36%
The Lafferty Foundation	Grain Farm	2,242,500	0.28%
John N. Mills & Sons	Grain Farm	2,141,500	0.27%
Charles S. Hunter, III	Land Owner	1,833,700	0.23%
Hayes Farm Partnership (I and II)	Sand and Gravel	1,714,300	0.22%
J. Harvey Martin Estate	Grain Farm	1,697,200	0.21%
Pampatike Farm	Dairy Farm	1,595,500	0.20%
		<u>\$ 63,253,000</u>	<u>7.97%</u>

*Excludes Land Use Values

County of King William, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

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
2000-01	\$ 8,368,306	\$ 8,017,864	95.81%	\$ 248,882	\$ 8,266,746	98.79%	\$ 462,536	5.53%
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	16,889,237	14,854,427	87.95%	373,174	15,227,601	90.16%	1,661,636	9.84%

Notes:

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemptions.
- (3) Locality began semi-annual real estate billings for the fiscal year ended June 30, 2002

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

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			
2001	\$ 1,760,000	\$ 8,659,598	\$ 10,245,000	\$ 2,722,963	\$ 23,387,561	6.02%	\$ 1,517
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

Notes: (1) See demographic statistics on Table 13

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Debt Payable From Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	13,600	\$ 830,173,084	\$ 15,865,524	\$ 2,722,963	\$ 13,142,561	1.58%	966
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

Notes:

- (1) www.fedstats.gov - 2009-10 information obtained from County records
- (2) From Table 6
- (3) Includes all long-term general obligation bonded debt and Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences.

*Computation of Direct and Overlapping Bonded Debt
At June 30, 2009*

Direct:

County of King William	\$ 29,419,614	100%	\$ 29,419,614
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The County of King William has no overlapping debt.

Demographic and Economic Statistics
Last Ten Years

Fiscal Year	(1) Population	(1) Per Capita Income	Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2000-01	13,600	\$ 28,554	\$ 388,334,400	1,784	3.30
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

Notes: (1) www.fedstats.gov - 2009-10 information obtained from VEC Virginia Workforce Connection website
 (2) Virginia Department of Education
 (3) Virginia Employment Commission

**Principal Employers
Current Year and Ten Years Ago**

Employer	Fiscal Year 2010			Fiscal Year 2000	
	Employees	Rank	% of Total Employment	Employees	Rank
Smurfit Stone Container Corporation	500-900	1	5.72%		
King William County Schools	250-499	2	2.86%	250-499	2
Nestle Purina Petcare Company	100-249	3	1.14%	-	-
Town of West Point School Board	100-249	4	1.14%	100-249	4
County of King William	100-249	5	1.14%	50-99	6
Food Lion	100-249	6	1.14%	-	-
Riverside Regional Medical Center	50-99	7	0.57%	50-99	10
Virginia Log Company	50-99	8	0.57%	50-99	8
J. Sanders Construction Company	50-99	9	0.57%	50-99	7
H&R Block	50-99	10	0.57%	-	-
St. Laurent Paper Products Corporation	-	-	-	500-999	1
On Site Resources	-	-	-	100-249	3
Environmental Elements	-	-	-	50-99	5
Citizen's Farmers Bank	-	-	-	50-99	9

Source: Virginia Employment Commission

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	13.7	15.2	15.2	15.2	17.3	18.9	17.5	18.5	17.5	17.5
Judicial administration	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0	4.0	4.0
Public safety										
Sheriffs department	22.0	27.0	28.0	29.0	30.4	30.3	31.0	32.0	32.0	32.0
Emergency services	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Community connection program	2.0	2.0	2.0	2.0	2.0	2.6	2.5	2.5	3.0	3.0
Building inspections	3.0	4.0	4.0	5.0	5.0	6.0	5.0	5.0	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	5.0	7.0	6.5	7.0	7.5	8.5	8.5
Litter control	0.4	0.4	0.4	0.4	0.2	0.7	0.6	0.6	0.6	0.6
Health and welfare										
Department of social services	11.5	11.5	11.5	11.5	12.0	12.0	12.0	11.0	13.3	13.3
Culture and recreation										
Parks and recreation	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0	3.0	3.0
Community development										
Planning	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0	5.0	5.0
Totals	68.6	76.1	78.1	80.1	85.9	94.0	91.6	93.1	93.9	93.9

Source: Payroll records

County of King William, Virginia
Operating Indicators by Function
Last Ten Fiscal Years

Table 16

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sheriff	Physical arrests	320	395	383	511	701	809	744	688	779	855
	Traffic violations	1,300	872	794	844	998	750	683	1,050	884	715
Fire Protection	Number of stations	3	4	4	4	4	3	3	3	3	3
	Number of calls answered	331	235	235	235	235	235	496	210	1,863	1,819
	Number of inspections conducted	39	25	25	25	25	25	25	25	31	31
Community Development	Residential building permits	236	964	1,134	1,441	1,943	1,734	1,713	1,316	808	546
Parks and Recreation	Program participants	4,945	8,445	4,203	4,397	8,562	8,287	9,460	13,637	14,377	8,938
Water	Service connections	1	12	13	13	73	109	203	193	203	209
	Average Daily Consumption in Gallons	3,000	11,661	8,400	13,800	35,700	52,860	57,538	53,040	57,538	56,435
Sewer	Service connections	2	11	12	12	14	15	109	98	109	119
	Average Daily Consumption in Gallons	9,000	9,699	6,100	9,822	10,600	13,658	39,174	34,060	39,174	25,984

County of King William, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years

Table 17

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
General government administration:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	23	24	23	25	25	27	26	26	26
Building inspections:										
Vehicles	3	4	4	5	4	4	4	4	4	4
Animal control:										
Vehicles	1	1	1	1	2	2	2	2	2	2
Emergency services:										
Vehicles	-	-	-	-	-	-	3	3	3	2
Public works:										
General maintenance:										
Trucks/vehicles	6	6	6	6	7	8	8	8	8	10
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
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	4	3	3
T-Ball Fields	2	2	2	3	3	3	3	3	3	3
Soccer Fields	2	2	2	2	2	2	2	2	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
Number of fire hydrants	1	8	8	8	8	8	55	55	63	67
Sewer system										
Miles of sewer mains	4	4	4	4	4	4	13	13	13	13
Component Unit - School Board Education										
Number of Elementary Schools	1	1	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	39	40	40	40	42	45	47	44

Source: Finance Department

County of King William, Virginia

Compliance Section

Year Ended June 30, 2010



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***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 Board of Supervisors
County of King William, Virginia

We have audited the 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*, as of and for the year ended June 30, 2010, which collectively comprise the *County of King William, Virginia's* basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *County of King William, Virginia's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of *County of King William, Virginia* in a separate letter dated November 24, 2010.

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

Loachman & Company, LLP

Chester, Virginia
November 24, 2010



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***Report on Compliance with Requirements That Could Have
A Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133***

To The Honorable Members' of Board of Supervisors
County of King William, Virginia

Compliance

We have audited *County of King William, Virginia's* compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The *County of King William, Virginia's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the *County of King William, Virginia's* management. Our responsibility is to express an opinion on the *County of King William, Virginia's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the *County of King William, Virginia's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *County of King William, Virginia's* compliance with those requirements.

In our opinion, the *County of King William, Virginia* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the *County of King William, Virginia* is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of referred to above. In planning and performing our audit, we considered the *County of King William, Virginia's* internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal

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control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *County of King William, Virginia's* internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 significant 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 management, the Board of Supervisors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stechman & Company, LLP

Chester, Virginia
November 24, 2010

***Report of Independent Auditors on Compliance with
Commonwealth of Virginia Laws, Regulations, Contracts and Grants***

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

We have audited the financial statements of the ***County of King William, Virginia***, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010.

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 general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the ***County of King William, Virginia***, is the responsibility of the ***County of King William, Virginia's*** management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the ***County of King William, Virginia's*** compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property

State Agency Requirements

- Education
- Comprehensive Services Act Funds
- Social Services

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. This instance is discussed in the Schedule of Findings and Questioned Costs as Finding 10-01. With respect to items not tested, nothing came to our attention that caused us to believe that the *County of King William, Virginia* had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the *County of King William, Virginia's* Board of Supervisors, management, and the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Loeschman & Company, LLP

Chester, Virginia
November 24, 2010

County of King William, Virginia

**Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit**

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
Primary Government:		
Department of Agriculture:		
Direct programs:		
Community Facilities Loans and Grants	10.780	\$ 114,500
Pass-through programs:		
Virginia Department of Social Services:		
State administrative matching grants for the supplemental nutrition assistance program	10.561	139,463
Total Department of Agriculture		<u>253,963</u>
Department of Health and Human Services pass-through programs:		
Virginia Department of Social Services:		
Child care and development block grant	93.575	93,656
Temporary assistance for needy families	93.558	80,879
Medical assistance program	93.778	74,152
Child care mandatory and matching funds of the child care care and development fund	93.596	68,995
Foster care - title IV-E	93.658	63,287
Adoption assistance	93.659	38,084
Social services block grant	93.667	29,458
ARRA - Child care and development block grant	ARRA-93.713	26,437
Promoting safe and stable families	93.556	14,733
Children's health insurance program	93.767	5,107
Low-income home energy assistance	93.568	4,763
ARRA - Adoption assistance	ARRA-93.659	4,254
ARRA - Foster care - title IV-E	ARRA-93.658	3,680
Chafee foster care independence program	93.674	1,259
Chafee education and vouchers program	93.599	1,180
Child welfare services - state grants	93.645	291
Refugee and entrant assistance - state administered programs	93.566	267
Total Department of Health and Human Services		<u>510,482</u>
Department of Transportation pass-through programs:		
Virginia Department of Rail and Transportation:		
Alcohol open container requirements	20.607	<u>9,483</u>
Total Primary Government		<u>773,928</u>

(Continued)

County of King William, Virginia

**Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit (Continued)**

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
Component Unit - School Board:		
Department of Agriculture pass-through programs:		
Child Nutrition Cluster:		
Virginia Department of Agriculture and Consumer Services:		
Food distribution - noncash assistance	10.555	36,763
Virginia Department of Education:		
National school breakfast program	10.553	90,563
National school lunch program	10.555	291,401
Total Child Nutrition Cluster		<u>418,727</u> *
Department of Defense direct programs:		
ROTC Instruction	12.000	<u>61,569</u>
Department of Education:		
Direct programs:		
Indian education - grants to local educational agencies	84.060	<u>15,049</u>
Pass through programs:		
Virginia Department of Education:		
Special Education Cluster (IDEA):		
Special education - grants to states	84.027	402,351
Special education - preschool grants	84.173	14,145
Special education - grants to states	ARRA-84.391	144,635
Total Special Education Cluster (IDEA)		<u>561,131</u> *
State Fiscal Stabilization Fund Cluster		
State Fiscal Stabilization Fund	ARRA-84.394	<u>541,298</u> *
Title I grants to local educational agencies	84.010	225,806
Career and technical education - basic grants to states	84.048	13,379
Safe and drug-free schools and communities	84.186	7,996
Parent Resource Center	84.310	14,509
Education technology state grants	84.318	2,815
Improving teacher quality state grants	84.367	69,656
		<u>334,161</u>
Total Department of Education		<u>1,451,639</u>
Total Component Unit School Board		<u>\$ 1,931,935</u>
Total Reporting Entity		<u>\$ 2,705,863</u>

* Type A program. All other programs are Type B.

County of King William, Virginia

Notes to Schedule of Expenditures of Federal Awards

June 30, 2010

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on an accrual basis of accounting consistent with the basis of accounting used by County of King William, Virginia. The schedule includes all known federal funds expended by the County for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit 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 presentation of the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

County of King William, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements.
- B. There were no significant deficiencies in internal control over financial reporting, including those identified as material weaknesses, disclosed by the audit of the financial statements.
- C. The audit did not disclose any instances of noncompliance material to the financial statements.
- D. There were no significant deficiencies in internal control over major federal programs disclosed by the audit.
- E. An unqualified opinion was issued on compliance for the major programs.
- F. The audit disclosed no compliance findings required to be reported.
- G. The major programs were:
 - Child Nutrition Cluster – CFDA Numbers 10.553 and 10.555
 - Special Education Cluster (IDEA) – CFDA Numbers 84.027, 84.173, and ARRA-84.391
 - State Fiscal Stabilization Fund Cluster – CFDA Number ARRA-84.394
- H. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- I. The auditee qualified as a low-risk auditee.

2. Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

None noted

3. Findings and Questioned Costs for Federal Awards

None noted

County of King William, Virginia

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2010

4. Findings and Questioned Costs for Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding 10-01

Condition: The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia requires local government officials to file a statement of economic interests with the clerk of the governing body by January 15 of each year.

Criteria: One statement of economic interests were not filed timely, and three statement of economic interests were not filed with the clerk of the governing body.

Effect: The County is not in compliance with the State and Local Government Conflict of Interest Act.

Recommendation: The County should take steps to ensure that each local official files the statement of economic interests in a timely manner.

Management's Response: The County agrees with the finding, and will take steps to ensure that all required forms are filed by the deadline.

5. Results of Prior Year Findings

None noted