

COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF KING & QUEEN, VIRGINIA

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FOR THE FISCAL YEAR ENDED
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COUNTY OF KING & QUEEN, VIRGINIA

BOARD OF SUPERVISORS

Milton W. "Pete" McDuff	Sherrin C. Alsop, Chairman	Doris H. Morris, Vice Chairman
J. Lawrence Simpkins		James M. Milby, Jr.

COUNTY SCHOOL BOARD

Eileen V. Long	Loise H. Carlton, Chairperson	Chauncey L. Robinson
Cora L. Armstrong		Gwynn B. Litchfield

SOCIAL SERVICES BOARD

Florence Cooke	Belinda Baylor, Chairperson	Vanessa Porter
Cheryl Shine		Laura Mae Willis

OTHER OFFICIALS

Judge of the Circuit Court	Thomas B. Hoover
Clerk of the Circuit Court	Deborah F. Longest
Commonwealth's Attorney	Charles Adkins
Commissioner of the Revenue	Helen M. Longest
Treasurer	Irene Longest
Sheriff	John R. Charboneau
Superintendent of Schools	Charles Clare
Director of Social Services	Betty Dougherty
County Administrator	Thomas J. Swartzwelder
Clerk of the School Board	Suzanne Gilbertson
County Attorney	Thomas J. Swartzwelder

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COUNTY OF KING & QUEEN, VIRGINIA
FINANCIAL REPORT
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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To The Honorable Members of the Board of Supervisors
County of King & Queen
King & Queen Courthouse, Virginia

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King and Queen, Virginia's financial statements as a whole. The other supplementary information and statistical information 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 other supplementary information 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 statistical information has 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of King and Queen County
County of King and Queen, Virginia

As management of the County of King and Queen, 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, 2012. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$22,098,157 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other sources in excess of expenditures and other financing uses of \$879,944 (Exhibit 5) after making contributions totaling \$3,769,546 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$18,886,275 an increase of \$879,944 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,634,950, or 95% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$532,666 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's 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's finances, in a manner similar to a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

The statement of net assets presents information on all of the County's 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 the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event 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, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of King and Queen, Virginia itself (known as the primary government), but also a legally separate school district for which the County of King and Queen, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

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 and Queen, Virginia, 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 - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has three major governmental funds - the General Fund, the Capital Projects Fund and the Special Revenue Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It 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. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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

Other information - 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 over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$22,098,157 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of King and Queen, Virginia's Net Assets		
	Governmental Activities	
	2012	2011
Current and other assets	\$ 19,617,838	\$ 18,500,475
Capital assets	6,911,714	7,391,327
Total assets	\$ 26,529,552	\$ 25,891,802
Current liabilities	\$ 413,379	\$ 314,481
Long-term liabilities outstanding	4,018,016	4,550,682
Total liabilities	\$ 4,431,395	\$ 4,865,163
Net assets:		
Invested in capital assets, net of related debt	\$ 5,177,352	\$ 5,130,504
Restricted:		
Debt service reserve	251,045	251,041
Asset forfeiture	1,625	1,543
Court security	164,288	165,258
CBDG	65,425	-
Unrestricted	16,438,422	15,478,293
Total net assets	\$ 22,098,157	\$ 21,026,639

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets increased by \$1,071,518. The following table summarizes the County's Statement of Activities

County of King and Queen, Virginia's Changes in Net Assets		
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 3,216,698	\$ 3,360,983
Operating grants and contributions	2,539,732	2,265,979
Capital grants and contributions	-	147,075
General revenues:		
General property taxes	5,671,926	5,578,955
Other local taxes	620,996	594,612
Grants and other contributions not restricted	1,049,684	1,045,800
Other general revenues	192,442	279,872
Total revenues	<u>\$ 13,291,478</u>	<u>\$ 13,273,276</u>
Expenses:		
General government administration	\$ 1,226,149	\$ 1,267,906
Judicial administration	613,685	591,782
Public safety	2,751,138	1,979,131
Public works	554,107	606,615
Health and welfare	2,078,523	1,789,941
Education	4,156,243	4,117,502
Parks, recreation, and cultural	248,605	171,151
Community development	485,371	332,854
Interest and other fiscal charges	106,139	137,552
Total expenses	<u>\$ 12,219,960</u>	<u>\$ 10,994,434</u>
Change in net assets	\$ 1,071,518	\$ 2,278,842
Beginning of year	21,026,639	18,747,797
End of year	<u><u>\$ 22,098,157</u></u>	<u><u>\$ 21,026,639</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 available 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 fund balances of \$18,886,275, an increase of \$879,944 in comparison with the prior year. Approximately 62% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$806,563 and can be briefly summarized as follows:

- < \$ 402,893 increase in debt service expenditures
- < \$ 376,310 increase in public safety expenditures
- < \$ 63,366 increase in capital projects expenditures
- < \$ 160,987 increase in health and welfare expenditures
- < \$ 200,000 increase in community development expenditures
- < \$ 20,901 increase in various other expenditures
- < \$ 402,894 decrease in education expenditures
- < \$ 15,000 decrease in nondepartmental expenditures

During the year, actual revenues and other sources of the General Fund exceeded budgetary estimates by \$670,770. Actual expenditures and other uses did not exceed budgetary estimates by \$798,477. The combination of the two resulted in a positive variance of \$1,469,247.

Capital Asset and Debt Administration

- < Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounts to \$6,911,714 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,734,362. Of this amount, \$499,362 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

During the current fiscal year, the County's total debt decreased by \$526,461.

Additional information on the County of King and Queen, Virginia's long-term debt can be found in Note 7 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

- < The unemployment rate for the County of 6.6 percent compares to the state's average unemployment rate of 5.7 percent.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The fiscal year 2013 budget increased by approximately 2.7%, the real estate tax rate increased 4 cents to 52 cents per \$100 of assessed valuation, and all other tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of King and Queen, 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 County Administrator, Allens Circle and Courthouse Landing Road, King and Queen Courthouse, Virginia 23085.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government		Component Units	
	Governmental <u>Activities</u>	School <u>Board</u>	Industrial Development <u>Authority</u>	
ASSETS				
Cash and cash equivalents	\$ 559,290	\$ 51,154	\$ 126,474	
Investments	18,078,271	-	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	423,374	-	-	
Accounts receivable	20,842	119,153	-	
Due from other governmental units	536,061	789,347	-	
Inventories	-	11,057	-	
Prepaid expenses	-	41,941	-	
Capital assets (net of accumulated depreciation):				
Land	151,653	39,639	126,706	
Buildings and improvements	3,377,550	-	-	
Machinery and equipment	2,878,649	325,051	-	
Jointly owned assets	499,362	3,459,041	-	
Construction in progress	4,500	-	-	
Total assets	<u>\$ 26,529,552</u>	<u>\$ 4,836,383</u>	<u>\$ 253,180</u>	
LIABILITIES				
Accounts payable	\$ 187,466	\$ 86,917	\$ -	
Accrued liabilities	151,776	819,660	-	
Accrued interest payable	45,659	-	-	
Due to other governmental units	-	52,290	-	
Unearned revenue	28,478	-	-	
Long-term liabilities:				
Due within one year	455,681	9,149	-	
Due in more than one year	3,562,335	168,052	-	
Total liabilities	<u>\$ 4,431,395</u>	<u>\$ 1,136,068</u>	<u>\$ -</u>	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,177,352	\$ 3,823,731	\$ 126,706	
Restricted for:				
Debt service reserve	251,045	-	-	
Asset forfeiture	1,625	-	-	
Court security	164,288	-	-	
CDBG	65,425	-	-	
Unrestricted (deficit)	16,438,422	(123,416)	126,474	
Total net assets	<u>\$ 22,098,157</u>	<u>\$ 3,700,315</u>	<u>\$ 253,180</u>	

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

County of King and Queen, Virginia
Statement of Activities
For the Year Ended June 30, 2012

					Net (Expense) Revenue and Changes in Net Assets			
					Primary Government		Component Units	
					Governmental			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities	School Board	IDA	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,226,149	\$ -	\$ 153,943	\$ -	\$ (1,072,206)	\$ -	\$ -	
Judicial administration	613,685	190,531	279,121	-	(144,033)	-	-	
Public safety	2,751,138	62,837	587,670	-	(2,100,631)	-	-	
Public works	554,107	2,963,330	56,511	-	2,465,734	-	-	
Health and welfare	2,078,523	-	1,462,487	-	(616,036)	-	-	
Education	4,156,243	-	-	-	(4,156,243)	-	-	
Parks, recreation, and cultural	248,605	-	-	-	(248,605)	-	-	
Community development	485,371	-	-	-	(485,371)	-	-	
Interest on long-term debt	106,139	-	-	-	(106,139)	-	-	
Total governmental activities	\$ 12,219,960	\$ 3,216,698	\$ 2,539,732	\$ -	\$ (6,463,530)	\$ -	\$ -	
Total primary government	\$ 12,219,960	\$ 3,216,698	\$ 2,539,732	\$ -	\$ (6,463,530)	\$ -	\$ -	
COMPONENT UNIT:								
School Board	\$ 11,374,224	\$ 131,545	\$ 7,069,044	\$ -	\$ (4,173,635)	\$ -	-	
Industrial Development Authority	410	1,757	-	-	-	-	1,347	
Total component unit	\$ 11,374,634	\$ 133,302	\$ 7,069,044	\$ -	\$ (4,173,635)	\$ 1,347		
General revenues:								
General property taxes					\$ 5,671,926	\$ -	\$ -	
Other local taxes:								
Local sales and use taxes					179,263	-	-	
Consumers' utility taxes					171,412	-	-	
Motor vehicle licenses					214,592	-	-	
Other local taxes					55,729	-	-	
Unrestricted revenues from use of money and property					71,039	-	346	
Miscellaneous					121,403	141,240	-	
Payments from King and Queen County					-	4,081,341	195,000	
Grants and contributions not restricted to specific programs					1,049,684	-	-	
Total general revenues					\$ 7,535,048	\$ 4,222,581	195,346	
Change in net assets					1,071,518	48,946	196,693	
Net assets - beginning					21,026,639	3,651,369	56,487	
Net assets - ending					\$ 22,098,157	\$ 3,700,315	\$ 253,180	

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

FUND FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 383,193	\$ 7,449	\$ 168,648	\$ 559,290
Investments	16,597,429	430,691	1,050,151	18,078,271
Receivables (net of allowance for uncollectibles):				
Taxes receivable	423,374	-	-	423,374
Accounts receivable	20,842	-	-	20,842
Due from other funds	-	-	6,925	6,925
Due from other governmental units	403,577	-	132,484	536,061
Total assets	<u>\$ 17,828,415</u>	<u>\$ 438,140</u>	<u>\$ 1,358,208</u>	<u>\$ 19,624,763</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 180,017	\$ 7,449	\$ -	\$ 187,466
Accrued liabilities	10,220	-	141,556	151,776
Due to other funds	6,925	-	-	6,925
Deferred revenue	392,321	-	-	392,321
Total liabilities	<u>\$ 589,483</u>	<u>\$ 7,449</u>	<u>\$ 141,556</u>	<u>\$ 738,488</u>
Fund balances:				
Restricted	\$ 316,470	\$ -	\$ 165,913	\$ 482,383
Committed	2,036,490	430,691	1,050,151	3,517,332
Assigned	3,251,022	-	588	3,251,610
Unassigned	11,634,950	-	-	11,634,950
Total fund balances	<u>\$ 17,238,932</u>	<u>\$ 430,691</u>	<u>\$ 1,216,652</u>	<u>\$ 18,886,275</u>
Total liabilities and fund balances	<u>\$ 17,828,415</u>	<u>\$ 438,140</u>	<u>\$ 1,358,208</u>	<u>\$ 19,624,763</u>

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

County of King and Queen, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 18,886,275
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,911,714
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	363,843
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:	
Lease revenue bond	\$ (1,235,000)
General obligation bonds	(499,362)
Accrued interest payable	(45,659)
OPEB liability	(49,627)
Landfill post closure liability	(2,064,052)
Compensated absences	(169,975)
	<u>(4,063,675)</u>
Net assets of governmental activities	<u><u>\$ 22,098,157</u></u>

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

County of King and Queen, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 5,547,286	\$ -	\$ -	\$ 5,547,286
Other local taxes	620,996	-	-	620,996
Permits, privilege fees, and regulatory licenses	61,305	-	-	61,305
Fines and forfeitures	148,693	-	-	148,693
Revenue from the use of money and property	67,267	966	2,806	71,039
Charges for services	2,978,490	-	28,210	3,006,700
Miscellaneous	121,142	-	261	121,403
Recovered costs	25,839	-	-	25,839
Intergovernmental revenues:				
Commonwealth	2,473,652	-	482,404	2,956,056
Federal	633,360	-	-	633,360
Total revenues	<u>\$ 12,678,030</u>	<u>\$ 966</u>	<u>\$ 513,681</u>	<u>\$ 13,192,677</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,219,064	\$ -	\$ -	\$ 1,219,064
Judicial administration	494,712	-	-	494,712
Public safety	2,376,245	-	29,794	2,406,039
Public works	606,855	-	-	606,855
Health and welfare	1,349,983	-	721,585	2,071,568
Education	3,773,963	-	-	3,773,963
Parks, recreation, and cultural	248,605	-	-	248,605
Community development	475,388	-	-	475,388
Nondepartmental	1,550	-	5,945	7,495
Capital projects	73,847	288,716	-	362,563
Debt service:				
Principal retirement	526,461	-	-	526,461
Interest and other fiscal charges	120,020	-	-	120,020
Total expenditures	<u>\$ 11,266,693</u>	<u>\$ 288,716</u>	<u>\$ 757,324</u>	<u>\$ 12,312,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,411,337</u>	<u>\$ (287,750)</u>	<u>\$ (243,643)</u>	<u>\$ 879,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 215,512	\$ 428,583	\$ 339,069	\$ 983,164
Transfers out	(983,015)	-	(149)	(983,164)
Total other financing sources (uses)	<u>\$ (767,503)</u>	<u>\$ 428,583</u>	<u>\$ 338,920</u>	<u>\$ -</u>
Net change in fund balances	\$ 643,834	\$ 140,833	\$ 95,277	\$ 879,944
Fund balances - beginning	16,595,098	289,858	1,121,375	18,006,331
Fund balances - ending	<u>\$ 17,238,932</u>	<u>\$ 430,691</u>	<u>\$ 1,216,652</u>	<u>\$ 18,886,275</u>

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

County of King and Queen, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	879,944
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	301,298	
Depreciation expense		(469,116)	
Transfer of joint tenancy assets to Component Unit from Primary Government		(311,795)	(479,613)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		124,640
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is a summary of items supporting this adjustment:

Principal retired on county lease revenue bond	\$	170,000	
Increase in landfill post closure liability		64,410	
Principal retired on school general obligation bonds		356,461	590,871

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:

Decrease (increase) in interest payable	\$	13,881	
Decrease (increase) in OPEB liability		(42,425)	
Decrease (increase) in compensated absences		(15,780)	(44,324)

Change in net assets of governmental activities	\$	1,071,518
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 25,479
	<hr/>
LIABILITIES	
Amounts held for social services clients	\$ 7,374
Amounts held for others	18,105
Total liabilities	<hr/> \$ 25,479 <hr/>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012

Note 1—Summary of Significant Accounting Policies:

The County of King & Queen, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of King & Queen, 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.

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component 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.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the 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 the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of King & Queen (the primary government) and its component units. Blended component unit, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2012.

Discretely Presented Component Units. The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does issue a separate financial report which is available at the King and Queen County School Board office. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2012.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry, developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2012. The Authority does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

None

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund and the Capital Project Fund as a major governmental funds.

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for 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.

Capital Projects Fund - account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays except for those financed by proprietary funds or for assets held in trust for individuals, private organizations or of other governments. The County reports the Capital Projects Fund as a major fund.

Special Revenue Fund: - accounts for and reports the proceeds of revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Fund accounts for the activities of the Comprehensive Services Act, forfeited assets and court security funds.

Additionally, the County also reports the following fund types:

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. The County's Agency Funds include amounts held for others in a fiduciary capacity, which include special welfare and soil and erosion deposit escrow funds.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

E. 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.

F. Investments

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

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

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 portions of the interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$24,812 at June 30, 2012 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, 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. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

I. 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 received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

K. 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.

L. 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.

M. Long-term Obligations

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

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

N. Fund Equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

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

N. Fund Equity (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Treasurer, who has been given the delegated authority to assign amounts by the Board of Supervisors.

The County currently has no minimum required unassigned fund balance.

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted for:				
Debt service reserve	\$ 251,045	\$ -	\$ -	\$ 251,045
Asset forfeiture	-	-	1,625	1,625
Court security	-	-	164,288	164,288
CDBG	65,425	-	-	65,425
Total Restricted Fund Balance	\$ 316,470	\$ -	\$ 165,913	\$ 482,383
Committed to:				
Capital projects	\$ -	\$ 430,691	\$ -	\$ 430,691
Landfill contingency	-	-	1,050,151	1,050,151
FY13 Budgeted use of fund balance	510,127	-	-	510,127
Rescue squads	150,680	-	-	150,680
Fire departments	150,683	-	-	150,683
EDA	725,000	-	-	725,000
Broadband	500,000	-	-	500,000
Total Committed Fund Balance	\$ 2,036,490	\$ 430,691	\$ 1,050,151	\$ 3,517,332
Assigned:				
Future expenditures	\$ 2,251,022	\$ -	\$ 588	\$ 2,251,610
Landfill contingency	1,000,000	-	-	1,000,000
Total Assigned Fund Balance	\$ 3,251,022	\$ -	\$ 588	\$ 3,251,610
Unassigned Fund Balance	\$ 11,634,950	\$ -	\$ -	\$ 11,634,950
Total Fund Balances	\$ 17,238,932	\$ 430,691	\$ 1,216,652	\$ 18,886,275

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, 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 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 system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Note 3—Deposits and Investments:

Deposits

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 17,827,181	\$ -
U.S. Treasury Money Market Fund	45	-
U.S. Treasury Bill	-	251,045
Total	<u>\$ 17,827,226</u>	<u>\$ 251,045</u>

Interest Rate Risk

According to the County's investment policy, at no time shall the maturity or duration of an investment exceed five years.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
U.S. Treasury Money Market Fund	\$ 45	\$ 45
U.S. Treasury Bill	251,045	251,045
Total	<u>\$ 251,090</u>	<u>\$ 251,090</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory 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.

Note 4—Due to/from Other Governments:

At June 30, 2012, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King & Queen	\$ 52,290	\$ -
Commonwealth of Virginia:		
Local sales tax	33,585	-
Welfare	31,694	-
Rolling stock tax	248	-
Communications tax	30,609	-
State Sales Tax	-	162,448
Constitutional officer reimbursements	90,181	-
Virginia emergency management	7,033	-
Recordation tax	3,429	-
Mobile home titling tax	2,055	-
Forestry payment	51,511	-
Wireless grant	3,333	-
State technology reimbursement	-	94,256
Comprehensive Services Act	132,484	-
Fire program funds	2,623	-
Personal Property Tax Relief Act reimbursement	31,516	-
Federal Government:		
School fund grants	-	532,643
Sheriff's DMV grant	12,172	-
Welfare	40,205	-
FEMA reimbursements	11,093	-
Total due from other governments	<u>\$ 536,061</u>	<u>\$ 789,347</u>

At June 30, 2012, amounts due to other local governments are as follows:

Other Local Governments:		
County of King and Queen School Board	\$ <u>-</u>	\$ <u>52,290</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land	\$ 151,653	\$ -	\$ -	\$ 151,653
Construction in progress	2,633,246	4,500	2,633,246	4,500
Total capital assets not subject to depreciation	\$ 2,784,899	\$ 4,500	\$ 2,633,246	\$ 156,153
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,299,424	\$ -	\$ -	\$ 5,299,424
Machinery and equipment	1,315,527	2,930,044	-	4,245,571
Jointly owned assets	1,795,478	-	690,151	1,105,327
Total capital assets subject to depreciation	\$ 8,410,429	\$ 2,930,044	\$ 690,151	\$ 10,650,322
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,779,864	\$ 142,010	\$ -	\$ 1,921,874
Machinery and equipment	1,084,481	282,441	-	1,366,922
Jointly owned assets	939,656	44,665	378,356	605,965
Total accumulated depreciation	\$ 3,804,001	\$ 469,116	\$ 378,356	\$ 3,894,761
Total capital assets subject to depreciation, net	\$ 4,606,428	\$ 2,460,928	\$ 311,795	\$ 6,755,561
Governmental activities capital assets, net	\$ 7,391,327	\$ 2,465,428	\$ 2,945,041	\$ 6,911,714

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Capital assets subject to depreciation:				
Machinery and equipment	\$ 1,656,249	\$ 10,987	\$ 55,104	\$ 1,612,132
Jointly owned assets	6,966,359	-	(690,151)	7,656,510
Total capital assets subject to depreciation	\$ 8,622,608	\$ 10,987	\$ (635,047)	\$ 9,268,642
Less: accumulated depreciation for:				
Machinery and equipment	\$ 1,247,377	\$ 94,808	\$ 55,104	\$ 1,287,081
Jointly owned assets	3,645,812	173,301	(378,356)	4,197,469
Total accumulated depreciation	\$ 4,893,189	\$ 268,109	\$ (323,252)	\$ 5,484,550
Total capital assets subject to depreciation, net	\$ 3,729,419	\$ (257,122)	\$ (311,795)	\$ 3,784,092
Component unit school board capital assets, net	\$ 3,769,058	\$ (257,122)	\$ (311,795)	\$ 3,823,731

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 21,174
Judicial administration	114,997
Public safety	277,293
Public works	3,905
Health and welfare	7,082
Education	44,665
Total Governmental activities	\$ 469,116
Component Unit School Board	\$ 268,109

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 6—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 215,512	\$ 983,015
Capital projects fund	428,583	-
Special Revenue Fund	339,069	149
Total Primary Government	<u>\$ 983,164</u>	<u>\$ 983,164</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2012:

	<u>Amounts Payable at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurring by County:					
Claims, judgments and compensated absences payable	\$ 154,195	\$ 31,200	\$ 15,420	\$ 169,975	\$ 16,997
OPEB liability	7,202	42,425	-	49,627	-
Lease revenue bonds	1,405,000	-	170,000	1,235,000	180,000
Landfill post closure care	2,128,462	-	64,410	2,064,052	-
Total incurred by County	<u>\$ 3,694,859</u>	<u>\$ 73,625</u>	<u>\$ 249,830</u>	<u>\$ 3,518,654</u>	<u>\$ 196,997</u>
Incurring by School Board:					
General obligation bonds	<u>\$ 855,823</u>	<u>\$ -</u>	<u>\$ 356,461</u>	<u>\$ 499,362</u>	<u>\$ 258,684</u>
Total incurred by School Board	<u>\$ 855,823</u>	<u>\$ -</u>	<u>\$ 356,461</u>	<u>\$ 499,362</u>	<u>\$ 258,684</u>
Total Governmental Obligations	<u>\$ 4,550,682</u>	<u>\$ 73,625</u>	<u>\$ 606,291</u>	<u>\$ 4,018,016</u>	<u>\$ 455,681</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bonds Payable	
	Principal	Interest
2013	\$ 180,000	\$ 64,181
2014	190,000	54,000
2015	200,000	43,031
2016	210,000	31,500
2017	220,000	19,406
2018	235,000	6,609
Total	<u>\$ 1,235,000</u>	<u>\$ 218,727</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2013	\$ 258,684	\$ 26,121
2014	160,000	10,409
2015	80,678	2,640
Total	<u>\$ 499,362</u>	<u>\$ 39,170</u>

Details of long-term indebtedness are as follows:

Long-Term Obligations:

Incurred by County:

Lease Revenue Bond:

\$3,000,000 lease revenue bond issued August 12, 1997, payable in various annual installments through 2017, interest payable semi-annually at 5.43%

Total Amount
\$ 1,235,000
49,627
2,064,052
169,975
<u>\$ 3,518,654</u>

OPEB liability

Landfill postclosure care

Compensated absences (payable by General Fund)

Total incurred by County

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows: (Continued)

	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
General Obligation Bonds:	
\$75,837 School Bonds, Series 1992A issued November 12, 1992, due in semi-annual installments of varying amounts through 2012, interest payable at varying rates from 4.90% to 6.35%	\$ 4,822
\$464,639 School Bonds, Series 1992B issued November 12, 1992, due in semi-annual installments of varying amounts through 2012, interest payable at varying rates from 4.90% to 6.35%	23,231
\$1,050,000 School Bonds, Series 1993C issued October 26, 1993, due in annual installments of varying amounts through June 15, 2014, interest payable at 4.72%	10,000
\$1,500,000 School Bonds, Series 1994A issued April 5, 1994, due in annual installments of varying amounts through July 15, 2013, interest payable at 6.17%	155,000
\$1,600,000 School Bonds, Series 1994B issued November 22, 1994, due in annual installments of \$80,000 plus interest through July 15, 2015, interest payable at 6.26%	240,000
\$621,247 School Bonds issued May 12, 1999, due in annual installments of varying amounts through May 2013, interest at 6.77%	66,309
Total General Obligation Bonds	<u>\$ 499,362</u>
Total incurred by School Board	<u>\$ 499,362</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 4,018,016</u></u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 91,189	\$ 300	\$ -	\$ 91,489	\$ 9,149
OPEB liability	60,687	38,825	13,800	85,712	-
Total Component Unit-School Board	<u>\$ 151,876</u>	<u>\$ 39,125</u>	<u>\$ 13,800</u>	<u>\$ 177,201</u>	<u>\$ 9,149</u>

Note 8—Landfill Postclosure Costs:

The County closed its two landfills and is liable for postclosure monitoring for a period of five years. The amount reported as landfill postclosure liability at June 30, 2012, represents the estimated liability for postclosure monitoring, of \$2,064,052 over the remaining two years. The liability includes an estimate for corrective action of \$2,000,000 as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 9—Deferred/Unearned Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$392,321 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$363,843 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$28,478 at June 30, 2012.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 10—Contingent Liabilities:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, 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.

Note 11—Litigation:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12—Risk Management:

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board's are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board's contribution rates for the fiscal year ended 2012 was 8.90% and 5.26% of annual covered payroll, respectively.

The King and Queen County School Board professional employees current rate was 6.33%, 3.93% and 8.81% of annual covered payroll for 2012, 2011 and 2010, respectively. The contribution requirements of plan members and King and Queen County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2012, 2011, and 2010 were \$284,876, \$180,463 and \$314,729, respectively, and equal to the required contributions for each year.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$198,307 (which does not include the portion of the employee share assumed by the employer which was \$111,409) was equal to the County's required and actual contributions.

For the fiscal year 2012, the County School Board's annual pension cost for the Board's non-professional employees was \$37,477 (which does not include the portion of the employees share assumed by the County which was \$35,624) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 198,307	100%	\$ -
June 30, 2011	206,196	100%	-
June 30, 2010	206,884	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 37,477	100%	\$ -
June 30, 2011	37,596	100%	-
June 30, 2010	37,596	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County'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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 82.56% funded. The actuarial accrued liability for benefits was \$8,357,852, and the actuarial value of assets was \$6,900,177, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,457,675. The covered payroll (annual payroll of active employees covered by the plan) was \$2,279,047, and ratio of the UAAL to the covered payroll was 63.96%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional plan was 94.75% funded. The actuarial accrued liability for benefits was \$2,236,566 and the actuarial value of assets was \$2,119,071, resulting in an unfunded actuarial accrued liability (UAAL) of \$117,495. The covered payroll (annual payroll of active employees covered by the plan) was \$718,794 and ratio of the UAAL to the covered payroll was 16.35%.

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

Note 14 – Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Deborah F. Longest, Clerk of the Circuit Court	\$ 555,000
Irene Longest, Treasurer	3,000,000
Helen M. Longest, Commissioner of the Revenue	3,000
John R. Charboneau	30,000
Department of Risk Management-Public Official Liability:	
General Government Employees	1,000,000
Department of General Services - State Department-Surety:	
All Social Services Employees-blanket bond	100,000
Selective Insurance Company - Surety:	
All School Board Employees-blanket bond	1,000,000

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 15–Other Postemployment Benefits – Health Insurance:

Plan Description

The County allows retirees that retire at the age of 50 with at least 30 years of service or at the age of 55 with at least 20 years of service to remain on their health insurance plan. The employee/retiree pays 100% of the rate. Benefits end at the age of 65. Health benefits include medical, dental and vision.

The King and Queen County Schools retirees must meet one of the following requirements to be eligible for health benefits.

Virginia Retirement Systems plan 1 (Hired before July 1, 2010)

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 55 with at least 5 years of service for reduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.

Virginia Retirement Systems Plan 2 (Hired on or after July 1, 2010)

- Age plus service is at least 90 points for unreduced pension retirement benefits.
- Attain unreduced Social Security retirement age with at least 5 years of service for unreduced pension retirement benefits.
- Attain the age of 60 with at least 5 years of service for reduced pension retirement benefits.

Health benefits include medical and dental. Retirees under the age of 65 may choose one of the following options:

- Optima Low Option Open Access (HMO)
- Optima High Option Open Access (HMO)
- Optima Open Access (POS)
- Optima Equity Vantage (HMO)

Health benefits cease at the retiree's age of 65. Spouse coverage ceases when the retiree's coverage ceases.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

Funding Policy

The Schools currently have 2 retirees on their plan. The County has 1 retiree on their plan. The employee/retiree pays 100% of the rate. The contribution requirements of plan members and the County is established annually by the Board of Supervisors and the School Board.

Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 42,539	\$ 38,700
Interest on net OPEB obligation	180	1,215
Adjustment to annual required contribution	(294)	(1,090)
Annual OPEB cost (expense)	\$ 42,425	\$ 38,825
Contributions made	-	(13,800)
Increase in net OPEB obligation	42,425	25,025
Net OPEB obligation-beginning of year	7,202	60,687
Net OPEB obligation-end of year	\$ 49,627	\$ 85,712

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012 and the two preceding years were as follows:

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County :	6/30/2012	\$ 42,425	0.00%	\$ 49,627
	6/30/2011	2,250	0.00%	7,202
	6/30/2010	1,976	0.00%	4,952
School Board:	6/30/2012	38,825	35.45%	85,712
	6/30/2011	38,825	21.89%	60,687
	6/30/2010	37,362	53.26%	30,362

Funded Status and Funding Progress

As of June 30, 2012, the County's actuarial accrued liability for benefits was \$381,794, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,279,047, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.75 percent.

As of January 1, 2011, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$299,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,581,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.36 percent.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2012

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

Actuarial Methods and Assumptions

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

As of January 1, 2011 the most recent actuarial valuation date, the projected unit credit method was used for the School Board's plan. The County has elected for its retirees to calculate information of an actuarial nature using the alternative measurement method permitted by GASB 43 for plans with fewer than 100 employees.

The following simplifying assumptions were made relative to both the County and School Board plans:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2012 using Scale AA.

Coverage elections -The actuary assumed that 70% of eligible County retirees and 30% of School retirees will elect coverage.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The 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, 2012 was thirty years.

Note 16-Other Post-Employment Benefits (OPEB) - VRS Health Insurance Credit:

A. Plan Description

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 16-Other Post-Employment Benefits (OPEB) - VRS Health Insurance Credit: (Continued)

A. Plan Description (Continued)

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$27,003, \$27,552 and \$37,153, respectively and equaled the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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County of King and Queen, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 5,000,442	\$ 5,000,442	\$ 5,547,286	\$	546,844
Other local taxes	513,115	513,115	620,996		107,881
Permits, privilege fees, and regulatory licenses	52,580	52,580	61,305		8,725
Fines and forfeitures	129,195	129,195	148,693		19,498
Revenue from the use of money and property	81,362	81,362	67,267		(14,095)
Charges for services	2,840,951	2,840,951	2,978,490		137,539
Miscellaneous	55,000	55,000	121,142		66,142
Recovered costs	82,538	82,538	25,839		(56,699)
Intergovernmental revenues:					
Commonwealth	2,472,626	2,759,465	2,473,652		(285,813)
Federal	537,443	708,124	633,360		(74,764)
Total revenues	\$ 11,765,252	\$ 12,222,772	\$ 12,678,030	\$	455,258
EXPENDITURES					
Current:					
General government administration	\$ 1,411,699	\$ 1,429,100	\$ 1,219,064	\$	210,036
Judicial administration	558,130	561,630	494,712		66,918
Public safety	2,319,806	2,696,116	2,376,245		319,871
Public works	680,088	680,088	606,855		73,233
Health and welfare	1,316,855	1,477,842	1,349,983		127,859
Education	4,243,605	3,840,711	3,773,963		66,748
Parks, recreation, and cultural	261,208	261,208	248,605		12,603
Community development	522,407	722,407	475,388		247,019
Nondepartmental	65,000	50,000	1,550		48,450
Capital projects	173,756	237,122	73,847		163,275
Debt service:					
Principal retirement	170,000	526,461	526,461		-
Interest and other fiscal charges	73,588	120,020	120,020		-
Total expenditures	\$ 11,796,142	\$ 12,602,705	\$ 11,266,693	\$	1,336,012
Excess (deficiency) of revenues over (under)					
expenditures	\$ (30,890)	\$ (379,933)	\$ 1,411,337	\$	1,791,270
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 215,512	\$	215,512
Transfers out	(443,930)	(445,480)	(983,015)		(537,535)
Total other financing sources(uses)	\$ (443,930)	\$ (445,480)	\$ (767,503)	\$	(322,023)
Net change in fund balances					
Fund balances - beginning	474,820	1,154,451	16,595,098		15,440,647
Fund balances - ending	\$ -	\$ 329,038	\$ 17,238,932	\$	16,909,894

County of King and Queen, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2012

Primary Government:

County Retirement Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 6,900,177	\$ 8,357,852	\$ 1,457,675	82.56%	\$ 2,279,047	63.96%
6/30/2010	6,624,281	7,865,957	1,241,676	84.21%	2,410,879	51.50%
6/30/2009	6,503,850	7,207,048	703,198	90.24%	2,578,456	27.27%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 2,119,071	\$ 2,236,566	\$ 117,495	94.75%	\$ 718,794	16.35%
6/30/2010	2,033,327	2,154,724	121,397	94.37%	861,552	14.09%
6/30/2009	1,977,441	1,985,084	7,643	99.61%	925,048	0.83%

County of King and Queen, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2012

(1)Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	(2) Annual Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
County						
6/30/2012	\$	\$ 381,794	\$ 381,794	0.00%	\$ 2,279,047	16.75%
6/30/2009	-	79,071	79,071	0.00%	2,578,456	3.07%
School Board:						
1/1/2011	\$ -	\$ 299,300	\$ 299,300	0.00%	\$ 5,581,900	5.36%
1/1/2009	-	295,600	295,600	0.00%	5,270,100	5.61%

(1) Only two years valuation available.

(2) The County's Annual Covered Payroll was obtained from their June 30, 2009 and 2011 VRS Actuarial Valuation.

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of King and Queen, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 966	\$ 966
Total revenues	\$ -	\$ -	\$ 966	\$ 966
EXPENDITURES				
Capital projects	\$ 100,000	\$ 312,898	\$ 288,716	\$ 24,182
Total expenditures	\$ 100,000	\$ 312,898	\$ 288,716	\$ 24,182
Excess (deficiency) of revenues over (under) expenditures	\$ (100,000)	\$ (312,898)	\$ (287,750)	\$ 25,148
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 100,000	\$ 428,583	\$ 328,583
Total other financing sources(uses)	\$ 100,000	\$ 100,000	\$ 428,583	\$ 328,583
Net change in fund balances	\$ -	\$ (212,898)	\$ 140,833	\$ 353,731
Fund balances - beginning	-	212,898	289,858	76,960
Fund balances - ending	\$ -	\$ -	\$ 430,691	\$ 430,691

County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,806	\$ 2,806
Charges for services	30,000	30,000	28,210	(1,790)
Miscellaneous	-	-	261	261
Intergovernmental revenues:				
Commonwealth	518,570	522,020	482,404	(39,616)
Total revenues	<u>\$ 548,570</u>	<u>\$ 552,020</u>	<u>\$ 513,681</u>	<u>\$ (38,339)</u>
EXPENDITURES				
Current:				
Public safety	\$ 32,313	\$ 43,417	\$ 29,794	\$ 13,623
Health and welfare	762,500	767,500	721,585	45,915
Nondepartmental	100,000	100,000	5,945	94,055
Total expenditures	<u>\$ 894,813</u>	<u>\$ 910,917</u>	<u>\$ 757,324</u>	<u>\$ 153,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (346,243)</u>	<u>\$ (358,897)</u>	<u>\$ (243,643)</u>	<u>\$ 115,254</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 343,930	\$ 345,480	\$ 339,069	\$ (6,411)
Transfers out	-	-	(149)	(149)
Total other financing sources(uses)	<u>\$ 343,930</u>	<u>\$ 345,480</u>	<u>\$ 338,920</u>	<u>\$ (6,560)</u>
Net change in fund balances	\$ (2,313)	\$ (13,417)	\$ 95,277	\$ 108,694
Fund balances - beginning	2,313	13,417	1,121,375	1,107,958
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,652</u>	<u>\$ 1,216,652</u>

County of King and Queen, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Soil and Erosion Deposit Escrow</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,374	\$ 18,105	\$ 25,479
Total assets	<u>\$ 7,374</u>	<u>\$ 18,105</u>	<u>\$ 25,479</u>
LIABILITIES			
Amounts held for social services clients	\$ 7,374	\$ -	\$ 7,374
Amounts held for others	-	18,105	18,105
Total liabilities	<u>\$ 7,374</u>	<u>\$ 18,105</u>	<u>\$ 25,479</u>

County of King and Queen, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 9,658	\$ 1,753	\$ 4,037	\$ 7,374
Liabilities:				
Amounts held for social services clients	\$ 9,658	\$ 1,753	\$ 4,037	\$ 7,374
Soil and Erosion Deposit Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 18,105	\$ -	\$ -	\$ 18,105
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 27,763	\$ 1,753	\$ 4,037	\$ 25,479
Total assets	\$ 27,763	\$ 1,753	\$ 4,037	\$ 25,479
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Amounts held for social services clients	9,658	1,753	4,037	7,374
Total liabilities	\$ 27,763	\$ 1,753	\$ 4,037	\$ 25,479

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of King and Queen, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 51,154	\$ 51,154
Receivables (net of allowance for uncollectibles):			
Accounts receivable	119,153	-	119,153
Due from other governmental units	774,757	14,590	789,347
Inventories	-	11,057	11,057
Prepaid items	41,941	-	41,941
Total assets	<u>\$ 935,851</u>	<u>\$ 76,801</u>	<u>\$ 1,012,652</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 86,389	\$ 528	\$ 86,917
Accrued liabilities	797,172	22,488	819,660
Due to other governmental units	52,290	-	52,290
Total liabilities	<u>\$ 935,851</u>	<u>\$ 23,016</u>	<u>\$ 958,867</u>
Fund balances:			
Nonspendable	\$ 41,941	\$ 11,057	\$ 52,998
Restricted	-	42,728	42,728
Unassigned	(41,941)	-	(41,941)
Total fund balances	<u>\$ -</u>	<u>\$ 53,785</u>	<u>\$ 53,785</u>
Total liabilities and fund balances	<u>\$ 935,851</u>	<u>\$ 76,801</u>	<u>\$ 1,012,652</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because

Total fund balances per above \$ 53,785

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds. 3,823,731

Long-term liabilities, including compensated absences, are not due and payable in the current
period and, therefore, are not reported in the funds. (177,201)

Net assets of governmental activities \$ 3,700,315

County of King and Queen, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Charges for services	\$ -	\$ 131,545	\$ 131,545
Miscellaneous	141,240	-	141,240
Intergovernmental revenues:			
Local government	3,769,546	-	3,769,546
Commonwealth	4,211,894	5,884	4,217,778
Federal	2,534,678	316,588	2,851,266
Total revenues	<u>\$ 10,657,358</u>	<u>\$ 454,017</u>	<u>\$ 11,111,375</u>
EXPENDITURES			
Current:			
Education	\$ 10,657,358	\$ 434,419	\$ 11,091,777
Total expenditures	<u>\$ 10,657,358</u>	<u>\$ 434,419</u>	<u>\$ 11,091,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 19,598</u>	<u>\$ 19,598</u>
Net change in fund balances	\$ -	\$ 19,598	\$ 19,598
Fund balances - beginning	-	34,187	34,187
Fund balances - ending	<u>\$ -</u>	<u>\$ 53,785</u>	<u>\$ 53,785</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 19,598

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 10,987	
Depreciation expense	(268,109)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>311,795</u>	54,673

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:

Decrease (increase) in compensated absences	\$ (300)	
Decrease (increase) in OPEB liability	<u>(25,025)</u>	(25,325)

Change in net assets of governmental activities \$ 48,946

County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ 151,000	\$ 151,000	\$ 141,240	\$ (9,760)
Intergovernmental revenues:				
Local government	4,239,188	3,836,294	3,769,546	(66,748)
Commonwealth	4,242,551	4,217,403	4,211,894	(5,509)
Federal	2,450,662	3,521,280	2,534,678	(986,602)
Total revenues	<u>\$ 11,083,401</u>	<u>\$ 11,725,977</u>	<u>\$ 10,657,358</u>	<u>\$ (1,068,619)</u>
EXPENDITURES				
Current:				
Education	\$ 10,680,549	\$ 11,724,771	\$ 10,657,358	\$ 1,067,413
Debt service:				
Principal retirement	356,461	3,891	-	3,891
Interest and other fiscal charges	46,391	(3,933)	-	(3,933)
Total expenditures	<u>\$ 11,083,401</u>	<u>\$ 11,724,729</u>	<u>\$ 10,657,358</u>	<u>\$ 1,067,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,248</u>	<u>\$ -</u>	<u>\$ (1,248)</u>
Net change in fund balances	\$ -	\$ 1,248	\$ -	\$ (1,248)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,248</u>	<u>\$ -</u>	<u>\$ (1,248)</u>

County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 117,308	\$ 117,308	\$ 131,545	\$ 14,237
Intergovernmental revenues:				
Commonwealth	5,858	5,858	5,884	26
Federal	250,000	250,000	316,588	66,588
Total revenues	<u>\$ 373,166</u>	<u>\$ 373,166</u>	<u>\$ 454,017</u>	<u>\$ 80,851</u>
EXPENDITURES				
Current:				
Education	\$ 373,166	\$ 374,411	\$ 434,419	\$ (60,008)
Total expenditures	<u>\$ 373,166</u>	<u>\$ 374,411</u>	<u>\$ 434,419</u>	<u>\$ (60,008)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,245)</u>	<u>\$ 19,598</u>	<u>\$ 20,843</u>
Net change in fund balances	\$ -	\$ (1,245)	\$ 19,598	\$ 20,843
Fund balances - beginning	-	1,245	34,187	32,942
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,785</u>	<u>\$ 53,785</u>

SUPPORTING SCHEDULES

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County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,482,317	\$ 3,482,317	\$ 3,734,797	\$ 252,480
Real and personal public service corporation taxes	83,503	83,503	110,004	26,501
Personal property taxes	1,168,965	1,168,965	1,375,699	206,734
Mobile home taxes	28,478	28,478	29,245	767
Machinery and tools taxes	161,368	161,368	175,281	13,913
Merchant's capital taxes	25,811	25,811	29,763	3,952
Penalties	30,000	30,000	65,449	35,449
Interest	20,000	20,000	27,048	7,048
Total general property taxes	\$ 5,000,442	\$ 5,000,442	\$ 5,547,286	\$ 546,844
Other local taxes:				
Local sales and use taxes	\$ 120,000	\$ 120,000	\$ 179,263	\$ 59,263
Consumers' utility taxes	152,898	152,898	171,412	18,514
Business license taxes	-	-	15,741	15,741
Motor vehicle licenses	186,926	186,926	214,592	27,666
Bank stock taxes	3,000	3,000	3,549	549
Taxes on recordation and wills	50,291	50,291	36,439	(13,852)
Total other local taxes	\$ 513,115	\$ 513,115	\$ 620,996	\$ 107,881
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 8,755	\$ 4,255
Land use application fees	7,000	7,000	10,958	3,958
Transfer fees	280	280	312	32
Permits and other licenses	40,800	40,800	41,280	480
Total permits, privilege fees, and regulatory licenses	\$ 52,580	\$ 52,580	\$ 61,305	\$ 8,725
Fines and forfeitures:				
Court fines and forfeitures	\$ 129,195	\$ 129,195	\$ 148,693	\$ 19,498
Revenue from use of money and property:				
Revenue from use of money	\$ 43,472	\$ 43,472	\$ 29,622	\$ (13,850)
Revenue from use of property	37,890	37,890	37,645	(245)
Total revenue from use of money and property	\$ 81,362	\$ 81,362	\$ 67,267	\$ (14,095)
Charges for services:				
Sheriff's fees	\$ 447	\$ 447	\$ 447	\$ -
Court costs	2,700	2,700	4,512	1,812
Court security fees	-	-	2,051	2,051
Courthouses maintenance fees	6,600	6,600	6,091	(509)
Charges for Commonwealth's Attorney	350	350	974	624
Landfill host fees	2,829,854	2,829,854	2,963,330	133,476
Charges for correction and detention	1,000	1,000	1,085	85
Total charges for services	\$ 2,840,951	\$ 2,840,951	\$ 2,978,490	\$ 137,539

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 55,000	\$ 55,000	\$ 121,142	\$ 66,142
Recovered costs:				
Advertising for delinquent taxes	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Drug enforcement restitution	-	-	812	812
Juror fees	2,000	2,000	1,477	(523)
Finance director shared services	45,138	45,138	-	(45,138)
Airport management services	10,400	10,400	3,550	(6,850)
School resource officer	20,000	20,000	20,000	-
Total recovered costs	\$ 82,538	\$ 82,538	\$ 25,839	\$ (56,699)
Total revenue from local sources	\$ 8,755,183	\$ 8,755,183	\$ 9,571,018	\$ 815,835
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 10,000	\$ 10,000	\$ 14,672	\$ 4,672
Communications tax	179,881	179,881	179,230	(651)
Rolling stock tax	-	-	248	248
Spay and neuter programs	-	-	1	1
Additional tax on deeds	10,214	10,214	10,327	113
State recordation tax	-	-	14,560	14,560
Personal property tax relief funds	837,943	837,943	884,067	46,124
Reduction in aid to local governments	(57,193)	(57,193)	(53,421)	3,772
Total noncategorical aid	\$ 980,845	\$ 980,845	\$ 1,049,684	\$ 68,839
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 138,150	\$ 138,150	\$ 138,577	\$ 427
Sheriff	436,767	436,767	457,428	20,661
Commissioner of revenue	64,332	64,332	63,901	(431)
Treasurer	55,461	55,461	58,661	3,200
Registrar/electoral board	30,600	30,600	31,381	781
Clerk of the Circuit Court	128,214	128,214	140,544	12,330
Total shared expenses	\$ 853,524	\$ 853,524	\$ 890,492	\$ 36,968
Other categorical aid:				
Public assistance and welfare administration	\$ 382,986	\$ 382,986	\$ 398,091	\$ 15,105
Emergency medical services - five for life	7,900	7,900	7,676	(224)
Emergency services grant	-	114,126	7,543	(106,583)
E-911 wireless grant	40,000	190,000	40,000	(150,000)
TEA21 grant	205,571	205,571	-	(205,571)
Litter control	-	5,000	5,000	-
Local law enforcement block grant	-	-	2,021	2,021
Forest reserve funds	-	-	51,511	51,511

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ -	\$ 17,713	\$ 21,572	\$ 3,859
Spay/neuter program	-	-	62	62
Juror reimbursement	1,800	1,800	-	(1,800)
Total other categorical aid	\$ 638,257	\$ 925,096	\$ 533,476	\$ (391,620)
Total categorical aid	\$ 1,491,781	\$ 1,778,620	\$ 1,423,968	\$ (354,652)
Total revenue from the Commonwealth	\$ 2,472,626	\$ 2,759,465	\$ 2,473,652	\$ (285,813)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 524,943	\$ 685,930	\$ 581,992	\$ (103,938)
Transportation safety	12,500	22,194	18,674	(3,520)
Emergency preparedness grant	-	-	29,775	29,775
Sheriff's JAG grant - ARRA	-	-	2,919	2,919
Total categorical aid	\$ 537,443	\$ 708,124	\$ 633,360	\$ (74,764)
Total revenue from the federal government	\$ 537,443	\$ 708,124	\$ 633,360	\$ (74,764)
Total General Fund	\$ 11,765,252	\$ 12,222,772	\$ 12,678,030	\$ 455,258
Special Revenue Funds:				
Revenue from local sources:				
Other local taxes:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,806	\$ 2,806
Charges for services:				
Court security fees	\$ 30,000	\$ 30,000	\$ 28,210	\$ (1,790)
Total charges for services	\$ 30,000	\$ 30,000	\$ 28,210	\$ (1,790)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 261	\$ 261
Total revenue from local sources	\$ 30,000	\$ 30,000	\$ 31,277	\$ 1,277
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 518,570	\$ 522,020	\$ 482,404	\$ (39,616)
Total categorical aid	\$ 518,570	\$ 522,020	\$ 482,404	\$ (39,616)
Total revenue from the Commonwealth	\$ 518,570	\$ 522,020	\$ 482,404	\$ (39,616)
Total Special Revenue Funds	\$ 548,570	\$ 552,020	\$ 513,681	\$ (38,339)

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 966	\$ 966
Total capital projects	\$ -	\$ -	\$ 966	\$ 966
Total Primary Government	\$ 12,313,822	\$ 12,774,792	\$ 13,192,677	\$ 417,885
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 151,000	\$ 151,000	\$ 141,240	\$ (9,760)
Total revenue from local sources	\$ 151,000	\$ 151,000	\$ 141,240	\$ (9,760)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 4,239,188	\$ 3,836,294	\$ 3,769,546	\$ (66,748)
Total revenues from local governments	\$ 4,239,188	\$ 3,836,294	\$ 3,769,546	\$ (66,748)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 879,215	\$ 882,770	\$ 897,472	\$ 14,702
Basic school aid	1,865,900	1,859,890	1,855,871	(4,019)
At risk payments	159,551	159,551	159,551	-
At risk four-year olds	151,092	120,874	120,874	-
Early reading intervention	8,501	6,801	6,801	-
Hold harmless composite index	92,992	92,992	92,992	-
ESL	9,551	6,778	6,778	-
Gifted and talented	18,383	18,352	18,352	-
Homebound	2,554	2,384	2,384	-
Career and technical education	3,926	2,494	2,539	45
SOL Algebra readiness	10,456	10,456	10,456	-
Other state	52,097	53,401	55,363	1,962
Remedial education	86,195	86,050	86,050	-
School fringes	239,794	239,391	239,391	-
Primary class size reduction	128,467	116,026	116,026	-
Special education	337,836	337,267	337,267	-
Middle school teacher corps	-	-	5,000	5,000

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Textbook payment	\$ 16,569	\$ 16,541	\$ 20,560	\$ 4,019
Technology grant	128,000	154,000	126,782	(27,218)
Vocational education	51,472	51,385	51,385	-
Total categorical aid	\$ 4,242,551	\$ 4,217,403	\$ 4,211,894	\$ (5,509)
Total revenue from the Commonwealth	\$ 4,242,551	\$ 4,217,403	\$ 4,211,894	\$ (5,509)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 201,954	\$ 244,698	\$ 147,668	\$ (97,030)
Title I - ARRA	-	447	1,850	1,403
Vocational education	16,505	15,769	16,348	579
School improvement grants cluster	1,055,180	1,393,445	1,059,413	(334,032)
21st century learning center	570,000	833,056	632,253	(200,803)
Title VIB	231,044	236,822	238,833	2,011
Title I 1003 A, School improvement grant	-	264,440	138,225	(126,215)
Title II - Part D	-	1,501	-	(1,501)
Jobs Bill funding	130,179	178,942	73,795	(105,147)
Preschool grant	16,490	43,099	14,790	(28,309)
Title II - Part A	57,909	124,299	31,901	(92,398)
Title III	-	-	628	628
Gear up	12,035	11,655	10,683	(972)
JROTC grant	68,736	68,736	63,920	(4,816)
State fiscal stabilization fund - ARRA	90,630	104,371	104,371	-
Total categorical aid	\$ 2,450,662	\$ 3,521,280	\$ 2,534,678	\$ (986,602)
Total School Operating Fund	\$ 11,083,401	\$ 11,725,977	\$ 10,657,358	\$ (1,068,619)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 117,308	\$ 117,308	\$ 131,545	\$ 14,237
Total charges for services	\$ 117,308	\$ 117,308	\$ 131,545	\$ 14,237
Total revenue from local sources	\$ 117,308	\$ 117,308	\$ 131,545	\$ 14,237

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 5,858	\$ 5,858	\$ 5,884	\$ 26
Total categorical aid	\$ 5,858	\$ 5,858	\$ 5,884	\$ 26
Total revenue from the Commonwealth	\$ 5,858	\$ 5,858	\$ 5,884	\$ 26
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 250,000	\$ 250,000	\$ 288,498	\$ 38,498
Summer food program	-	-	10,007	10,007
Commodities	-	-	18,083	18,083
Total categorical aid	\$ 250,000	\$ 250,000	\$ 316,588	\$ 66,588
Total revenue from the federal government	\$ 250,000	\$ 250,000	\$ 316,588	\$ 66,588
Total School Cafeteria Fund	\$ 373,166	\$ 373,166	\$ 454,017	\$ 80,851
Total Discretely Presented Component Unit - School Board	\$ 11,456,567	\$ 12,099,143	\$ 11,111,375	\$ (987,768)

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 50,880	\$ 50,880	\$ 36,259	\$ 14,621
General and financial administration:				
County administrator	\$ 257,605	\$ 261,105	\$ 237,942	\$ 23,163
Information Technology	70,520	70,520	56,556	13,964
Legal services	118,357	118,357	113,507	4,850
Commissioner of revenue	203,562	203,562	193,824	9,738
Independent Auditor	37,433	37,433	31,910	5,523
Treasurer	224,888	224,888	205,187	19,701
General reassessment	77,124	91,024	78,245	12,779
Other general and financial administration	255,423	255,424	176,676	78,748
Total general and financial administration	\$ 1,244,912	\$ 1,262,313	\$ 1,093,847	\$ 168,466
Board of elections:				
Electoral board and officials	\$ 44,100	\$ 44,100	\$ 28,795	\$ 15,305
Registrar	71,807	71,807	60,163	11,644
Total board of elections	\$ 115,907	\$ 115,907	\$ 88,958	\$ 26,949
Total general government administration	\$ 1,411,699	\$ 1,429,100	\$ 1,219,064	\$ 210,036
Judicial administration:				
Courts:				
Circuit court	\$ 2,650	\$ 2,650	\$ 2,668	\$ (18)
General district court	11,210	14,710	13,851	859
Special Magistrates	1,466	1,466	401	1,065
Juvenile and domestic relations court	10,748	10,748	5,681	5,067
Ninth District Court services unit	93,673	93,673	54,098	39,575
Victim witness assistance	2,436	2,436	2,436	-
Clerk of the circuit court	233,158	233,158	222,738	10,420
Total courts	\$ 355,341	\$ 358,841	\$ 301,873	\$ 56,968
Commonwealth's attorney:				
Commonwealth's attorney	\$ 202,789	\$ 202,789	\$ 192,839	\$ 9,950
Total judicial administration	\$ 558,130	\$ 561,630	\$ 494,712	\$ 66,918
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,212,448	\$ 1,420,202	\$ 1,230,695	\$ 189,507
Fire and rescue services:				
Fire department	\$ 100,000	\$ 117,713	\$ 115,643	\$ 2,070
Ambulance and rescue services	88,800	96,794	86,570	10,224
Radio communications	180,556	210,556	155,856	54,700
Emergency medical services	663	663	663	-
Forestry services	11,852	11,852	11,852	-
Total fire and rescue services	\$ 381,871	\$ 437,578	\$ 370,584	\$ 66,994

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Payments to Regional Jail	\$ 464,988	\$ 464,988	\$ 456,606	\$ 8,382
Inspections:				
Building	\$ 103,185	\$ 103,185	\$ 73,045	\$ 30,140
Total inspections	\$ 103,185	\$ 103,185	\$ 73,045	\$ 30,140
Other protection:				
Animal control	\$ 125,679	\$ 124,403	\$ 135,255	\$ (10,852)
Emergency services	31,435	145,560	110,020	35,540
Medical examiner	200	200	40	160
Total other protection	\$ 157,314	\$ 270,163	\$ 245,315	\$ 24,848
Total public safety	\$ 2,319,806	\$ 2,696,116	\$ 2,376,245	\$ 319,871
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 485,482	\$ 485,482	\$ 435,734	\$ 49,748
Maintenance of general buildings and grounds:				
General properties	\$ 194,606	\$ 194,606	\$ 171,121	\$ 23,485
Total public works	\$ 680,088	\$ 680,088	\$ 606,855	\$ 73,233
Health and welfare:				
Health:				
Supplement of local health department	\$ 55,019	\$ 55,019	\$ 55,019	\$ -
Mental health and mental retardation:				
Community services board	\$ 18,739	\$ 18,739	\$ 18,739	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,175,356	\$ 1,336,343	\$ 1,217,034	\$ 119,309
Other Social Services	67,741	67,741	59,191	8,550
Total welfare	\$ 1,243,097	\$ 1,404,084	\$ 1,276,225	\$ 127,859
Total health and welfare	\$ 1,316,855	\$ 1,477,842	\$ 1,349,983	\$ 127,859
Education:				
Other instructional costs:				
Contributions to Community College	\$ 4,417	\$ 4,417	\$ 4,417	\$ -
Contribution to County School Board	4,239,188	3,836,294	3,769,546	66,748
Other instructional costs	\$ 4,243,605	\$ 3,840,711	\$ 3,773,963	\$ 66,748
Total education	\$ 4,243,605	\$ 3,840,711	\$ 3,773,963	\$ 66,748

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Library:				
Contribution to county library	\$ 261,208	\$ 261,208	\$ 248,605	\$ 12,603
Total parks, recreation, and cultural	\$ 261,208	\$ 261,208	\$ 248,605	\$ 12,603
Community development:				
Planning and community development:				
Planning and zoning	\$ 166,315	\$ 166,315	\$ 153,889	\$ 12,426
Wetlands board	3,100	3,100	1,364	1,736
Board of zoning appeals	4,000	4,000	1,845	2,155
Airport authority	54,000	54,000	43,858	10,142
Economic development	24,135	219,135	211,682	7,453
Tea-21 grant	205,571	205,571	14,034	191,537
Planning commission	22,800	22,800	14,952	7,848
Total planning and community development	\$ 479,921	\$ 674,921	\$ 441,624	\$ 233,297
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	5,500	1,000	4,500
RC & D Program	727	727	-	727
Total environmental management	\$ 10,901	\$ 15,901	\$ 10,674	\$ 5,227
Cooperative extension program:				
Extension office	\$ 31,585	\$ 31,585	\$ 23,090	\$ 8,495
Total community development	\$ 522,407	\$ 722,407	\$ 475,388	\$ 247,019
Nondepartmental:				
Contingencies	\$ 65,000	\$ 50,000	\$ 1,550	\$ 48,450
Capital projects:				
Capital projects	\$ 173,756	\$ 237,122	\$ 73,847	\$ 163,275
Total capital projects	\$ 173,756	\$ 237,122	\$ 73,847	\$ 163,275
Debt service:				
Principal retirement	\$ 170,000	\$ 526,461	\$ 526,461	\$ -
Interest and other fiscal charges	73,588	120,020	120,020	-
Total debt service	\$ 243,588	\$ 646,481	\$ 646,481	\$ -
Total General Fund	\$ 11,796,142	\$ 12,602,705	\$ 11,266,693	\$ 1,336,012

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Public Safety:				
Sheriff:				
Other protection:				
Court security	\$ 32,313	\$ 43,417	\$ 29,180	14,237
Forfeited assets	-	-	614	(614)
Total public safety	\$ 32,313	\$ 43,417	\$ 29,794	\$ 13,623
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 762,500	\$ 767,500	\$ 721,585	\$ 45,915
Total Welfare	\$ 762,500	\$ 767,500	\$ 721,585	\$ 45,915
Nondepartmental:				
Contingencies	\$ 100,000	\$ 100,000	\$ 5,945	\$ 94,055
Total Special Revenue Fund	\$ 894,813	\$ 910,917	\$ 757,324	\$ 153,593
Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 100,000	\$ 312,898	\$ 288,716	\$ 24,182
Total capital projects	\$ 100,000	\$ 312,898	\$ 288,716	\$ 24,182
Total Primary Government	\$ 12,790,955	\$ 13,826,520	\$ 12,312,733	\$ 1,513,787
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health and attendance	\$ 638,972	\$ 638,972	\$ 614,679	\$ 24,293
Instruction costs	8,163,153	9,207,375	8,156,451	1,050,924
Pupil transportation	887,508	957,508	968,510	(11,002)
Operation and maintenance of school plant	990,916	920,916	917,718	3,198
Total education	\$ 10,680,549	\$ 11,724,771	\$ 10,657,358	\$ 1,067,413
Debt service:				
Principal retirement	\$ 356,461	\$ 3,891	\$ -	\$ 3,891
Interest and other fiscal charges	46,391	(3,933)	-	(3,933)
Total debt service	\$ 402,852	\$ (42)	\$ -	\$ (42)
Total School Operating Fund	\$ 11,083,401	\$ 11,724,729	\$ 10,657,358	\$ 1,067,371
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 373,166	\$ 374,411	\$ 434,419	\$ (60,008)
Total school food services	\$ 373,166	\$ 374,411	\$ 434,419	\$ (60,008)
Total education	\$ 373,166	\$ 374,411	\$ 434,419	\$ (60,008)
Total School Cafeteria Fund	\$ 373,166	\$ 374,411	\$ 434,419	\$ (60,008)
Total Discretely Presented Component Unit - School Board	\$ 11,456,567	\$ 12,099,140	\$ 11,091,777	\$ 1,007,363

STATISTICAL INFORMATION

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Table 1

County of King and Queen, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General			Parks, Recreation, and Cultural				Interest on Long- Term Debt												
	Fiscal Year	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Community Development	Term Debt	Total										
2003	\$	911,317	\$	388,685	\$	1,506,922	\$	747,433	\$	1,152,751	\$	3,823,309	\$	148,583	\$	767,964	\$	460,400	\$	9,907,364
2004		874,973		514,195		1,532,918		568,633		1,273,415		3,931,391		151,259		536,269		412,885		9,795,938
2005		1,060,365		506,447		1,507,805		648,691		1,323,143		4,009,833		153,996		367,843		322,320		9,900,443
2006		1,031,852		562,272		1,496,012		676,572		1,632,731		4,434,348		165,401		429,013		288,996		10,717,197
2007		1,019,799		590,168		1,773,096		726,985		1,757,721		5,338,975		173,818		291,868		260,407		11,932,837
2008		1,182,630		689,333		1,930,910		735,960		2,109,521		5,350,926		188,401		825,805		231,322		13,244,808
2009		1,260,537		601,917		2,201,455		2,948,485		2,072,942		4,321,829		214,630		456,491		201,368		14,279,654
2010		1,174,459		610,178		2,399,846		681,508		1,909,365		4,122,668		207,000		571,849		171,635		11,848,508
2011		1,267,906		591,782		1,979,131		606,615		1,789,941		4,117,502		171,151		332,854		137,552		10,994,434
2012		1,226,149		613,685		2,751,138		554,107		2,078,523		4,156,243		248,605		485,371		106,139		12,219,960

County of King and Queen, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Sale of Capital Assets	Total
2003	\$ 3,129,826	\$ 2,583,936	\$ -	\$ 3,742,322	\$ 726,073	\$ 184,514	\$ 49,874	\$ 864,765	\$ -	\$ 11,281,310
2004	3,958,017	2,213,309	-	3,838,869	769,121	145,519	61,558	857,587	-	11,843,980
2005	4,005,883	2,142,695	-	3,506,866	739,518	242,467	14,818	735,777	-	11,388,024
2006	3,863,171	2,333,862	-	4,267,063	764,145	447,464	72,055	1,133,924	-	12,881,684
2007	4,290,554	2,170,888	25,000	5,427,229	787,448	674,374	105,276	906,193	-	14,386,962
2008	4,476,891	2,489,220	435,110	5,273,163	819,271	652,770	61,233	965,834	18,945	15,192,437
2009	4,157,409	2,429,879	103,073	5,450,427	762,763	306,619	448,295	905,252	-	14,563,717
2010	3,809,129	2,321,552	122,783	5,488,787	639,854	80,345	128,569	1,078,190	-	13,669,209
2011	3,360,983	2,265,979	147,075	5,578,955	594,612	160,529	119,343	1,045,800	-	13,273,276
2012	3,216,698	2,539,732	-	5,671,926	620,996	71,039	121,403	1,049,684	-	13,291,478

Table 3

County of King and Queen, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt		Total
										Service	Debt	
2003	\$ 800,175	\$ 379,645	\$ 1,659,147	\$ 664,287	\$ 1,129,216	\$ 9,026,197	\$ 139,890	\$ 767,820	\$ -	\$ 2,591,359	\$ -	17,157,736
2004	866,892	404,297	1,519,464	638,435	1,253,724	8,975,418	142,565	537,646	-	1,186,181	-	15,524,622
2005	906,020	416,189	1,621,304	722,307	1,311,835	9,661,559	145,303	384,770	-	802,156	-	15,971,443
2006	1,020,584	450,736	1,521,395	691,646	1,612,480	10,687,468	156,708	434,857	-	784,383	-	17,360,257
2007	1,062,685	480,250	1,833,305	752,922	1,758,135	11,077,211	160,436	306,923	-	761,325	-	18,193,192
2008	1,165,088	581,038	1,933,856	725,509	2,112,770	11,665,106	179,708	822,467	-	733,279	-	19,918,821
2009	1,258,270	493,137	2,125,239	747,643	2,042,172	11,228,294	205,937	456,520	-	714,627	-	19,271,839
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097	198,307	554,621	-	696,343	-	18,086,194
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053	178,911	327,900	3,700	670,734	-	17,856,995
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194	248,605	475,388	7,495	646,481	-	19,272,401

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects expenditures.

Table 4

County of King and Queen, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2003	\$ 3,929,844	\$ 726,073	\$ 85,300	\$ 111,954	\$ 184,878	\$ 3,212,548	\$ 139,631	\$ 110,828	\$ 8,670,381	\$ 17,171,437
2004	3,836,016	769,121	66,377	63,343	145,924	3,986,533	71,994	201,961	8,171,551	17,312,820
2005	3,874,708	739,518	75,202	102,723	242,748	3,968,571	36,599	8,528	8,912,482	17,961,079
2006	4,190,947	764,145	118,990	105,093	447,708	3,779,573	203,545	60,359	9,802,473	19,472,833
2007	5,340,444	787,448	134,266	101,128	674,966	4,197,600	339,068	44,329	8,947,946	20,567,195
2008	5,249,624	819,271	108,920	101,754	652,520	4,414,084	287,826	9,664	10,224,591	21,868,254
2009	5,477,519	762,763	63,144	133,051	306,633	4,110,956	659,419	26,630	10,300,393	21,840,508
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618	329,555	85,994	9,683,574	20,443,564
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886	331,891	76,398	9,663,040	19,949,796
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700	121,403	25,839	10,658,460	20,260,755

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2003	\$ 4,484,481	\$ 4,315,671	96.24%	\$ 220,556	\$ 4,536,227	101.15%	\$ 639,704	14.26%
2004	4,639,387	4,384,467	94.51%	145,549	4,530,016	97.64%	593,409	12.79%
2005	4,574,883	4,287,799	93.72%	190,552	4,478,351	97.89%	387,592	8.47%
2006	4,901,390	4,932,516	100.64%	221,878	5,154,394	105.16%	311,139	6.35%
2007	6,612,760	5,974,714	90.35%	226,213	6,200,927	93.77%	320,540	4.85%
2008	6,088,486	5,876,877	96.52%	175,231	6,052,108	99.40%	370,897	6.09%
2009	6,303,965	6,078,961	96.43%	182,195	6,261,156	99.32%	390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	377,773	5.94%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

County of King and Queen, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Personal Property and Mobile Homes (1)				Machinery and Tools		Merchant's Capital		Public Utility (2)		Total	
	Real Estate (1)		Homes (1)	Tools	Capital	Public Utility (2)						
	\$					Real	Estate					
2003	\$	440,057,150	\$	51,809,484	\$	12,145,955	\$	1,837,043	\$	22,863,960	\$	528,713,592
2004		446,957,421		55,139,132		12,820,775		1,972,554		21,848,271		538,738,153
2005		452,075,800		47,747,134		18,462,245		2,231,252		18,643,060		539,159,491
2006		460,207,178		59,836,243		16,532,922		2,314,788		16,787,331		555,678,462
2007		470,862,472		63,592,087		15,608,585		2,899,704		13,875,616		566,838,464
2008		759,696,379		65,245,642		15,612,800		3,072,540		19,571,641		863,199,002
2009		773,289,533		68,747,403		15,684,710		2,826,694		17,160,338		877,708,678
2010		784,602,233		66,823,674		15,441,892		4,179,900		18,311,989		889,359,688
2011		781,893,148		69,095,920		16,141,065		3,656,050		18,456,483		889,242,666
2012		789,498,710		68,688,278		16,700,580		4,580,483		22,917,533		902,385,584

(1) Real estate and personal property are assessed at 100% of fair market value.

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

Table 7

County of King and Queen, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2003	\$ 0.58	\$ 3.94	\$ 0.65	\$ 0.99
2004	0.58	3.94	0.65	0.99
2005	0.58	3.94	0.65	0.99
2006	0.58	3.94	0.65	0.99
2007	0.76	3.94	0.65	0.99
2008	0.48	3.94	0.65	0.99
2009	0.48	3.94	0.65	1.10
2010	0.48	3.94	0.65	1.10
2011	0.48	3.94	0.65	1.10
2012	0.48	3.94	0.65	1.10

(1) Per \$100 of assessed value.

Table 8

County of King and Queen, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003	6,630	\$ 528,713,592	\$ 4,048,055	\$ 4,048,055	0.77%	\$ 611
2004	6,630	538,738,153	3,343,840	3,343,840	0.62%	504
2005	6,630	539,159,491	2,989,993	2,989,993	0.55%	451
2006	6,630	555,678,462	2,631,195	2,631,195	0.47%	397
2007	6,630	566,838,464	2,277,104	2,277,104	0.40%	343
2008	6,630	863,199,002	1,927,405	1,927,405	0.22%	291
2009	6,630	877,708,678	1,571,654	1,571,654	0.18%	237
2010	6,945	889,359,688	1,214,975	1,214,975	0.14%	175
2011	6,945	889,242,666	855,823	855,823	0.10%	123
2012	6,945	902,385,584	499,362	499,362	0.06%	72

(1) Weldon Cooper Center for Public Service 2000 and 2010 Census.

(2) From Table 6.

(3) Includes all long-term general obligation bond, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, capital leases, and compensated absences.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of the Board of Supervisors
County of King & Queen
King & Queen Courthouse, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of King and Queen, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of King and Queen, 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 have reported to management of the County of King and Queen, Virginia, in a separate letter dated January 8, 2013.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 8, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To The Honorable Members of the Board of Supervisors
County of King & Queen
King & Queen Courthouse, Virginia

Compliance

We have audited County of King and Queen, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King and Queen, Virginia's major federal programs for the year ended June 30, 2012. The County of King and Queen, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of King and Queen, Virginia's management. Our responsibility is to express an opinion on the County of King and Queen, Virginia's compliance based on our audit.

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

In our opinion, the County of King and Queen, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County of King and Queen, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of King and Queen, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of King and Queen, 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a control deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 8, 2013

County of King and Queen, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	950109/0950110	\$ 13,635
Temporary Assistance for Needy Families	93.558	400109/0400110	84,619
Refugee and Entrant Assistance - State Administered Programs	93.566	500109/500110	195
Low-Income Home Energy Assistance	93.568	600409/00600410	9,731
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	770109/0770110	15,911
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760109/0760110	20,575
Chafee Education and Training Vouchers Program	93.599	9160108/9130109	1,107
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900109/090110	222
Foster Care - Title IV-E	93.658	1100109/1100110	125,633
Adoption Assistance	93.659	1120109/11201110	30,580
Social Services Block Grant	93.667	1000109/1000110	50,497
Chafee Foster Care Independence Program	93.674	9150109/9150110	1,445
Children's Health Insurance Program	93.767	540109/0540110	3,976
Medical Assistance Program	93.778	1200109/1200110	84,165
Total Department of Health and Human Services			<u>\$ 442,291</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Direct Payments:			
Summer Food Service Program for Children	10.559	n/a	<u>\$ 10,007</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 18,083
Department of Education:			
National School Lunch Program	10.555	17901-40623	198,308
Sub-total CFDA 10.555			<u>\$ 216,391</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	90,190
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10109/0010110	<u>139,701</u>
Total Department of Agriculture			<u>\$ 456,289</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency Management Performance Grant	97.042	77501-52749	<u>\$ 29,775</u>

County of King and Queen, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-59250/50192	\$ 18,674
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	\$ 63,920
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	30712/30713/30716	\$ 2,919
Department of Education:			
Pass Through Payments:			
Department of Education:			
Higher Education - Institutional Aid	84.031	17901	\$ 628
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	147,668
ARRA - Title I Grants to Local Educational Agencies	84.389	17901-42913	1,850
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	238,833
Special Education - Preschool Grants	84.173	17901-62521	14,790
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	16,348
21st Century Community Learning Centers	84.287	17901-60565	632,253
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	17117-0	10,683
Improving Teacher Quality State Grants	84.367	17901-61480	31,901
School Improvement Grants Cluster:			
School Improvement Grants	84.377	17901-43040	138,225
ARRA - School Improvement Grants	84.388	17901-43040	1,059,413
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	17901-62532	104,371
ARRA - Education Jobs Bill Funding	84.410	17901-62700	73,795
Total Department of Education			\$ 2,470,758
Total Expenditures of Federal Awards			\$ 3,484,626

See accompanying notes to schedule of expenditures of federal awards.

County of King and Queen, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 633,360
Total primary government	<u>\$ 633,360</u>

Component Unit Public Schools:

School Operating Fund	\$ 2,534,678
School Cafeteria Fund	316,588
Total component unit School Board	<u>\$ 2,851,266</u>

Total federal expenditures per basic financial statements	<u>\$ 3,484,626</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,484,626</u></u>
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County of King & Queen, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified? _____ yes ✓ none reported

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

Any findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)

84.394
84.377/84.388

Name of Federal Program or Cluster

ARRA - State Fiscal Stabilization Fund - Education State Grants
School Improvement Grants Cluster

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of King and Queen, Virginia

Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

There were no prior year findings and questioned costs.

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