

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2012**

Prepared by:

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

**COUNTY OF KING WILLIAM, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012**

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# **INTRODUCTORY SECTION**



King William County  
Est. 1702

Board of Supervisors

Trenton L. Funkhouser  
County Administrator

December 11, 2012

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

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of King William, Virginia, (the "County"), for the fiscal year ended June 30, 2012. This report was prepared by the County's General Administration and Financial Management Services Departments. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for fiscal year ended June 30, 2012 has been completed and no material violations of laws and regulations have been identified for Federal awards. Significant deficiencies in internal control were identified in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012. The Corrective Action Plan identifies specific actions the County has taken or will take to address the Findings.

The County adopts an annual budget by July 1 as required by §15.2-2503, *Code of Virginia, 1950, as amended*. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with §15.2-2507, *Code of Virginia, 1950, as amended*. The County Administrator and Finance Department staff are responsible for budgetary compliance. The budget is implemented through appropriations the Board makes annually, with supplemental appropriations made as required. These appropriations, except those expenditures mandated by law, may be greater or less than contemplated in the budget.

### **THE REPORTING ENTITY AND ITS SERVICES**

The County of King William report includes all funds and accounts of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified one discretely presented component unit - the School Board. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. The County has no blended components. The School Board is a legally separate organization providing educational services to a public whose Board is elected and is fiscally dependent on the local government.

### **ECONOMIC CONDITION AND OUTLOOK**

Expenditures have continued to grow at a faster pace than revenues, the result of federal and state costs passed on to the local level and the need to maintain existing services in the absence of additional growth in the real estate tax base or sales taxes. The County has been fortunate that general property tax collections have remained relatively stable, decreasing 1.8% from 2011 to 2012. The Commonwealth continues to reduce aid to localities, relative to local expenditure experience, both in future years and current years where local budgets have already been adopted. County departments have significantly cut spending in an attempt to absorb as many of these reductions as possible. Also, community organizations have seen no increases in annual allocations for several years.

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

Debt service, while still within an acceptable range, has and will continue to become a larger part of the annual operating budget as the County continues to grow and undertake infrastructure construction, maintenance and replacement. Refinancing a portion of debt during fiscal year 2012 resulted in significant short and long term interest savings. The next opportunities to refinance portions of the County's debt will be in early fiscal year 2016. Assuming interest rates remain relatively low, the County could reduce rates by as much as 50%. Financing approved by the Board of Supervisors in late 2012 for replacement of the public safety radio communications system and a water well pump house was obtained at 1.95%.

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

Non-residential development is occurring at a minimal rate through the relocation of existing businesses within the County, limited new business starts and limited expansions or redevelopments of existing businesses. Most new construction and other new business activities continue to occur along the Richmond-Tappahannock Highway (Route 360) corridor. No significant new industrial or commercial developments have occurred or are anticipated. New construction of an auto sales and service facility was recently completed and an existing auto body shop at the southern end of the County has started construction of a larger replacement building.

Construction of new single-family residential dwellings continues at a reduced pace relative to rates of the late 1990's and early 2000's. Development of existing lots scattered throughout the County and in established subdivisions such as McCauley Park and Kennington continue, and the recordation of new subdivision lots over the past few years indicate a moderate increase.

The King William Commerce Park is an ongoing privately owned project. A retail strip mall currently adjacent to Route 360 includes a seafood restaurant and auction facility and restaurant. Eight other light industrial businesses are operating in the Commerce Park, including a drywall contractor, a septic system installer, a car repair shop, an auto/body shop, a custom motorcycle mechanic, a small engine repair shop, a metal buildings sales and installation company, day care center and a landscaping business. Two out-parcels with Route 360 frontage remain available. A special exception permit was approved in 2010 for an amusement park, to be located at the rear of the Commerce Park but no site plans have been submitted to date. Additional development and re-development is anticipated now that foreclosure actions have occurred on several sites within the park. The changes in ownership of certain sites resulted in payment of approximately \$100,000 in delinquent real estate taxes (including penalty and interest) and the change in ownership of these parcels is expected to lead to additional business activity.



The King William Business Park has approximately 100,000 square feet of retail and office space. This property continues to perform well although it has experienced periodic vacancies during fiscal year 2012 and fiscal year 2013. The property includes a gym, library branch, laundromat, physical therapy office, martial arts studio and a restaurant. A 20,000 square foot freestanding Dollar General Store opened in September 2009. The site was connected to public sewer during 2012 adding 11 customers to the Central Garage area system.

Jackson Square, constructed in 2006, has two buildings with a total of 20,507 square feet, equally split between retail and office space. The majority of the space is leased and includes community services board offices, retail and service shops, two restaurants and a recently opened nail salon. This property has also experienced some periodic vacancies.

Construction of the Burger King restaurant approved for the northeast quadrant of Routes 360 & 30 was anticipated to start in 2012 but has been delayed until late 2013 due to higher priority projects of the franchise owner.

The County will not likely experience any time soon the population growth of the past two decades - increasing 20% from 1990 to 2000 and 21% from 2000 to 2010. The challenge the County faces is providing the same and/or higher levels of services to its citizens while maintaining stable tax rates and fees and other charges for services.

### **MAJOR INITIATIVES**

Replacing the County's public safety radio communications system and completing a real estate reassessment are the highest County priorities. The County also continues to work toward completion of major organizational items with the development of or revision to personnel policies, purchasing policies, the Comprehensive Plan and associated Subdivision Ordinance and Zoning Ordinance amendments. The County will also continue work with the City of Newport News to sell land acquired for the reservoir project cancelled by the City in late 2009.

A replacement public safety communications system was approved by the Board of Supervisors in late 2012. The system will be used by law enforcement, emergency medical services, fire departments, the schools and public works. This system will also include the incorporated Town of West Point, which is within the boundaries of King William County. The County will replace its Emergency Communications systems (E-911/Dispatch) and portable and mobile radios. The County will utilize Hanover County's tower infrastructure to serve County subscribers (radio users). The system costs are projected to be \$3,000,000 for replacement equipment and approximately \$300,000 per year for subscriber (per radio) costs.

The County will begin construction in early 2013 of a pump house associated with an existing well in the McCauley Park subdivision. This work is required to maintain the operational characteristics of the Central Garage water system and, while it will improve system reliability, the pump house will not result in any additional system capacity.

The County is working with parties associated with a residential subdivision foreclosure to re-establish the development potential of the site and complete the transfer of water lines intended to be conveyed to the County. Issues such as this foreclosure and lesser factors related to poorly performing development projects have affected the County's financial planning associated with its water and sewer infrastructure in the Central Garage area as significantly reduced build-out rates erode previously projected revenues.

A renovation of the "Old Jail" wing of the colonial era circuit courthouse is expected to be completed in January 2013. The King William Historical Society (KWHS) completed similar renovations to the Clerk's Office and Records Room wing of the historic courthouse complex and operates a museum in that wing. Renovations to the jail wing will provide additional working space for museum activities while also providing handicapped accessible bathrooms and places for attorney-client meetings and witness waiting areas when the Circuit Court conducts business at the historic courthouse. The KWHS has been a significant funding and consulting/working partner to assist the County with the majority of funding associated with renovations to these buildings.

In late 2012, Virginia Natural Gas extended a line from an existing trunk in New Kent County to serve the RockTenn paper mill in West Point. The construction of the line is expected to provide significant costs savings to the mill and provide an opportunity to extend distribution lines into Town. During 2008-09, Virginia Natural Gas extended a line from an existing trunk in Hanover County. The construction of the 12-mile extension along Route 360 to the Nestlé-Purina PetCare plant has provided a significant benefit to both the plant and the surrounding land of the Fontainebleau Industrial Park.

### **OTHER INFORMATION**

**Management's Discussion and Analysis.** Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of King William's MD&A can be found immediately following the report of the independent auditors.

**Independent Audit:** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit and auditor's reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of King William, Virginia for its comprehensive annual financial report for the fourteen fiscal years ended June 30, 1998 through June 30, 2011. The Certificate of Achievement is a prestigious international award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

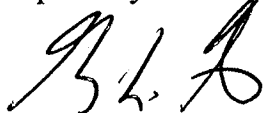
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

We could not accomplish the preparation of this report in a timely manner without the efficient and dedicated service provided by the staffs of the Community Development Department, Finance Department, Public Works Department, Commissioner of Revenue, School Administration and Department of Social Services. We would like to express our appreciation to all the members of the staff who assisted and contributed to its preparation. We would also like to thank the members of the Board of Supervisors for their continued interest and support in planning and conducting the financial operations of this County in a responsible, timely and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. L. Funkhouser', written over a horizontal line.

Trenton L. Funkhouser, AICP, CM  
County Administrator

## COUNTY OF KING WILLIAM, VIRGINIA

Directory of Principal Officials  
June 30, 2012

### *Board of Supervisors*

C. T. Redd, III, Chairman

Stephen K. Greenwood  
Travis J. Moskalski

Terry S. Stone  
Otto O. Williams

### *County Administrator*

Trenton L. Funkhouser

### *School Board*

Kathy H. Morrison, Chair  
Leigh Hubbard, Vice Chair

Bryan K. Major

Lindsay M. Robinson

Steven M. Tupponce

### *Superintendent of Schools*

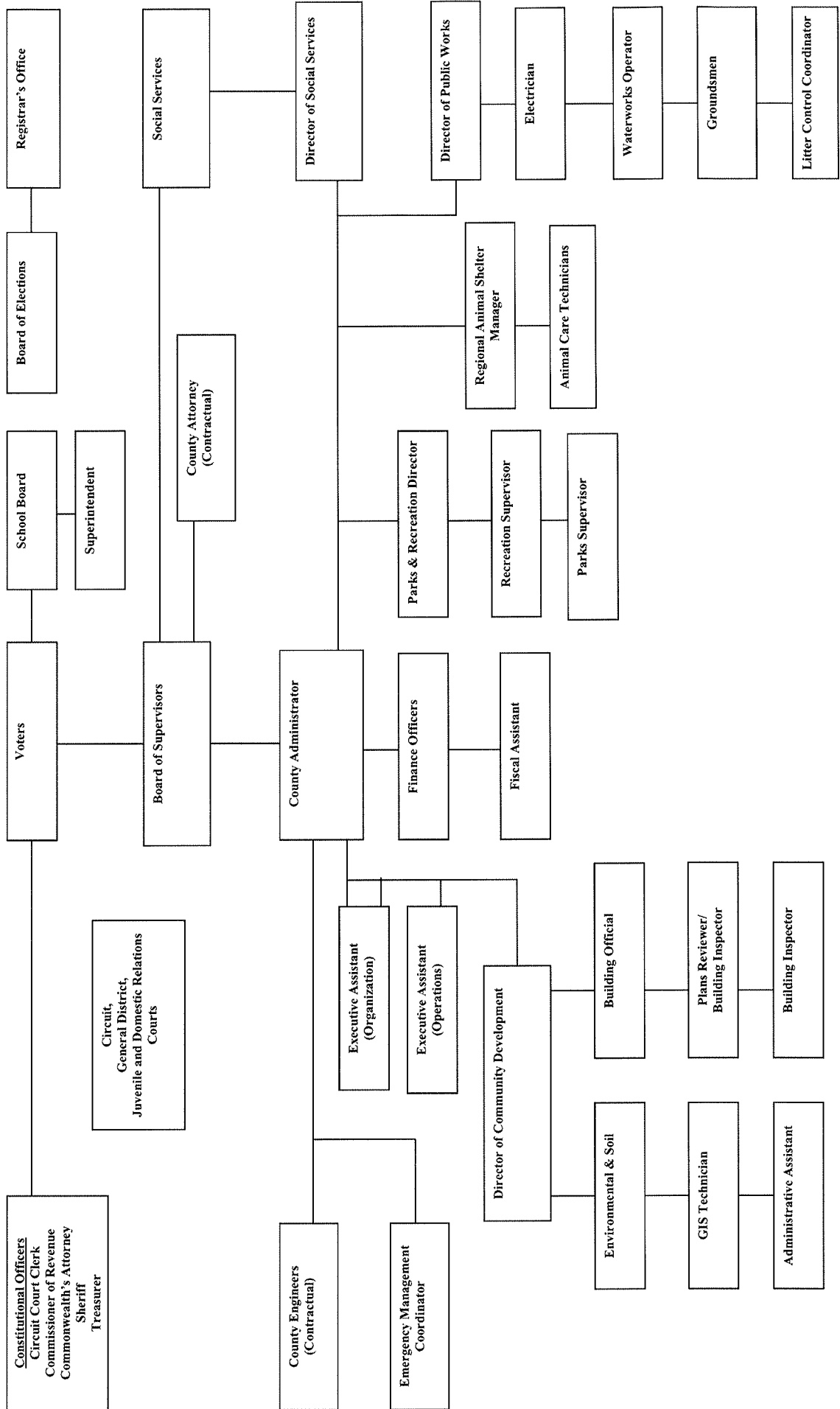
Dr. Mark R. Jones

### *Other Officials*

Daniel M. Stuck  
Sally W. Pearson  
J. S. "Jeff" Walton  
Harry L. Whitt  
Matthew R. Kite  
Thomas B. Hoover  
Jeffrey W. Shaw  
George C. Fairbanks, IV  
Patricia M. Norman  
Anne Mitchell  
Brian L. Purvis

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

# County of King William Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King William  
Virginia

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

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



*Christopher P. Morrell*

President

*Jeffrey R. Emen*

Executive Director

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, (County) as of and for the year ended June 30, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-9 and the required supplementary information on pages 51-52 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic 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 basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the County's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

PBGH, LLP

Harrisonburg, Virginia  
December 11, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

As management of the County of King William, Virginia I offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. I encourage readers to consider the information presented here in conjunction with additional information that is furnished in the County's letter of transmittal.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,540,641 (net assets). During the last several fiscal years, the Board has attempted to rebuild the fund balance through efforts such as expenditure reductions, reduction of current programs and the postponement of proposed programs. The County is developing a long-term financial plan focusing more closely on service goals, priorities and fund balances. No short term financing (e.g. Revenue Anticipation Notes) was used during fiscal year 2012.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,574,116 an increase of \$1,417,884 over the prior year.
- The County's long-term obligations decreased by \$1,783,146 (6.0%) during fiscal year 2012, primarily from the scheduled payments of general obligation bonds, revenue bonds and literary fund loans. The Board of Supervisors issued new debt associated with a refinancing during the year. This refinancing achieved a reduced interest rate, did not extend the maturity date of the debt and resulted in significant short term principal and interest savings through fiscal year 2015. Compensated absences increased by \$5,990 (2.5%).

### **Overview of the Financial Statements**

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

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

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or declining.

The statement of activities presents information showing how County net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks and recreation and cultural events, and community development.

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

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

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

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

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

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

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

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

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

### **Government-Wide Financial Analysis**

Net assets may serve as a useful indicator of a County's financial position. King William County assets exceeded liabilities by \$6,540,641 at the close of the fiscal year.

The County's investment in capital assets such as land, buildings and equipment totals \$27,969,334 (net of accumulated depreciation and amortization) at June 30, 2012. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets are reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **Summary of Net Assets June 30, 2012 and 2011**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 18,639,846	\$ 18,382,512
Capital assets, net	27,969,334	29,931,811
<b>Total assets</b>	<b>46,609,180</b>	<b>48,314,323</b>
Current liabilities	12,198,397	13,423,836
Long-term liabilities outstanding	27,870,142	29,653,288
<b>Total liabilities</b>	<b>40,068,539</b>	<b>43,077,124</b>
Net assets:		
Invested in capital assets, net of related debt	1,461,113	1,669,963
Restricted	62,572	64,245
Unrestricted	5,016,956	3,502,991
<b>Total net assets</b>	<b>\$ 6,540,641</b>	<b>\$ 5,237,199</b>

Governmental Activities – Governmental activities reflect a change in net assets of \$1,303,442.

**Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Revenues:		
Program revenues:		
Charges for services	\$ 856,662	\$ 888,233
Operating grants and contributions	2,503,849	5,993,422
General revenues:		
General property taxes	15,464,547	15,744,965
Other local taxes	2,085,250	2,024,194
Use of money and property	89,375	67,703
C/VA non-categorical aid	1,567,627	1,598,315
Other general revenues	139,077	21,906
<b>Total revenues</b>	<b>22,706,387</b>	<b>26,338,738</b>
Expenses:		
General government administration	1,390,914	1,379,801
Judicial administration	731,145	719,715
Public safety	4,069,441	4,206,900
Public works	1,636,299	1,693,960
Health and welfare	1,726,465	1,837,002
Education	9,555,915	11,942,827
Parks, recreation and cultural	852,555	836,773
Community development	415,658	537,673
Interest and other fiscal charges	1,024,553	1,031,300
<b>Total expenses</b>	<b>21,402,945</b>	<b>24,185,951</b>
<b>Change in net assets</b>	<b>1,303,442</b>	<b>2,152,787</b>
Net assets, beginning	5,237,199	3,084,412
Net assets, ending	<u>\$ 6,540,641</u>	<u>\$ 5,237,199</u>

Program and general revenues for governmental activities totaled \$22,706,387 for the fiscal year. Of this amount, general property taxes totaled \$15,464,547 and other local taxes totaled \$2,085,250 accounting for 77.3% of governmental activity revenues.

The largest decrease noted in revenues was Operating Grants and Contributions. Setting aside that highly variable category, the next highest decreases include General Property Taxes (\$280,418), State Aid (\$30,688), Charges for Services (\$31,571) and Other Local Taxes (\$61,056).

Increases in expenses closely paralleled inflation and growth in the demand for services. A decrease in the Emergency Medical Services (EMS) billing component of the Charges for Services is primarily attributed to the Mattaponi Volunteer Rescue Squad, located in neighboring King & Queen County, withdrawing from the County's EMS billing service and electing to handle billing independently.

### **Financial Analysis of the County's Funds**

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

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance of Total Governmental Funds may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. Spending may include one time purchases or similar expense or the commitment, restriction or assignment of funds, as approved, by the Board of Supervisors.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,574,116 an increase of \$1,417,884 in comparison to the prior year.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,169,372.

Nonspendable fund balances consist of County prepaid items only.

Restricted Fund Balances are: 1) school capital projects (\$518) and 2) General Fund debt service (\$62,054). Schools have a limited capital projects fund balance of \$518 due to funds remaining following completion of projects.

Committed Fund Balances are for: 1) school text books (\$448,725) and 2) school operations and/or capital projects (\$1,993,740) and 3) the animal shelter (\$5,836).

There are no Assigned fund balances.

Unassigned fund balance of the Total Governmental Funds is \$3,055,300. The General Capital Projects deficit of \$114,072 will be resolved through consideration of fund balance adjustments as may be approved by the Board of Supervisors.

## **General Fund Budgetary Highlights**

Differences between the original expenditure budget and the final expenditure budget totaled \$149,550. Significant changes include purchase of two vehicles for the Sheriff's Office and one vehicle for the Animal Control Division, final repairs and replacement to sewage grinder pump stations in the Mt. Olive community improvement project, resolution of an electrical bill for County lighting at various locations, expenses associated with the Line of Duty Act, expenses associated with switching auditors and completing certain incomplete tasks and expenses of the Electoral Board.

During the year General Fund revenues exceeded expenditures by \$1,326,113.

## **Capital Asset and Debt Administration**

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$27,969,334 (net of accumulated depreciation and amortization). This investment in capital assets includes land, infrastructure, buildings and improvements, and machinery and equipment.

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

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$27,870,142. Of this amount \$16,295,387 comprises debt backed by the full faith and credit of the County and \$11,181,616 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased by \$1,783,146 during the fiscal year.

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

## **Economic Factors and Next Year's Budgets and Rates**

Based on available economic data, trends for the local economy have continued to show strength even in the current economy. The local unemployment rate was 6.1% at June 30, 2012, which is slightly lower than last year's rate of 6.6%. The local unemployment rate continues to compare favorably to the June 30, 2012 state and national rates of 6.0% and 8.4%, respectively.

The County's fiscal year 2013 adopted budget totals \$54,508,753 an increase of \$2,828,645, or 6.4% from the fiscal year 2012 budget. This increase is due primarily to the \$3,000,000 for Public Safety Communications (replacement radio system) in the Capital Projects portion of the adopted budget. Other increases are attributed to annual increases in personnel items such as health insurance and the employer paid portion of the Virginia Retirement System.

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

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

For the next two fiscal years, tax increases and/or significant recurring expenditure reductions are required in the absence of significant current or possible/planned growth. There are no expected or projected non-residential additions to the County's tax base that would significantly improve local economic activity. Much of the savings during fiscal years 2011 and 2012 are attributable to the refinancing during fiscal year 2012 and one-time or short term factors such as unexpended funds for certain proposed purchases or projects and unfilled positions or staff vacancies during fiscal years 2011 and 2012.

### **Requests for Information**

This financial report is designed to provide a general overview of the County of King William, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: County Administrator, P.O. Box 215 (mailing), 180 Horse Landing Road (physical), King William, Virginia 23086.



# **BASIC FINANCIAL STATEMENTS**

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 1

Page 1

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government Governmental Activities	Component Unit School Board
<b>ASSETS</b>		
Current Assets		
Deposits and investments	\$ 5,085,592	\$ 2,764,887
Receivables (net of allowances for uncollectibles)		
Taxes, including penalties	7,314,888	-
Accounts receivable	146,904	21,000
Due from other governments	959,487	948,915
Prepaid items	7,943	59,454
Land held for sale	4,015,297	-
Restricted cash	1,031,354	-
<b>Total current assets</b>	<b>18,561,465</b>	<b>3,794,256</b>
Financing costs, net of accumulated amortization	78,381	-
Capital assets, net of accumulated depreciation and amortization		
Land	723,098	42,423
Buildings and improvements	10,426,364	5,310,684
Equipment	2,172,638	2,949,800
Jointly owned assets	18,470,433	20,186,391
Land improvements	-	20,955
Infrastructure	5,418,986	294,167
Intangibles	9,800	-
Less: accumulated depreciation and amortization	(9,251,985)	(13,580,892)
<b>Total capital assets</b>	<b>27,969,334</b>	<b>15,223,528</b>
<b>Total assets</b>	<b>46,609,180</b>	<b>19,017,784</b>

## STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government Governmental Activities	Component Unit School Board
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 154,629	\$ 388,255
Accrued liabilities	309,904	2,099,741
Contingency - land held for sale	4,015,297	-
Due to other governments	40,325	-
Unearned revenue	7,113,075	39,272
Insurance and benefit claim	-	161,077
Accrued interest payable	565,167	-
<b>Total current liabilities</b>	<b>12,198,397</b>	<b>2,688,345</b>
Noncurrent Liabilities		
Due within one year:		
Bonds payable	1,321,637	-
Literary loans	434,200	-
Capital leases	110,011	-
Compensated absences	163,767	114,931
Due in more than one year:		
Bonds payable, net	22,845,891	-
Literary loans	2,236,632	-
Capital leases	528,632	-
Compensated absences	81,884	57,466
Landfill obligation	63,498	-
Other postemployment benefits	83,990	205,107
<b>Total noncurrent liabilities</b>	<b>27,870,142</b>	<b>377,504</b>
<b>Total liabilities</b>	<b>40,068,539</b>	<b>3,065,849</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,461,113	15,223,528
Restricted:		
Debt service	62,054	-
Capital projects	518	-
Unrestricted	5,016,956	728,407
<b>Total net assets</b>	<b>\$ 6,540,641</b>	<b>\$ 15,951,935</b>

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
Primary Government:						
Governmental activities:						
General government administration	\$ 1,390,914	\$ 19,500	\$ 203,673	\$ -	\$ (1,167,741)	\$ -
Judicial administration	731,145	16,767	363,618	-	(350,760)	-
Public safety	4,069,441	389,101	801,490	-	(2,878,850)	-
Public works	1,636,299	161,269	6,473	-	(1,468,557)	-
Health and welfare	1,726,465	-	1,119,045	-	(607,420)	-
Education	9,555,915	-	-	-	(9,555,915)	-
Parks, recreation and cultural	852,555	119,114	9,550	-	(723,891)	-
Community development	415,658	150,911	-	-	(264,747)	-
Interest	1,024,553	-	-	-	(1,024,553)	-
<b>Total governmental activities</b>	<b>\$ 21,402,945</b>	<b>\$ 856,662</b>	<b>\$ 2,503,849</b>	<b>\$ -</b>	<b>(18,042,434)</b>	<b>-</b>
Component Unit:						
School Board - education	\$ 23,006,083	\$ 685,084	\$ 12,922,649	\$ -	-	(9,398,350)
General Revenues:						
General property taxes					15,464,547	-
Grants and contributions not restricted to specific programs					1,567,627	10,344,714
Local sales and use					747,327	-
Consumer utility					227,669	-
Business licenses					275,242	-
Motor vehicle license taxes					370,133	-
Recordation and wills					151,615	-
Other					313,264	-
Revenue from use of money and property					89,375	2,923
Miscellaneous					139,077	39,180
Total general revenues					19,345,876	10,386,817
Change in net assets					1,303,442	988,467
Net assets, beginning					5,237,199	14,963,468
Net assets, ending					\$ 6,540,641	\$ 15,951,935

See Notes to Financial Statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 4,942,022	\$ 143,570	\$ -	\$ 5,085,592
Receivables, net of allowances for uncollectibles:				
Property taxes, including penalties	7,314,888	-	-	7,314,888
Accounts receivable	146,904	-	-	146,904
Due from other governments	959,487	-	-	959,487
Prepaid items	7,943	-	-	7,943
Land held for sale	4,015,297	-	-	4,015,297
Restricted cash	62,054	968,782	518	1,031,354
<b>Total assets</b>	<b>\$ 17,448,595</b>	<b>\$ 1,112,352</b>	<b>\$ 518</b>	<b>\$ 18,561,465</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 154,629	\$ -	\$ -	\$ 154,629
Accrued liabilities	309,904	-	-	309,904
Contingency - land held for sale	4,015,297	-	-	4,015,297
Due to other governments	40,325	-	-	40,325
Deferred revenue	7,240,770	1,226,424	-	8,467,194
<b>Total liabilities</b>	<b>11,760,925</b>	<b>1,226,424</b>	<b>-</b>	<b>12,987,349</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	7,943	-	-	7,943
Restricted:				
Debt service	62,054	-	-	62,054
Capital projects	-	-	518	518
Committed:				
Textbooks	448,725	-	-	448,725
School operations and capital projects	1,993,740	-	-	1,993,740
Animal shelter	5,836	-	-	5,836
Unassigned	3,169,372	(114,072)	-	3,055,300
<b>Total fund balances</b>	<b>5,687,670</b>	<b>(114,072)</b>	<b>518</b>	<b>5,574,116</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,448,595</b>	<b>\$ 1,112,352</b>	<b>\$ 518</b>	<b>\$ 18,561,465</b>

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Funds
Total fund balances - total governmental funds	\$ 5,574,116
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 37,221,319
Less: accumulated depreciation and amortization	(9,251,985)
Net capital assets	27,969,334
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	1,354,119
Long-term debt issuance costs are deferred and amortized in the Statement of Activities but the effect of issuance costs are recorded in the governmental funds in the current period.	78,381
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds, net	(24,167,528)
Literary loans	(2,670,832)
Capital leases	(638,643)
Compensated absences	(245,651)
Interest payable	(565,167)
Landfill obligation	(63,498)
Other postemployment benefits	(83,990)
	(28,435,309)
<b>Net assets of governmental activities</b>	<b>\$ 6,540,641</b>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2012**

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
Revenues:				
General property taxes	\$ 15,481,278	\$ -	\$ -	\$ 15,481,278
Other local taxes	2,085,250	-	-	2,085,250
Permits, privilege fees, proffers and regulatory licenses	160,620	-	-	160,620
Fines and forfeitures	66,657	-	-	66,657
Revenue from use of money and property	88,798	576	1	89,375
Charges for services	421,357	-	-	421,357
Miscellaneous	139,077	-	-	139,077
Recovered costs	206,346	1,682	-	208,028
Intergovernmental	4,071,476	-	-	4,071,476
<b>Total revenues</b>	<b>22,720,859</b>	<b>2,258</b>	<b>1</b>	<b>22,723,118</b>
Expenditures:				
Current:				
General government administration	1,346,130	-	-	1,346,130
Judicial administration	556,528	-	-	556,528
Public safety	4,171,459	-	-	4,171,459
Public works	1,517,016	-	-	1,517,016
Health and welfare	1,708,920	-	-	1,708,920
Education	7,856,937	-	-	7,856,937
Parks, recreation and cultural	809,495	-	-	809,495
Community development	420,350	-	-	420,350
Capital outlays	-	1,131	-	1,131
Debt service:				
Principal	1,926,423	-	-	1,926,423
Interest and fiscal charges	1,081,488	78,381	-	1,159,869
<b>Total expenditures</b>	<b>21,394,746</b>	<b>79,512</b>	<b>-</b>	<b>21,474,258</b>
<b>Revenues over (under) expenditures</b>	<b>1,326,113</b>	<b>(77,254)</b>	<b>1</b>	<b>1,248,860</b>
Other financing sources (uses):				
Issuance of capital lease	90,643	-	-	90,643
Issuance of refunding bonds	-	5,220,100	-	5,220,100
Payment to refunded bond escrow agent	-	(5,141,719)	-	(5,141,719)
<b>Other financing sources, net</b>	<b>90,643</b>	<b>78,381</b>	<b>-</b>	<b>169,024</b>
<b>Net change in fund balances</b>	<b>1,416,756</b>	<b>1,127</b>	<b>1</b>	<b>1,417,884</b>
Fund balance (deficit), beginning	4,270,914	(115,199)	517	4,156,232
Fund balance (deficit), ending	\$ 5,687,670	\$ (114,072)	\$ 518	\$ 5,574,116

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	1,417,884
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period. Details supporting this adjustment are as follows:		
Expenditures for capital assets	\$	231,181
Less: depreciation and amortization expense		(956,441)
Excess of depreciation and amortization over capital outlays		(725,260)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,237,217)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of these items consist of the change in deferred taxes.		(16,731)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Principal repayments:		
General obligation and revenue bonds		1,371,843
Capital leases		120,380
State literary loans		434,200
Payment to refunded bond escrow agent		4,865,000
Issuance on refunding bonds		(5,220,100)
Issuance of capital lease		(90,643)
Capitalized financing costs		78,381
Landfill obligation		(1,498)
		1,557,563
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in:		
Interest payable		3,239
Compensated absences		(5,990)
Other postemployment benefits		(20,461)
Deferred amount on refunding		183,283
Amortization of premium on bonds payable		147,132
		307,203
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>1,303,442</b>



COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 15,430,770	\$ 15,430,770	\$ 15,481,278	\$ 50,508
Other local taxes	2,009,060	2,009,060	2,085,250	76,190
Permits, privilege fees and regulatory licenses	171,950	171,950	160,620	(11,330)
Fines and forfeitures	80,200	80,200	66,657	(13,543)
Revenue from use of money and property	72,200	72,200	88,798	16,598
Charges for services	398,090	398,090	421,357	23,267
Miscellaneous	4,500	4,500	139,077	134,577
Recovered costs	189,100	189,100	206,346	17,246
Intergovernmental	4,089,400	4,089,400	4,071,476	(17,924)
<b>Total revenues</b>	<b>22,445,270</b>	<b>22,445,270</b>	<b>22,720,859</b>	<b>275,589</b>
Expenditures:				
Current:				
General government administration	1,390,250	1,446,435	1,346,130	(100,305)
Judicial administration	547,990	565,015	556,528	(8,487)
Public safety	4,253,300	4,390,956	4,171,459	(219,497)
Public works	1,661,570	1,706,700	1,517,016	(189,684)
Health and welfare	2,116,910	1,953,909	1,708,920	(244,989)
Education	11,040,080	11,040,080	7,856,937	(3,183,143)
Parks, recreation and cultural	764,560	809,496	809,495	(1)
Community development	511,830	523,449	420,350	(103,099)
Debt service:				
Principal - County	399,240	399,240	324,743	(74,497)
Principal - School Board	-	-	1,601,680	1,601,680
Interest and fiscal charges - County	446,770	446,770	188,731	(258,039)
Interest and fiscal charges - School Board	-	-	892,757	892,757
<b>Total expenditures</b>	<b>23,132,500</b>	<b>23,282,050</b>	<b>21,394,746</b>	<b>(1,887,304)</b>
<b>Revenues over (under) expenditures</b>	<b>(687,230)</b>	<b>(836,780)</b>	<b>1,326,113</b>	<b>2,162,893</b>
Other financing sources:				
Issuance of capital lease	-	90,643	90,643	-
<b>Change in fund balance</b>	<b>(687,230)</b>	<b>(746,137)</b>	<b>1,416,756</b>	<b>2,162,893</b>
Fund balance, beginning	687,230	746,137	4,270,914	3,524,777
Fund balance, ending	\$ -	\$ -	\$ 5,687,670	\$ 5,687,670

See Notes to Financial Statements.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 27,741
Due from other governments	<hr/> 5,933
<b>Total assets</b>	<hr/> <b>\$ 33,674</b> <hr/>
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 1,083
Due to other governments	<hr/> 32,591
<b>Total liabilities</b>	<hr/> <b>\$ 33,674</b> <hr/>

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Significant Accounting Policies**

The County of King William, Virginia (County) was formed in 1702 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities; cultural events; education; and social services.

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

#### **Financial Statement Presentation**

##### *Management's Discussion and Analysis*

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

##### *Government-wide Financial Statements*

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

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements and reports. Governmental type activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

##### *Statement of Net Assets*

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### Financial Statement Presentation (Continued)

###### *Statement of Activities*

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

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

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

###### *Budgetary Comparison Schedules*

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

#### A. Financial Reporting Entity

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### B. Individual Component Unit Disclosures

###### *Blended Component Unit*

The County has no blended component units to be included for the fiscal year ended June 30, 2012.

###### *Discretely Presented Component Unit*

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2012. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

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

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### C. Other Related Organizations

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

##### *Economic Development Authority*

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

##### *King William – King and Queen Regional Animal Shelter*

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

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

##### *Hampton Roads Sanitation District*

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### C. Other Related Organizations (Continued)

###### *Math and Science Innovation Center*

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2012 was approximately \$59,000.

###### *Middle Peninsula Juvenile Detention Commission*

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

###### *Middle Peninsula Planning District Commission*

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

###### *Middle Peninsula Northern Neck Community Services Board*

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

###### *Middle Peninsula Regional Airport Authority*

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### C. Other Related Organizations (Continued)

###### *Middle Peninsula Regional Security Center*

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

###### *Pamunkey Regional Library*

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

###### *Virginia Peninsulas Public Service Authority*

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

##### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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



## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

##### 1. Governmental Funds

The County reports the following major governmental funds:

###### a. General Fund

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

###### b. Capital Projects Funds

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

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

###### 2. Fiduciary Funds (Agency Funds)

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

##### E. Budgets and Budgetary Accounting

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

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### **F. Cash and Cash Equivalents**

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

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

Investments for the County, as well as for its component unit, are reported at fair value. The Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

##### **G. Receivables**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$88,000 at June 30, 2012 and is comprised solely of property taxes.

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

##### **H. Prepaid Items**

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

##### **I. Restricted Cash**

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### J. Capital Assets

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

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

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

Buildings and improvements	5 to 40 years
Equipment	3 to 5 years
Infrastructure	40 years
Land improvements	15 years
Intangibles	10 years

##### K. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. The General Fund is responsible for paying the liability for compensated absences for the general government employees, and has been used in prior years to liquidate the governmental funds’ liability.

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

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### L. Long-Term Obligations

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

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

##### M. Fund Equity

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

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

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

*Committed fund balance* – amounts constrained to specific purposes by the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the action to remove or change the constraint. The action must be in the form of a budget amendment approved by the Board after a public meeting.

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

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

##### N. Use of Estimates

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

##### O. Net Assets

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

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

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

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

#### Note 2. Deposits and Investments

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

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

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

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

##### Investment Policy

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

##### Credit Risk

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

As of June 30, 2012, 100% was invested in LGIP with a “AAAm” credit rating, as rated by Standard & Poor’s.

##### Concentration of Credit Risk

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

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2012, all investments were in the LGIP.

##### Interest Rate Risk

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

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

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

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

	Fair Quality Rating
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 26,256</u>

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Receivables and Deferred Revenues

Receivables at June 30, 2012 for the County, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Property taxes	\$ 7,402,751
Trade and other accounts	<u>146,904</u>
<b>Gross receivables</b>	<b>7,549,655</b>
Less allowance for uncollectible accounts	<u>87,863</u>
<b>Net receivables</b>	<b><u>\$ 7,461,792</u></b>

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$87,863 as of June 30, 2012.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 1,354,119	\$ -
Advance collection of 2012-2013 taxes (General Fund)	-	117,991
2012-2013 property tax receivable (General Fund)	-	5,657,484
Personal Property Tax Relief Act – state reimbursement (General Fund)	-	111,176
Developer proffers (General Capital Projects Fund)	<u>-</u>	<u>1,226,424</u>
	<b><u>\$ 1,354,119</u></b>	<b><u>\$ 7,113,075</u></b>



## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 4. Due To/From Other Governments

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

	Primary Government	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 95,795
Public assistance	25,474	-
Comprehensive services	39,777	-
Shared costs	126,124	-
Communications tax	62,478	-
Sales and use tax	619,690	-
Federal government:		
School funds	-	853,120
Public assistance	37,656	-
Other	24,273	-
Other governments:		
County of King and Queen	24,015	-
<b>Total</b>	<b>\$ 959,487</b>	<b>\$ 948,915</b>

At June 30, 2012, the County has payables to other governments as follows:

	Primary Government
Other governments:	
Town of West Point	<u>\$ 40,325</u>

#### Note 5. Land Held for Sale

The County and the City of Newport News (City) entered into a project involving the development of a reservoir. As part of this project, the City paid \$4,015,297 between 2008 and 2009 for the purchase of various parcels of land which are deeded to the County. In 2009, the City approved a resolution to abandon this project. The parcels of land which have been purchased by the City are included as land held for sale at June 30, 2012. A contingent liability equal to the land held for sale balance has been recorded in the financial statements. Now that the project is abandoned, the County intends to sell the land, at which point the County would repay the City. The County cannot enter into any sales contract without the approval of the City.

# COUNTY OF KING WILLIAM, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

#### Primary Government - Governmental Activities

	Beginning Balance,	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 723,098	\$ -	\$ -	\$ 723,098
<b>Total capital assets, not being depreciated or amortized</b>	<b>723,098</b>	<b>-</b>	<b>-</b>	<b>723,098</b>
Capital assets, being depreciated or amortized:				
Buildings and improvements	10,426,364	-	-	10,426,364
Equipment	1,961,190	221,248	(9,800)	2,172,638
Intangibles	-	-	9,800	9,800
Infrastructure	5,409,053	9,933	-	5,418,986
Jointly owned assets	20,072,113	-	(1,601,680)	18,470,433
<b>Total capital assets being depreciated or amortized</b>	<b>37,868,720</b>	<b>231,181</b>	<b>(1,601,680)</b>	<b>36,498,221</b>
Less accumulated depreciation or amortization for:				
Buildings and improvements	(2,472,791)	(253,949)	-	(2,726,740)
Equipment	(1,724,087)	(107,847)	6,860	(1,825,074)
Intangibles	-	-	(6,860)	(6,860)
Infrastructure	(1,029,190)	(132,884)	-	(1,162,074)
Jointly owned assets	(3,433,939)	(461,761)	364,463	(3,531,237)
<b>Total accumulated depreciation or amortization</b>	<b>(8,660,007)</b>	<b>(956,441)</b>	<b>364,463</b>	<b>(9,251,985)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>29,208,713</b>	<b>(725,260)</b>	<b>(1,237,217)</b>	<b>27,246,236</b>
Governmental activities capital assets, net	\$ 29,931,811	\$ (725,260)	\$ (1,237,217)	\$ 27,969,334

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

Governmental activities:	
General government administration	\$ 54,543
Judicial administration	174,986
Public safety	59,196
Public works	158,305
Health and welfare	3,733
Education	461,761
Parks, recreation and cultural	41,617
Community development	2,300
<b>Total depreciation and amortization expense – governmental activities</b>	<b>\$ 956,441</b>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 42,423	\$ -	\$ -	\$ 42,423
<b>Total capital assets, not being depreciated or amortized</b>	<b>42,423</b>	<b>-</b>	<b>-</b>	<b>42,423</b>
Capital assets, being depreciated or amortized:				
Buildings and improvements	5,310,684	-	-	5,310,684
Equipment	2,955,473	71,707	(77,380)	2,949,800
Infrastructure	294,167	-	-	294,167
Land improvements	20,955	-	-	20,955
Jointly owned assets	18,584,711	1,601,680	-	20,186,391
<b>Total capital assets being depreciated or amortized</b>	<b>27,165,990</b>	<b>1,673,387</b>	<b>(77,380)</b>	<b>28,761,997</b>
Less accumulated depreciation or amortization for:				
Buildings and improvements	(4,188,690)	(17,372)	-	(4,206,062)
Equipment	(2,307,926)	(120,847)	76,840	(2,351,933)
Infrastructure	(114,073)	(99,383)	-	(213,456)
Land improvements	(3,668)	(2,095)	-	(5,763)
Jointly owned assets	(5,934,555)	(869,123)	-	(6,803,678)
<b>Total accumulated depreciation or amortization</b>	<b>(12,548,912)</b>	<b>(1,108,820)</b>	<b>76,840</b>	<b>(13,580,892)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>14,617,078</b>	<b>564,567</b>	<b>(540)</b>	<b>15,181,105</b>
Governmental activities capital assets, net	\$ 14,659,501	\$ 564,567	\$ (540)	\$ 15,223,528

School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2012, the County transferred assets with costs of \$1,601,680 and accumulated depreciation of \$364,463 to the Component Unit - School Board.

Component Unit – School Board:

Depreciation expense	\$ 744,357
Accumulated depreciation on joint-tenancy asset transfer	364,463
<b>Total depreciation and amortization – School Board</b>	<b>\$ 1,108,820</b>

# COUNTY OF KING WILLIAM, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Obligations

#### Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the County for the year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 13,622,081	\$ -	\$ (1,087,480)	\$ 12,534,601	\$ 1,089,476
Revenue bonds	11,110,879	5,220,100	(5,149,363)	11,181,616	232,161
State Literary Fund loans	3,105,032	-	(434,200)	2,670,832	434,200
Capital leases	668,380	90,643	(120,380)	638,643	110,011
Premium on bonds payable	881,144	-	(147,132)	734,012	-
Deferred amount on refunding	(99,418)	(188,515)	5,232	(282,701)	-
	29,288,098	5,122,228	(6,933,323)	27,477,003	1,865,848
Compensated absences	239,661	298,775	(292,785)	245,651	163,767
Governmental activities long-term liabilities	\$ 29,527,759	\$ 5,421,003	\$ (7,226,108)	\$ 27,722,654	\$ 2,029,615

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

Year Ending June 30,	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 110,011	\$ 33,305	\$ 232,161	\$ 489,673
2014	115,805	27,561	245,216	426,560
2015	97,827	21,651	258,411	415,344
2016	100,000	15,900	456,751	403,467
2017	105,000	9,750	470,244	385,456
2018-2022	110,000	3,300	2,288,733	1,651,718
2023-2027	-	-	3,938,200	1,116,768
2028-2032	-	-	2,741,900	363,251
2033-2037	-	-	550,000	56,500
	\$ 638,643	\$ 111,467	\$ 11,181,616	\$ 5,308,737

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2013	\$ 1,089,476	\$ 588,909	\$ 434,200	\$ 80,125
2014	1,088,179	536,773	434,200	67,099
2015	1,093,287	481,998	434,200	54,073
2016	1,093,662	426,996	434,200	41,047
2017	1,099,318	371,403	434,032	28,021
2018-2022	5,484,066	1,031,829	500,000	22,500
2023-2027	1,586,613	59,045	-	-
	\$ 12,534,601	\$ 3,496,953	\$ 2,670,832	\$ 292,865

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Long-Term Obligations (Continued)

##### Details of Long-Term Obligations

###### Revenue Bonds:

\$1,100,000 revenue bond, issued July 1998, due in annual maturities of \$67,161 to \$83,733 through July 2018, interest at 4.55%	\$ 451,516
\$1,050,000 EDA lease revenue bond, issued December 2005, due in annual maturities of \$30,000 to \$70,000 through August 2030, interest at 4% to 5.125%	895,000
\$1,490,000 EDA lease revenue bond, issued July 2006, due in annual maturities of \$30,000 to \$90,000 through August 2036, interest ranging from 4% to 5%	1,360,000
\$1,460,000 VRA refunding bond, issued December 2006, due in annual maturities of \$50,000 to \$110,000 through October 2029, interest ranging from 4.65% to 5%	1,350,000
\$2,055,000 EDA lease revenue bond, issued August 2007, due in annual maturities of \$55,000 to \$140,000 through August 2032, interest ranging from 4.5% to 5%	1,905,000
\$5,220,100 IDA lease revenue refunding bond, issued September 2011, due in annual maturities beginning January 2016 of \$190,000 to \$632,700 through January 2029, interest at 3%	<u>5,220,100</u>
<b>Total revenue bonds</b>	<u>11,181,616</u>

###### General Obligation Bonds:

\$6,513,732 issued November 2002, due in annual maturities of \$314,476 to \$371,613 through July 2022, plus interest payable semi-annually at 4.35% to 5.1%	3,754,601
\$715,000 issued November 1998, due in annual maturities of \$35,000 through July 2018, plus interest payable semi-annually at 4.6% to 5.1%	245,000
\$6,750,000 issued November 2002, due in annual maturities of \$335,000 to \$340,000 through July 2022, plus interest payable semi-annually ranging from 4.1% to 5.1%	3,690,000
\$7,055,000 issued November 2003, due in annual maturities of \$350,000 to \$355,000 through July 2023, plus interest payable semi-annually ranging from 4.6% to 5.35%	4,215,000
\$605,000 issued November 2004, due in annual maturities of \$30,000 through July 2024, plus interest payable semi-annually at 4.1% to 5.1%	390,000
\$270,000 issued July 2010, due in annual maturities of \$15,000 to \$20,000 through June 2027, interest free	<u>240,000</u>
<b>Total general obligation bonds</b>	<u>12,534,601</u>

# COUNTY OF KING WILLIAM, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Obligations (Continued)

#### Details of Long-Term Obligations (Continued)

##### State Literary Fund Loans:

\$5,000,000 issued December 1998, due in annual maturities of \$250,000 through December 2018, interest at 3%	\$ 1,750,000
\$3,131,232 issued August 1996, due in annual maturities of \$184,032 to \$184,200 through September 2016, interest at 3%	920,832
<b>Total State Literary Fund loans</b>	<u>2,670,832</u>

##### Capital Leases:

\$1,395,000 capital lease agreement, due in annual installments through August 2017, interest at 6.0%. This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices, and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. The total cost of assets acquired under this obligation was \$1,395,000	570,000
\$90,643 capital lease agreement, due in annual installments through August 2014, interest at 2.62%. This lease was obtained to provide financing for two 2011 Ford Crown Victorias and one 2011 Chevrolet Tahoe which are used by the police department. The total cost of assets acquired under this obligation was \$77,526	68,643
<b>Total capital leases</b>	<u>638,643</u>
Premiums on bonds payable	734,012
Deferred amount on refunding of 2002, 2006, and 2011 revenue refunding bond	<u>(282,701)</u>
<b>Total long-term obligations</b>	<u>\$ 22,477,003</u>

#### ***Component Unit - School Board:***

The following is a summary of changes in long-term obligations for the year ended June 30, 2012.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 202,115	\$ 163,470	\$ 193,188	\$ 172,397	\$ 114,931

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 8. Debt Refunding**

In September 2011, the County issued \$5,220,100 in Lease Revenue Refunding Bonds to refund the IDA Series 2002 Lease Revenue Bonds. As a result, the 2002 bonds were considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$188,515. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$238,175 and resulted in an economic gain of \$550,569. The defeased bonds were paid off in April 2012; therefore the defeased bonds had balances outstanding of zero at June 30, 2012.

In a prior year, the County issued \$1,460,000 in Utility Revenue Refunding Bonds, Series 2006, with an effective interest rate ranging from 4.6% to 4.9%. The Series 2006 bonds were issued to refund \$1,425,000 of VRA Revenue Bonds, Series 2000B. As a result, the 2000 bonds maturing annually on April 1, 2007 to April 1, 2030 are considered to be defeased in substance and the liability for these bonds had been removed from the financial statements. At June 30, 2012, the defeased bonds had balances outstanding of \$1,350,000.

#### **Note 9. Short-Term Debt**

The County's short-term debt activity for the year ended June 30, 2012 is summarized as follows:

Project	Beginning Balance	Issued	Redeemed	Ending Balance
Revenue anticipation note	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -

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

#### **Note 10. Landfill Post-Closure Care Costs**

The County closed its two landfills prior to the date mandated by state and federal laws and regulations and is liable for post-closure monitoring for a period of at least ten years. Post-closure monitoring costs of \$63,498 are recorded at June 30, 2012 and will be paid with General Fund revenues.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined Benefit Pension Plan

##### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2 as described below. The County only participates in Plan 1.

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



## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined Benefit Pension Plan (Continued)

##### A. Plan Description (Continued)

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

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

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

##### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward retirement. This 5% member contribution has been assumed by the County and School Board. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2012, the contribution rate for the County was 13.68%, for the School Board's professional employees, 11.33%, and for the School Board's non-professional employees, 12.64% of annual covered payroll.

For the years ended June 30, 2012, 2011, and 2010, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$1,236,807, \$962,094, and \$977,357, respectively, and were equal to 100% of the required contribution for professional employees for each year.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined Benefit Pension Plan (Continued)

##### C. Annual Pension Cost (APC)

For fiscal year 2012, the County and the School Board's non-professional employees' annual pension costs of \$604,021 were equal to the County's required and actual contributions.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 445,990	100%	\$ -
June 30, 2011	466,620	100%	-
June 30, 2010	470,724	100%	-
School Board Nonprofessional:			
June 30, 2012	\$ 158,031	100%	\$ -
June 30, 2011	154,219	100%	-
June 30, 2010	145,312	100%	-

The fiscal year 2012 required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (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 COLA of 2.5% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. 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 79.97% funded. The actuarial accrued liability (AAL) for benefits was \$12,271,043, and the actuarial value of assets was \$9,813,281, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,457,762. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,380,593, and ratio of the UAAL to the covered payroll was 72.70%.

As of June 30, 2011, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 90.42% funded. The actuarial accrued liability for benefits was \$1,847,154, and the actuarial value of assets was \$1,670,279, resulting in a UAAL of \$176,875. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,224,187, and ratio of the UAAL to the covered payroll was 14.45%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

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

#### Note 12. Other Postemployment Benefits

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

##### A. Plan Provisions

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

##### B. Funding Policy

The County and the School Board, as part of the budgetary process each year, establish employer contribution rates for their respective plan participants. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees must pay their entire premium and pay 100% of family premiums if they participate. Coverage ceases when retirees reach the age of 65. Surviving family members of County employees can stay in the plan, but must pay the entire premium. Surviving family members of School Board employees cannot stay in its plan.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Other Postemployment Benefits (Continued)

##### C. Plan Description

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

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

##### D. Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, 2012 was calculated as follows:

	County	School Board
Annual required contribution (ARC)	\$ 25,400	\$ 123,600
Interest on net OPEB obligation	2,541	5,491
Adjustment to annual required contribution	(2,280)	(4,747)
Annual OPEB cost	25,661	124,344
Estimated contributions made	(5,200)	(56,500)
Increase in net OPEB obligation	20,461	67,844
Net OPEB obligation, beginning of year	63,529	137,263
Net OPEB obligation, end of year	\$ 83,990	\$ 205,107

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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**Note 12. Other Postemployment Benefits (Continued)**

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

Trend Information

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>		<u>Net OPEB Obligation</u>
County:					
June 30, 2012	\$	25,661	20.26%	\$	83,990
June 30, 2011		24,229	12.79%		63,529
June 30, 2010		23,100	9.52%		42,400
School Board:					
June 30, 2012	\$	124,344	45.44%	\$	205,107
June 30, 2011		116,263	54.79%		137,263
June 30, 2010		98,200	52.95%		84,700

**E. Actuarial Methods and Assumptions**

Valuation Methods

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

Employees Included in the Calculations

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

# COUNTY OF KING WILLIAM, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Other Postemployment Benefits (Continued)

#### E. Actuarial Methods and Assumptions (Continued)

##### Actuarial Assumptions

In the January 2012 County actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on discount rates of 4.0%, investment rate of return of 4.0%, payroll growth rate of 3.75%, and a health care trend assumption of 7.2% graded to 4.8% over 83 years using the Getzen Trend Model, for an unfunded liability, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$203,500. The remaining amortization period at June 30, 2012 was 30 years.

In the June 2011 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4%, investment rate of return of 4.0%, payroll growth rate of 3.75%, and a health care trend assumption of 6.3% graded to 4.7% over 80 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$1,048,800. The remaining amortization period at June 30, 2011 was 30 years.

#### F. Funding Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit – School Board:						
June 30, 2011	\$ -	\$ 1,048,800	\$ 1,048,800	0.00%	\$ 11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Other Postemployment Benefits – VRS Health Insurance Credit

##### A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2012, 2011, and 2010, the School Board paid \$65,342, \$64,642, and \$86,243, respectively, for employees toward these benefits, which was equal to the required contributions.

##### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended, to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was .60%, 1.04%, and .60% for the School Board's employees for the fiscal years ended June 30, 2012, 2011, and 2010, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2011 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 30 years.

##### C. Funded Status and Funding Progress

As of the actuarial valuation performed at June 30, 2011, the Plan for the School Board's employees was 0.00% funded. The AAL was \$26,357, and the actuarial value of assets was \$-0-, with a resulting UAAL of \$26,357.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the AAL for benefits.

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

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 14. Risk Management

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

The County has coverage with the Virginia Association of Counties Risk Pool (the "Pool") for all insurable risks identified by the County. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The County pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

#### Health Insurance – School Board

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

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

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

Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
\$ 161,077	\$ 1,854,756	\$ 1,854,756	\$ 161,077



## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 15. Commitments and Contingencies and Subsequent Event**

##### Federal and State Assisted Programs

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

##### Operating Leases

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

##### Subsequent Event

On December 6, 2012, the County issued \$3,000,000 Lease Purchase Agreement, Series 2012 Bonds maturing on January 15, 2026 primarily for the replacement of the public safety radio communications system and construction of a water well pump house.

#### **Note 16. Pending GASB Statements**

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

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

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 16. Pending GASB Statements (Continued)**

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT**

**Exhibit 9**

**Page 1**

**SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2011	\$ 9,813,281	\$ 12,271,043	\$ 2,457,762	79.97%	\$ 3,380,593	72.70%
June 30, 2010	9,498,858	11,459,933	1,961,075	82.89%	3,383,541	57.96%
June 30, 2009	9,138,622	10,363,582	1,224,960	88.18%	3,490,219	35.10%
B. Component Unit - School Board non-professional:						
June 30, 2011	\$ 1,670,279	\$ 1,847,154	\$ 176,875	90.42%	\$ 1,224,187	14.45%
June 30, 2010	1,497,487	1,648,499	151,012	90.84%	1,226,709	12.31%
June 30, 2009	1,357,656	1,373,188	15,532	98.87%	1,303,855	1.19%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Component Unit - School Board non-professional:						
June 30, 2011	\$ -	\$ 26,357	\$ 26,357	0.00%	\$ 1,224,187	2.15%
June 30, 2010	-	22,105	22,105	0.00%	1,226,709	1.80%
June 30, 2009	-	17,405	17,405	0.00%	1,303,855	1.33%

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

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

2012	\$ 65,342	100.00%	\$ -
2011	64,642	100.00%	-
2010	86,243	100.00%	-

**COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT**

**Exhibit 9**

**Page 2**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
--------------------------------	---------------------------------------	---	--	-----------------	--------------------	--

A. Primary Government:

January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%

B. Component Unit - School Board:

June 30, 2011	\$ -	\$ 1,048,800	\$ 1,048,800	0.00%	\$ 11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
----------------------------------	------------------------------------	---------------------------

A. Primary Government:

2012	\$ 25,400	20.47%
2011	24,000	12.92%
2010	23,100	9.52%

B. Component Unit - School Board:

2012	\$ 123,600	45.71%
2011	115,900	54.96%
2010	98,200	52.95%

## **SUPPLEMENTARY INFORMATION**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -  
AGENCY FUNDS  
June 30, 2012**

	Agency Funds		
	Special Welfare	VJCCCA	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,083	\$ 26,658	\$ 27,741
Due from other governments	-	5,933	5,933
<b>Total assets</b>	<b>\$ 1,083</b>	<b>\$ 32,591</b>	<b>\$ 33,674</b>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 1,083	\$ -	\$ 1,083
Due to other governments	-	32,591	32,591
<b>Total liabilities</b>	<b>\$ 1,083</b>	<b>\$ 32,591</b>	<b>\$ 33,674</b>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS  
Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>SPECIAL WELFARE FUND</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 567	\$ 652	\$ 136	\$ 1,083
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 567	\$ 1,083	\$ 567	\$ 1,083
<u>VJCCCA FUND</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 170,890	\$ 144,232	\$ 26,658
Due from other governments	21,928	5,933	21,928	5,933
<b>Total assets</b>	<b>\$ 21,928</b>	<b>\$ 176,823</b>	<b>\$ 166,160</b>	<b>\$ 32,591</b>
<b>LIABILITIES</b>				
Due to other governments	\$ 14,054	\$ 32,591	\$ 14,054	\$ 32,591
Accounts payable	7,874	-	7,874	-
<b>Total liabilities</b>	<b>\$ 21,928</b>	<b>\$ 32,591</b>	<b>\$ 21,928</b>	<b>\$ 32,591</b>



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

**Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 567	\$ 171,542	\$ 144,368	\$ 27,741
Due from other governments	21,928	5,933	21,928	5,933
<b>Total assets</b>	<b>\$ 22,495</b>	<b>\$ 177,475</b>	<b>\$ 166,296</b>	<b>\$ 33,674</b>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 567	\$ 1,083	\$ 567	\$ 1,083
Due to other governments	14,054	32,591	14,054	32,591
Accounts payable	7,874	-	7,874	-
<b>Total liabilities</b>	<b>\$ 22,495</b>	<b>\$ 33,674</b>	<b>\$ 22,495</b>	<b>\$ 33,674</b>

**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**June 30, 2012**

	School Operating Fund	School Cafeteria Fund	Total Component Unit
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,497,899	\$ 230,147	\$ 1,728,046
Accounts receivable	21,000	-	21,000
Prepaid items	59,454	-	59,454
Due from other government units	948,915	-	948,915
<b>Total assets</b>	<b>\$ 2,527,268</b>	<b>\$ 230,147</b>	<b>\$ 2,757,415</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 388,255	\$ -	\$ 388,255
Accrued liabilities	2,099,741	-	2,099,741
Deferred revenue	39,272	-	39,272
<b>Total liabilities</b>	<b>2,527,268</b>	<b>-</b>	<b>2,527,268</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	59,454	-	59,454
Assigned:			
Cafeteria	-	230,147	230,147
Unassigned	(59,454)	-	(59,454)
<b>Total fund balances</b>	<b>-</b>	<b>230,147</b>	<b>230,147</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,527,268</b>	<b>\$ 230,147</b>	<b>\$ 2,757,415</b>
Total fund balances - School Board			\$ 230,147
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not current financial resources, and therefore, not reported in the governmental funds.			
Governmental capital assets		\$ 28,804,420	
Less: accumulated depreciation and amortization		(13,580,892)	
Net capital assets			15,223,528
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			
			875,764
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Compensated absences		(172,397)	
Other postemployment benefits		(205,107)	
			(377,504)
<b>Net assets of component unit</b>			<b>\$ 15,951,935</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
Year Ended June 30, 2012**

	School Operating Fund	School Cafeteria Fund	Total Component Unit
Revenues:			
Revenue from use of money and property	\$ 2,785	\$ 138	\$ 2,923
Charges for services	106,207	481,310	587,517
Miscellaneous revenue	15,362	23,818	39,180
Recovered costs	97,567	-	97,567
Intergovernmental:			
Appropriation from primary government	10,344,714	-	10,344,714
Commonwealth	11,116,405	19,316	11,135,721
Federal	1,298,026	488,902	1,786,928
<b>Total revenues</b>	<b>22,981,066</b>	<b>1,013,484</b>	<b>23,994,550</b>
Expenditures:			
Current:			
Education	22,978,114	1,007,764	23,985,878
<b>Excess of revenues over expenditures</b>	<b>2,952</b>	<b>5,720</b>	<b>8,672</b>
Other financing sources (uses):			
Transfers in	-	2,952	2,952
Transfers out	(2,952)	-	(2,952)
<b>Total other financing sources (uses), net</b>	<b>(2,952)</b>	<b>2,952</b>	<b>-</b>
<b>Changes in fund balances</b>	<b>-</b>	<b>8,672</b>	<b>8,672</b>
Fund Balances, beginning	-	221,475	221,475
Fund Balances, ending	\$ -	\$ 230,147	\$ 230,147
Net change in fund balances - total governmental funds			\$ 8,672
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.			
Expenditures for capital assets		\$ 71,707	
Less: depreciation and amortization expense		(744,357)	
Excess of depreciation and amortization over capital outlays			(672,650)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.			(540)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in other postemployment benefits		(67,844)	
Change in compensated absences		29,718	
			(38,126)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.			
Total revenues		2,846,463	
Total expenses		(2,392,569)	
			453,894
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit			1,237,217
<b>Change in net assets of governmental activities</b>			<b>\$ 988,467</b>

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

**Year Ended June 30, 2012**

	School Operating Fund				School Cafeteria Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)
Revenues:								
Revenue from use of money and property	\$ 4,500	\$ 4,500	\$ 2,785	\$ (1,715)	\$ 150	\$ 150	\$ 138	\$ (12)
Charges for services	46,500	46,500	106,207	59,707	481,000	481,000	481,310	310
Miscellaneous revenue	-	-	15,362	15,362	20,000	20,000	23,818	3,818
Recovered costs	25,000	25,000	97,567	72,567	-	-	-	-
Intergovernmental:								
Appropriation from primary government	11,053,640	11,053,640	10,344,714	(708,926)	-	-	-	-
Commonwealth	10,947,240	10,947,240	11,116,405	169,165	18,000	18,000	19,316	1,316
Federal	1,444,430	1,444,430	1,298,026	(146,404)	474,000	474,000	488,902	14,902
<b>Total revenues</b>	<b>23,521,310</b>	<b>23,521,310</b>	<b>22,981,066</b>	<b>(540,244)</b>	<b>993,150</b>	<b>993,150</b>	<b>1,013,484</b>	<b>20,334</b>
Expenditures:								
Education:								
Instruction	15,618,620	15,618,620	15,182,615	(436,005)	-	-	-	-
Administration, attendance and health	1,289,400	1,289,400	1,249,072	(40,328)	-	-	-	-
Pupil transportation	1,492,110	1,492,110	1,481,197	(10,913)	-	-	-	-
Operation and maintenance	1,881,370	1,881,370	1,820,277	(61,093)	-	-	-	-
School food service costs	13,100	13,100	6,602	(6,498)	993,150	993,150	1,007,764	14,614
Technology	732,270	732,270	743,914	11,644	-	-	-	-
Reimbursement to primary government for debt service	2,494,440	2,494,440	2,494,437	(3)	-	-	-	-
<b>Total expenditures</b>	<b>23,521,310</b>	<b>23,521,310</b>	<b>22,978,114</b>	<b>(543,196)</b>	<b>993,150</b>	<b>993,150</b>	<b>1,007,764</b>	<b>14,614</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>2,952</b>	<b>2,952</b>	<b>-</b>	<b>-</b>	<b>5,720</b>	<b>5,720</b>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	2,952	2,952
Transfers out	-	-	(2,952)	(2,952)	-	-	-	-
<b>Changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,672</b>	<b>8,672</b>
Fund Balances, beginning	-	-	-	-	-	-	221,475	221,475
Fund Balances, ending	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 230,147</b>	<b>\$ 230,147</b>

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS - SCHOOL BOARD

## FIDUCIARY FUNDS

June 30, 2012

	Agency Funds			
	School Activity Fund	Regional CTE Center	Regional Alternative Education Program	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 245,884	\$ 25,274	\$ 101,184	\$ 372,342
<b>Total assets</b>	<b>\$ 245,884</b>	<b>\$ 25,274</b>	<b>\$ 101,184</b>	<b>\$ 372,342</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 54,352	\$ 54,352
Accrued liabilities	-	-	11,976	11,976
Held in trust	245,884	25,274	34,856	306,014
<b>Total liabilities</b>	<b>\$ 245,884</b>	<b>\$ 25,274</b>	<b>\$ 101,184</b>	<b>\$ 372,342</b>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
SCHOOL BOARD - ALL AGENCY FUNDS  
Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>SCHOOL ACTIVITY FUND</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 272,724	\$ 602,611	\$ 629,451	\$ 245,884
<b>LIABILITIES</b>				
Held in trust	\$ 272,724	\$ 602,611	\$ 629,451	\$ 245,884
<u>REGIONAL CTE CENTER</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 44,775	\$ -	\$ 19,501	\$ 25,274
<b>Total assets</b>	\$ 44,775	\$ -	\$ 19,501	\$ 25,274
<b>LIABILITIES</b>				
Held in trust	\$ 44,775	\$ -	\$ 19,501	\$ 25,274
<b>Total liabilities</b>	\$ 44,775	\$ -	\$ 19,501	\$ 25,274
<u>REGIONAL ALTERNATIVE EDUCATION PROGRAM</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,895	\$ 428,398	\$ 390,109	\$ 101,184
Accounts receivable	7,000	-	7,000	-
<b>Total assets</b>	\$ 69,895	\$ 428,398	\$ 397,109	\$ 101,184
<b>LIABILITIES</b>				
Accounts payable	\$ 7,365	\$ 46,987	\$ -	\$ 54,352
Accrued liabilities	5,167	6,809	-	11,976
Held in trust	57,363	-	22,507	34,856
<b>Total liabilities</b>	\$ 69,895	\$ 53,796	\$ 22,507	\$ 101,184

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
SCHOOL BOARD - ALL AGENCY FUNDS  
Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>TOTALS - ALL AGENCY FUNDS</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 380,394	\$ 1,031,009	\$ 1,039,061	\$ 372,342
Accounts receivable	7,000	-	7,000	-
<b>Total assets</b>	<u>\$ 387,394</u>	<u>\$ 1,031,009</u>	<u>\$ 1,046,061</u>	<u>\$ 372,342</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,365	\$ 46,987	\$ -	\$ 54,352
Accrued liabilities	5,167	6,809	-	11,976
Held in trust	374,862	602,611	671,459	306,014
<b>Total liabilities</b>	<u>\$ 387,394</u>	<u>\$ 656,407</u>	<u>\$ 671,459</u>	<u>\$ 372,342</u>

## STATEMENT OF NET ASSETS

## INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD

June 30, 2012

	Self- Insurance
<hr/>	
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,036,841
	<hr/>
<b>Total assets</b>	<b>1,036,841</b>
	<hr/>
<b>LIABILITIES</b>	
Current liabilities:	
Insurance and benefit claims	161,077
	<hr/>
<b>Total liabilities</b>	<b>161,077</b>
	<hr/>
<b>NET ASSETS</b>	
Unrestricted	875,764
	<hr/>
<b>Total net assets</b>	<b>\$ 875,764</b>
	<hr/>



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD**  
**Year Ended June 30, 2012**

	Self- Insurance
Operating revenues:	
Charges for services	\$ 2,846,026
<b>Total operating revenues</b>	<b>2,846,026</b>
Operating expenses:	
Administrative charges	222,087
Risk financing and benefit payments	1,854,756
Reinsurance premium	315,726
<b>Total operating expenses</b>	<b>2,392,569</b>
<b>Operating income</b>	<b>453,457</b>
Nonoperating revenue:	
Interest revenue	437
<b>Total nonoperating revenue</b>	<b>437</b>
<b>Change in net assets</b>	<b>453,894</b>
Net assets, beginning	421,870
Net assets, ending	<u>\$ 875,764</u>

## STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD

Year Ended June 30, 2012

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 2,846,026
Claims and benefits paid	(1,854,756)
Payments to suppliers for goods and services	(537,813)
	<hr/>
<b>Net cash provided by operating activities</b>	<b>453,457</b>
	<hr/>
Cash Flows From Investing Activities:	
Interest received on investment securities	437
	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>453,894</b>
Cash and Cash Equivalents:	
Beginning	582,947
	<hr/>
Ending	\$ 1,036,841
	<hr/> <hr/>

## **SUPPLEMENTAL SCHEDULES**

## SCHEDULE OF REVENUES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 11,290,250	\$ 11,290,250	\$ 11,516,717	\$ 226,467
Real and personal public service corporation property	295,160	295,160	331,296	36,136
Personal property	2,473,850	2,473,850	2,179,119	(294,731)
Machinery and tools	1,126,510	1,126,510	1,177,707	51,197
Penalties	145,000	145,000	153,182	8,182
Interest	100,000	100,000	123,257	23,257
<b>Total general property taxes</b>	<b>15,430,770</b>	<b>15,430,770</b>	<b>15,481,278</b>	<b>50,508</b>
Other local taxes:				
Consumer utility	223,000	223,000	227,669	4,669
Business licenses	299,420	299,420	275,242	(24,178)
Motor vehicle license taxes	362,000	362,000	370,133	8,133
Bank stock	61,000	61,000	60,480	(520)
Recordation and wills	145,000	145,000	151,615	6,615
Meals	226,000	226,000	252,784	26,784
Local sales and use	692,640	692,640	747,327	54,687
<b>Total other local taxes</b>	<b>2,009,060</b>	<b>2,009,060</b>	<b>2,085,250</b>	<b>76,190</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	13,000	13,000	10,997	(2,003)
Building permits	60,000	60,000	61,446	1,446
Other permits and licenses	98,950	98,950	88,177	(10,773)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>171,950</b>	<b>171,950</b>	<b>160,620</b>	<b>(11,330)</b>
Fines and forfeitures	80,200	80,200	66,657	(13,543)
Revenue from use of money and property:				
Revenue from use of money	30,000	30,000	46,225	16,225
Revenue from use of property	42,200	42,200	42,573	373
<b>Total revenue from use of money and property</b>	<b>72,200</b>	<b>72,200</b>	<b>88,798</b>	<b>16,598</b>

## SCHEDULE OF REVENUES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Planning and community development	\$ 800	\$ 800	\$ 1,288	\$ 488
Law enforcement and traffic control	200	200	229	29
Court costs	9,670	9,670	8,972	(698)
Commonwealth attorney's fees	500	500	1,363	863
Sanitation and waste removal	172,900	172,900	161,269	(11,631)
Parks and recreation	91,870	91,870	119,114	27,244
Animal shelter	12,150	12,150	25,301	13,151
EMS billings	110,000	110,000	103,821	(6,179)
Total charges for services	398,090	398,090	421,357	23,267
Miscellaneous	4,500	4,500	139,077	134,577
Recovered costs:				
JDRC Recovery	3,500	3,500	3,996	496
High school resources officer	53,470	53,470	52,392	(1,078)
Other recovered costs	132,130	132,130	149,958	17,828
Total recovered costs	189,100	189,100	206,346	17,246
Total revenue from local sources	18,355,870	18,355,870	18,649,383	293,513
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling tax	8,000	8,000	-	(8,000)
Communications sales and use	375,000	375,000	365,830	(9,170)
Timber sales	-	-	1,144	1,144
Recordation tax	60,000	60,000	45,576	(14,424)
Motor vehicles carriers' tax	16,500	16,500	16,315	(185)
Motor vehicle rental tax	1,800	1,800	2,555	755
State budget reduction	(71,700)	(71,700)	(68,232)	3,468
Personal property tax relief	1,204,130	1,204,130	1,204,130	-
Miscellaneous	300	300	309	9
Total non-categorical aid	1,594,030	1,594,030	1,567,627	(26,403)

## SCHEDULE OF REVENUES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over				
	Original	Final		(Under)				
Primary Government: (Continued)								
General Fund: (Continued)								
Intergovernmental: (Continued)								
Revenue from the Commonwealth: (Continued)								
Categorical aid:								
Shared costs:								
Commonwealth attorney	\$	151,200	\$	151,200	\$	151,259	\$	59
Sheriff		660,250		660,250		671,240		10,990
Commissioner of the revenue		84,580		84,580		84,849		269
Treasurer		65,040		65,040		73,806		8,766
Registrar/Electoral Board		42,860		42,860		45,018		2,158
Clerk of circuit court		156,290		156,290		160,800		4,510
<b>Total shared costs</b>		1,160,220		1,160,220		1,186,972		26,752
Other categorical aid:								
Welfare administration assistance		313,340		313,340		292,233		(21,107)
Victim witness assistance grant		50,550		50,550		51,559		1,009
Emergency services - four for life		15,000		15,000		16,504		1,504
Litter control grant		6,630		6,630		6,473		(157)
Fire program		26,000		26,000		33,761		7,761
Radiological emergency preparedness		10,000		10,000		10,000		-
Wireless E-911 grant		-		-		40,000		40,000
Miscellaneous public safety grants		600		600		563		(37)
Comprehensive services		370,000		370,000		206,661		(163,339)
Miscellaneous		5,000		5,000		9,550		4,550
<b>Total other categorical aid</b>		797,120		797,120		667,304		(129,816)
<b>Total categorical aid</b>		1,957,340		1,957,340		1,854,276		(103,064)
<b>Total revenue from the Commonwealth</b>		3,551,370		3,551,370		3,421,903		(129,467)
Revenue from the federal government:								
Categorical aid:								
Welfare and administration assistance		538,030		538,030		620,151		82,121
Public safety		-		-		29,422		29,422
<b>Total categorical aid</b>		538,030		538,030		649,573		111,543
<b>Total revenue from the federal government</b>		538,030		538,030		649,573		111,543
<b>Total intergovernmental</b>		4,089,400		4,089,400		4,071,476		(17,924)
<b>Total General Fund</b>	\$	22,445,270	\$	22,445,270	\$	22,720,859	\$	275,589

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**Year Ended June 30, 2012**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 576	\$ 576
Recovered costs:				
King and Queen share - regional animal shelter	-	-	1,682	1,682
<b>Total revenue from local sources</b>	-	-	2,258	2,258
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	1	1
<b>Total School Capital Projects Fund</b>	\$ -	\$ -	\$ 1	\$ 1
<b>Grand Total Revenues - Primary Government</b>	\$ 22,445,270	\$ 22,445,270	\$ 22,723,118	\$ 277,848
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 685	\$ (315)
Revenue from use of property	3,500	3,500	2,100	(1,400)
<b>Total revenue from use of money and property</b>	4,500	4,500	2,785	(1,715)
Charges for services	46,500	46,500	106,207	59,707
Miscellaneous revenue	-	-	15,362	15,362
Recovered costs:				
E-rate	25,000	25,000	95,345	70,345
Other recovered costs	-	-	2,222	2,222
<b>Total recovered costs</b>	25,000	25,000	97,567	72,567
<b>Total revenue from local sources</b>	76,000	76,000	221,921	145,921

## SCHEDULE OF REVENUES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenue:				
Appropriation from primary government	\$ 11,053,640	\$ 11,053,640	\$ 11,053,956	\$ 316
Return of funds to primary government	-	-	(709,242)	(709,242)
<b>Total intergovernmental revenue</b>	<b>11,053,640</b>	<b>11,053,640</b>	<b>10,344,714</b>	<b>(708,926)</b>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	1,982,350	1,982,350	2,088,711	106,361
Basic school aid	6,277,040	6,277,040	6,251,145	(25,895)
Special education	933,790	933,790	931,378	(2,412)
Textbook payment	59,460	59,460	59,304	(156)
Fringe benefits - SS/teacher retirement	744,690	744,690	742,763	(1,927)
Technology	154,000	154,000	238,684	84,684
Hold harmless	61,210	61,210	61,216	6
Other state funds	734,700	734,700	743,204	8,504
<b>Total revenue from the Commonwealth</b>	<b>10,947,240</b>	<b>10,947,240</b>	<b>11,116,405</b>	<b>169,165</b>
Revenue from the federal government:				
Categorical aid:				
Title I	252,790	252,790	322,373	69,583
ARRA - Title I	-	-	4,473	4,473
Special education - preschool	27,610	27,610	-	(27,610)
Title VI-B flow through	441,230	441,230	404,064	(37,166)
ARRA - Title VI-B flow through	7,000	7,000	35,331	28,331
Title XI - Indian education	14,340	14,340	15,115	775
Vocational education	26,000	26,000	27,016	1,016
Title II - Eisenhower	66,500	66,500	43,672	(22,828)
Drug free	-	-	4,991	4,991
Air force - ROTC	60,000	60,000	59,378	(622)
ARRA - State fiscal stabilization	548,960	548,960	378,533	(170,427)
Other	-	-	3,080	3,080
<b>Total revenue from the federal government</b>	<b>1,444,430</b>	<b>1,444,430</b>	<b>1,298,026</b>	<b>(146,404)</b>
<b>Total intergovernmental</b>	<b>12,391,670</b>	<b>12,391,670</b>	<b>11,705,189</b>	<b>(686,481)</b>
<b>Total School Operating Fund</b>	<b>\$ 12,467,670</b>	<b>\$ 12,467,670</b>	<b>\$ 11,927,110</b>	<b>\$ (540,560)</b>



**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
Year Ended June 30, 2012**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 150	\$ 150	\$ 138	\$ (12)
Charges for service	481,000	481,000	481,310	310
Miscellaneous	20,000	20,000	23,818	3,818
<b>Total revenue from local sources</b>	<b>501,150</b>	<b>501,150</b>	<b>505,266</b>	<b>4,116</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	18,000	18,000	19,316	1,316
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	474,000	474,000	488,902	14,902
<b>Total intergovernmental</b>	<b>492,000</b>	<b>492,000</b>	<b>508,218</b>	<b>16,218</b>
<b>Total School Cafeteria Fund</b>	<b>\$ 993,150</b>	<b>\$ 993,150</b>	<b>\$ 1,013,484</b>	<b>\$ 20,334</b>
<b>Grand Total Revenues - Component Unit - School Board</b>	<b>\$ 13,460,820</b>	<b>\$ 13,460,820</b>	<b>\$ 12,940,594</b>	<b>\$ (520,226)</b>

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 104,820	\$ 110,728	\$ 110,728	\$ -
General and financial administration:				
County administrator	545,940	545,940	464,095	(81,845)
Legal services	84,500	84,500	66,074	(18,426)
Independent auditor	43,000	62,364	62,364	-
Commissioner of the revenue	228,100	228,100	228,065	(35)
Assessor	4,190	8,605	8,605	-
Treasurer	226,940	232,604	232,604	-
<b>Total general and financial</b>	<b>1,132,670</b>	<b>1,162,113</b>	<b>1,061,807</b>	<b>(100,306)</b>
Board of elections:				
Electoral board and officials	42,620	63,454	67,108	3,654
Registrar	110,140	110,140	106,487	(3,653)
<b>Total board of elections</b>	<b>152,760</b>	<b>173,594</b>	<b>173,595</b>	<b>1</b>
<b>Total general government administration</b>	<b>1,390,250</b>	<b>1,446,435</b>	<b>1,346,130</b>	<b>(100,305)</b>
Judicial administration:				
Courts:				
Circuit court	24,890	37,217	31,791	(5,426)
General district court	11,270	11,270	9,290	(1,980)
Special magistrates	720	720	-	(720)
Juvenile and domestic relations court	26,330	26,354	26,354	-
Clerk of the circuit court	225,410	229,346	229,346	-
Department of court services	55,330	56,068	56,068	-
<b>Total courts</b>	<b>343,950</b>	<b>360,975</b>	<b>352,849</b>	<b>(8,126)</b>
Commonwealth attorney	204,040	204,040	203,679	(361)
<b>Total judicial administration</b>	<b>547,990</b>	<b>565,015</b>	<b>556,528</b>	<b>(8,487)</b>
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,605,830	1,696,473	1,677,323	(19,150)
Emergency 911 system	329,190	329,190	324,128	(5,062)
Other law enforcement and traffic control	850	850	802	(48)
<b>Total law enforcement and traffic control</b>	<b>1,935,870</b>	<b>2,026,513</b>	<b>2,002,253</b>	<b>(24,260)</b>

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 399,320	\$ 399,320	\$ 390,562	\$ (8,758)
Ambulance and rescue squads	152,950	154,484	142,029	(12,455)
Forest fire extinction	9,000	9,000	8,993	(7)
<b>Total fire and rescue services</b>	<b>561,270</b>	<b>562,804</b>	<b>541,584</b>	<b>(21,220)</b>
Correction and detention:				
Regional security center	981,920	991,598	991,598	-
Juvenile detention homes	104,000	104,000	38,402	(65,598)
Juvenile and district court services unit	11,150	11,150	10,033	(1,117)
<b>Total correction and detection</b>	<b>1,097,070</b>	<b>1,106,748</b>	<b>1,040,033</b>	<b>(66,715)</b>
Inspections:				
Building inspections	240,470	225,470	136,225	(89,245)
Fire marshall	2,000	2,000	811	(1,189)
<b>Total inspections</b>	<b>242,470</b>	<b>227,470</b>	<b>137,036</b>	<b>(90,434)</b>
Other protection:				
Animal control	118,890	135,629	135,629	-
Regional animal shelter	214,720	248,782	248,782	-
Medical examiner	200	200	60	(140)
Emergency services coordinator	82,810	82,810	66,082	(16,728)
<b>Total other protection</b>	<b>416,620</b>	<b>467,421</b>	<b>450,553</b>	<b>(16,868)</b>
<b>Total public safety</b>	<b>4,253,300</b>	<b>4,390,956</b>	<b>4,171,459</b>	<b>(219,497)</b>
Public works:				
Sanitation and waste removal:				
Central garage utility system	214,370	214,370	129,902	(84,468)
Refuse collection	488,310	488,310	488,298	(12)
Refuse disposal	394,210	394,210	304,080	(90,130)
Litter control	21,190	21,190	21,116	(74)
<b>Total sanitation and waste removal</b>	<b>1,118,080</b>	<b>1,118,080</b>	<b>943,396</b>	<b>(174,684)</b>
Maintenance of general buildings and grounds	543,490	588,620	573,620	(15,000)
<b>Total public works</b>	<b>1,661,570</b>	<b>1,706,700</b>	<b>1,517,016</b>	<b>(189,684)</b>

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Health and social services:				
Health:				
Local health department and other health	\$ 331,480	\$ 161,698	\$ 155,496	\$ (6,202)
<b>Total health</b>	<b>331,480</b>	<b>161,698</b>	<b>155,496</b>	<b>(6,202)</b>
Mental health and mental retardation:				
Community Services Board	48,860	48,860	48,860	-
Welfare:				
Public assistance and welfare administration	1,133,870	1,140,581	1,140,581	-
Comprehensive services	602,700	602,770	363,983	(238,787)
<b>Total welfare</b>	<b>1,736,570</b>	<b>1,743,351</b>	<b>1,504,564</b>	<b>(238,787)</b>
<b>Total health and welfare</b>	<b>2,116,910</b>	<b>1,953,909</b>	<b>1,708,920</b>	<b>(244,989)</b>
Education:				
Contributions to community colleges	6,660	6,660	6,660	-
Contribution to component unit - School Board	11,033,420	11,033,420	11,053,956	20,536
Reimbursement from component unit for debt service	-	-	(2,494,437)	(2,494,437)
Return of funds from component unit	-	-	(709,242)	(709,242)
<b>Total education</b>	<b>11,040,080</b>	<b>11,040,080</b>	<b>7,856,937</b>	<b>(3,183,143)</b>
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	262,690	286,652	286,651	(1)
Recreation programs and events	91,870	112,844	112,844	-
Museums and spring fest celebration	10,000	10,000	10,000	-
<b>Total parks and recreation</b>	<b>364,560</b>	<b>409,496</b>	<b>409,495</b>	<b>(1)</b>
Cultural:				
Regional library	400,000	400,000	400,000	-
<b>Total parks, recreation and cultural</b>	<b>764,560</b>	<b>809,496</b>	<b>809,495</b>	<b>(1)</b>
Community development:				
Planning and community development:				
Planning	377,240	367,471	286,808	(80,663)
MP regional airport	30,000	30,000	30,000	-
Redevelopment and housing	6,070	6,070	6,070	-
Board of zoning appeals	8,650	8,650	7,216	(1,434)
Mt. Olive improvement project	1,600	22,988	22,988	-
Economic development	42,250	42,250	31,250	(11,000)
<b>Total planning and community development</b>	<b>465,810</b>	<b>477,429</b>	<b>384,332</b>	<b>(93,097)</b>
Environmental management:				
Soil and water conservation district	11,030	11,030	11,030	-
Cooperative extension program:				
VPI extension program	34,990	34,990	24,988	(10,002)
<b>Total community development</b>	<b>511,830</b>	<b>523,449</b>	<b>420,350</b>	<b>(103,099)</b>

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Debt service:				
Principal - County	\$ 399,240	\$ 399,240	\$ 324,743	\$ (74,497)
Principal - School Board	-	-	1,601,680	1,601,680
Interest and fiscal charges - County	446,770	446,770	188,731	(258,039)
Interest and fiscal charges - School Board	-	-	892,757	892,757
<b>Total debt service</b>	846,010	846,010	3,007,911	2,161,901
<b>Total General Fund</b>	\$ 23,132,500	\$ 23,282,050	\$ 21,394,746	\$ (1,887,304)
General Capital Projects Fund:				
Capital projects	\$ -	\$ -	\$ 1,131	\$ 1,131
Interest and fiscal charges	-	-	78,381	78,381
<b>Total General Capital Projects Fund</b>	\$ -	\$ -	\$ 79,512	\$ 78,381
<b>Grand Total Expenditures - Primary Government</b>	\$ 23,132,500	\$ 23,282,050	\$ 21,474,258	\$ (1,808,923)
Component Units:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 15,618,620	\$ 15,618,620	\$ 15,182,615	\$ (436,005)
Administration, attendance and health	1,289,400	1,289,400	1,249,072	(40,328)
Pupil transportation services	1,492,110	1,492,110	1,481,197	(10,913)
Operation and maintenance services	1,881,370	1,881,370	1,820,277	(61,093)
School food service costs	13,100	13,100	6,602	(6,498)
Technology	732,270	732,270	743,914	11,644
Reimbursement to primary government for debt service	2,494,440	2,494,440	2,494,437	(3)
<b>Total School Operating Fund</b>	23,521,310	23,521,310	22,978,114	(543,196)
School Cafeteria Fund:				
Education:				
School food services	993,150	993,150	1,007,764	14,614
<b>Total School Cafeteria Fund</b>	993,150	993,150	1,007,764	14,614
<b>Total Expenditures - Component Unit - School Board</b>	\$ 24,514,460	\$ 24,514,460	\$ 23,985,878	\$ (528,582)

## **STATISTICAL SECTION**

## COUNTY OF KING WILLIAM, VIRGINIA

### STATISTICAL SECTION TABLE OF CONTENTS

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

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

COUNTY OF KING WILLIAM, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Governmental activities:										
Invested in capital assets, net of related debt	\$ (6,579,178)	\$ (662,613)	\$ 930,177	\$ (659,035)	\$ 68,259	\$ 265,030	\$ (312,223)	\$ (513,010)	\$ 1,669,963	\$ 1,461,113
Reserved for permanent fund	10,724,898	1,921,039	-	43,036	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	64,245	62,572
Unrestricted	1,852,331	882,101	254,796	(783,037)	(869,156)	594,739	2,373,837	3,806,931	3,502,991	5,016,956
<b>Total governmental activities net assets</b>	<b>\$ 5,998,051</b>	<b>\$ 2,140,527</b>	<b>\$ 1,184,973</b>	<b>\$ (1,399,036)</b>	<b>\$ (800,897)</b>	<b>\$ 859,769</b>	<b>\$ 2,061,614</b>	<b>\$ 3,293,921</b>	<b>\$ 5,237,199</b>	<b>\$ 6,540,641</b>



COUNTY OF KING WILLIAM, VIRGINIA

Table 2

CHANGES IN NET ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government administration	\$ 1,134,154	\$ 1,266,888	\$ 1,271,109	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984	\$ 1,577,182	\$ 1,764,919	\$ 1,379,801	\$ 1,390,914
Judicial administration	347,522	360,726	597,394	546,844	703,379	709,576	723,263	704,861	719,715	731,145
Public safety	2,648,174	3,068,285	3,371,458	3,876,633	2,902,265	3,607,687	4,049,433	3,861,928	4,206,900	4,069,441
Public works	1,089,605	1,257,118	1,291,848	1,365,801	1,634,409	1,663,886	1,702,038	1,546,058	1,693,960	1,636,299
Health and welfare	1,208,630	1,302,442	1,520,575	1,633,408	1,647,634	1,756,619	1,950,087	2,001,233	1,837,002	1,726,465
Education	5,840,723	8,592,689	6,480,149	8,735,293	7,914,185	7,904,725	8,541,759	8,109,049	8,679,113	9,555,915
Parks, recreation and cultural	577,685	630,563	675,125	768,139	795,222	808,883	856,020	805,377	836,773	852,555
Community development	521,455	475,418	509,256	588,039	632,854	628,507	602,788	728,707	537,673	415,658
Interest	588,299	1,625,043	1,565,132	1,650,115	1,683,999	1,726,966	1,470,892	1,505,477	1,031,300	1,024,553
<b>Total governmental activities</b>	<b>13,956,247</b>	<b>18,579,172</b>	<b>17,282,046</b>	<b>20,583,514</b>	<b>19,501,459</b>	<b>20,460,833</b>	<b>21,473,462</b>	<b>21,027,609</b>	<b>20,922,237</b>	<b>21,402,945</b>
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	4,071	550	908	-	-	-	-	-	-	19,500
Judicial administration	88,888	92,464	110,884	76,748	70,068	89,529	94,142	90,863	15,765	16,767
Public safety	92,809	6,998	163,256	149,436	141,582	155,621	129,696	94,812	394,742	389,101
Public works	47,124	215,880	135,539	144,706	242,938	283,945	118,984	130,839	168,958	161,269
Parks, recreation and cultural	58,705	60,308	65,390	63,657	62,935	90,002	103,290	86,706	131,642	119,114
Community development	122,973	114,453	326,978	280,923	366,445	429,266	193,292	174,608	177,126	150,911
Operating grants and contributions:										
General government administration	187,380	231,496	196,230	212,953	228,053	258,221	250,522	229,637	190,203	203,673
Judicial administration	279,020	223,772	303,716	395,244	373,098	357,510	387,240	341,892	372,117	363,618
Public safety	899,663	766,975	788,198	843,276	855,926	883,349	1,007,777	835,995	784,085	801,490
Public works	5,634	5,697	5,545	8,325	6,886	8,390	8,169	6,629	7,644	6,473
Health and welfare	824,542	839,269	1,061,677	1,068,504	1,068,868	1,133,758	1,301,243	1,386,233	1,321,454	1,119,045
Parks, recreation and cultural	-	5,698	-	-	5,000	5,639	5,000	5,319	5,000	9,550
Community development	74,133	40,786	8,000	-	-	-	-	-	49,205	-
Capital grants and contributions:										
Public safety	-	105,548	-	-	-	-	-	25,550	-	-
Education	838,769	126,292	125,456	126,002	171,793	128,496	130,926	-	-	-
Community development	-	121,237	251,377	383,705	497,796	120,173	24,779	212,500	-	-
<b>Total governmental activities revenues</b>	<b>3,523,711</b>	<b>2,957,423</b>	<b>3,543,154</b>	<b>3,753,479</b>	<b>4,091,388</b>	<b>3,943,899</b>	<b>3,755,060</b>	<b>3,621,583</b>	<b>3,617,941</b>	<b>3,360,511</b>
<b>Total primary government net expense</b>	<b>(10,432,536)</b>	<b>(15,621,749)</b>	<b>(13,738,892)</b>	<b>(16,830,035)</b>	<b>(15,410,071)</b>	<b>(16,516,934)</b>	<b>(17,718,402)</b>	<b>(17,406,026)</b>	<b>(17,304,296)</b>	<b>(18,042,434)</b>

General revenues and other changes in net assets:

Governmental activities:

General property taxes	8,649,191	9,236,755	10,121,543	11,133,059	12,411,669	14,880,517	15,855,934	15,559,634	15,744,965	15,464,547
Grants and contributions not restricted to specific programs	1,162,588	1,192,490	1,184,450	1,323,143	1,331,018	1,323,126	1,242,316	1,262,902	1,598,315	1,567,627
Local sales and use	-	-	-	-	-	-	-	-	722,243	747,327
Consumer utility	367,865	353,768	367,020	392,552	316,991	226,398	216,877	224,395	226,901	227,669
Business licenses	217,014	236,897	243,080	343,348	307,841	353,398	376,767	278,531	299,881	275,242
Motor vehicle license taxes	249,281	254,397	264,436	274,860	268,331	283,490	290,584	299,404	357,659	370,133
Emergency telephone tax	177,369	173,796	171,262	191,211	94,613	-	-	-	-	-
Taxes on recordation and wills	-	-	-	-	-	-	-	156,970	138,994	151,615
Communication sales tax	-	-	-	-	-	388,000	373,713	375,273	-	-
Other local taxes	156,253	179,069	327,245	399,023	614,552	370,588	332,040	389,986	278,516	313,264
Revenues from use of money and property	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982	67,703	89,375
Miscellaneous	2,246	18,133	13,273	83,195	391,817	21,058	114,945	14,256	21,906	139,077
<b>Total general revenues</b>	<b>11,290,681</b>	<b>11,764,225</b>	<b>12,783,338</b>	<b>14,246,027</b>	<b>16,008,211</b>	<b>18,177,600</b>	<b>18,920,247</b>	<b>18,638,333</b>	<b>19,457,083</b>	<b>19,345,876</b>
<b>Change in net assets</b>	<b>\$ 858,145</b>	<b>\$ (3,857,524)</b>	<b>\$ (955,554)</b>	<b>\$ (2,584,008)</b>	<b>\$ 598,140</b>	<b>\$ 1,660,666</b>	<b>\$ 1,201,845</b>	<b>\$ 1,232,307</b>	<b>\$ 2,152,787</b>	<b>\$ 1,303,442</b>

COUNTY OF KING WILLIAM, VIRGINIA

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved:										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,423	\$ 448,725	\$ 448,725	\$ -	\$ -
Unreserved, designated	-	755,670	-	43,036	-	-	-	-	-	-
Unreserved, undesignated	2,487,016	677,017	102,245	(1,410,084)	(1,573,398)	(878,836)	725,041	1,761,923	-	-
Nonspendable	-	-	-	-	-	-	-	-	31,352	7,943
Restricted	-	-	-	-	-	-	-	-	63,728	62,054
Committed	-	-	-	-	-	-	-	-	2,633,223	2,448,301
Unassigned	-	-	-	-	-	-	-	-	1,542,611	3,169,372
<b>Total General Fund</b>	<b>2,487,016</b>	<b>1,432,687</b>	<b>102,245</b>	<b>(1,367,048)</b>	<b>(1,573,398)</b>	<b>(614,413)</b>	<b>1,173,766</b>	<b>2,210,648</b>	<b>4,270,914</b>	<b>5,687,670</b>
All Other Governmental Funds:										
Reserved:										
General capital projects	5,440,537	1,874,124	1,128,317	1,793,405	1,484,039	1,239,343	1,033,113	1,109,887	-	-
School capital projects	4,532,599	46,915	314,144	195,912	363,158	762,739	21,470	516	-	-
Restricted	-	-	-	-	-	-	-	-	517	518
Unassigned	-	-	-	-	-	-	-	-	(115,199)	(114,072)
<b>Total all other governmental funds</b>	<b>9,973,136</b>	<b>1,921,039</b>	<b>1,442,461</b>	<b>1,989,317</b>	<b>1,847,197</b>	<b>2,002,082</b>	<b>1,054,583</b>	<b>1,110,403</b>	<b>(114,682)</b>	<b>(113,554)</b>
<b>Total fund balances</b>	<b>\$ 12,460,152</b>	<b>\$ 3,353,726</b>	<b>\$ 1,544,706</b>	<b>\$ 622,269</b>	<b>\$ 273,799</b>	<b>\$ 1,387,669</b>	<b>\$ 2,228,349</b>	<b>\$ 3,321,051</b>	<b>\$ 4,156,232</b>	<b>\$ 5,574,116</b>

Note:

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

COUNTY OF KING WILLIAM, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property taxes	\$ 8,770,382	\$ 9,215,984	\$ 10,080,458	\$ 11,046,031	\$ 12,335,200	\$ 14,645,208	\$ 15,598,733	\$ 15,393,779	\$ 15,750,252	\$ 15,481,278
Other local taxes	1,167,782	1,197,927	1,373,043	1,600,994	1,602,328	1,621,874	1,589,981	1,724,559	2,024,194	2,085,250
Permits, privilege fees, proffers and regulatory licenses	227,223	273,876	493,216	429,832	507,487	582,677	322,076	261,567	186,198	160,620
Fines and forfeitures	82,355	66,670	105,668	68,228	61,357	80,343	82,334	79,556	79,454	66,657
Revenue from use of money and property	308,874	118,920	91,029	105,636	271,379	331,025	117,071	76,982	67,703	89,375
Charges for services	104,992	150,106	204,071	217,410	315,124	385,344	234,994	236,705	455,554	421,357
Miscellaneous	2,247	18,133	13,271	83,197	391,816	21,057	114,945	14,256	21,906	139,077
Recovered costs	260,187	11,951	69,702	391,314	399,878	178,107	241,834	152,078	167,027	208,028
Intergovernmental:										
Commonwealth	3,679,339	2,849,923	3,012,019	3,351,886	3,420,574	3,556,576	3,719,698	3,532,727	3,637,470	3,421,903
Federal	592,390	809,337	912,630	1,009,266	1,117,864	662,086	638,274	773,930	690,553	649,573
<b>Total revenues</b>	<b>15,195,771</b>	<b>14,712,827</b>	<b>16,355,107</b>	<b>18,303,794</b>	<b>20,423,007</b>	<b>22,064,297</b>	<b>22,659,940</b>	<b>22,246,139</b>	<b>23,080,311</b>	<b>22,723,118</b>
Expenditures:										
General government administration	1,074,787	1,213,050	1,213,608	1,355,995	1,481,314	1,606,483	1,547,498	1,732,673	1,372,400	1,346,130
Judicial administration	345,525	357,920	379,921	483,269	545,276	548,832	595,412	538,227	570,469	556,528
Public safety	2,534,857	2,861,292	3,499,385	4,077,047	3,288,323	3,702,708	4,194,591	4,026,891	4,100,800	4,171,459
Public works	1,308,179	1,152,167	1,218,343	1,258,884	1,519,831	1,796,594	1,530,499	1,564,364	1,574,143	1,517,016
Health and welfare	1,201,238	1,303,245	1,518,078	1,632,905	1,641,189	1,754,245	1,933,241	2,005,090	1,915,180	1,708,920
Education	5,007,907	5,820,776	5,013,809	5,748,257	5,830,758	5,924,555	6,181,401	6,198,939	6,897,886	7,856,937
Parks, recreation and cultural	569,447	625,579	666,640	755,898	783,565	806,175	858,490	748,180	801,103	809,495
Community development	517,106	480,815	509,256	584,745	1,051,637	625,676	606,026	729,608	545,236	420,350
Capital outlays	11,957,118	6,890,404	983,746	574,226	2,273,439	2,275,620	1,060,899	43,034	288,710	1,131
Debt service:										
Principal	8,403,762	1,526,077	2,050,590	2,103,893	2,107,408	2,145,961	2,073,919	2,052,456	2,088,978	1,926,423
Interest and fiscal charges	1,012,106	1,594,867	1,761,426	1,701,112	1,772,121	1,818,578	1,637,624	1,513,975	1,139,851	1,159,869
<b>Total expenditures</b>	<b>33,932,032</b>	<b>23,826,192</b>	<b>18,814,802</b>	<b>20,276,231</b>	<b>22,294,861</b>	<b>23,005,427</b>	<b>22,219,600</b>	<b>21,153,437</b>	<b>21,294,756</b>	<b>21,474,258</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(18,736,261)</b>	<b>(9,113,365)</b>	<b>(2,459,695)</b>	<b>(1,972,437)</b>	<b>(1,871,854)</b>	<b>(941,130)</b>	<b>440,340</b>	<b>1,092,702</b>	<b>1,785,555</b>	<b>1,248,860</b>
Other financing sources (uses):										
Operating transfers in	26,268	200,000	163,832	375,001	-	-	-	-	-	-
Operating transfers out	(26,268)	(200,000)	(163,832)	(375,001)	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(7,517,961)	-	-	(1,511,962)	-	-	-	-	(5,141,719)
Long-term debt issued	25,258,732	7,055,000	605,000	1,050,000	2,950,000	2,055,000	-	-	270,000	5,310,743
Premium on debt issued	525,107	469,900	45,675	-	85,346	-	-	-	-	-
<b>Total other financing sources, net</b>	<b>25,783,839</b>	<b>6,939</b>	<b>650,675</b>	<b>1,050,000</b>	<b>1,523,384</b>	<b>2,055,000</b>	<b>-</b>	<b>-</b>	<b>270,000</b>	<b>169,024</b>
<b>Net change in fund balance</b>	<b>\$ 7,047,578</b>	<b>\$ (9,106,426)</b>	<b>\$ (1,809,020)</b>	<b>\$ (922,437)</b>	<b>\$ (348,470)</b>	<b>\$ 1,113,870</b>	<b>\$ 440,340</b>	<b>\$ 1,092,702</b>	<b>\$ 2,055,555</b>	<b>\$ 1,417,884</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>42.85%</b>	<b>18.43%</b>	<b>21.38%</b>	<b>19.31%</b>	<b>19.38%</b>	<b>19.12%</b>	<b>17.54%</b>	<b>16.89%</b>	<b>15.50%</b>	<b>14.53%</b>

COUNTY OF KING WILLIAM, VIRGINIA

Table 5

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property	Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes	Taxes on Recordation and Wills	Emergency Telephone	Communications (2)	Other Local	Total
2003	\$ 8,770,382	\$ -	\$ 367,865	\$ 217,014	\$ 249,281	\$ 105,570	\$ 177,369	\$ -	\$ 50,683	\$ 9,938,164
2004	9,215,984	-	353,768	236,897	254,397	122,868	173,796	-	56,201	10,413,911
2005	10,080,458	-	367,020	243,080	264,436	268,045	171,262	-	59,200	11,453,501
2006	11,046,031	-	392,552	343,348	274,860	333,505	191,211	-	65,518	12,647,025
2007	12,335,200	-	316,991	307,841	268,331	368,069	94,613	176,376	70,107	13,937,528
2008	14,645,208	-	226,398	353,398	283,490	297,711	-	388,000	72,877	16,267,082
2009	15,598,733	-	216,877	376,767	290,584	202,938	-	373,713	129,102	17,188,714
2010	15,393,779	-	224,395	278,531	299,404	156,970	-	375,273	389,986	17,118,338
2011	15,750,252	722,243	226,901	299,881	357,659	138,994	-	-	278,516	17,774,446
2012	15,481,278	747,327	227,669	275,242	370,133	151,615	-	-	313,264	17,566,528

Notes:

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

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Table 6**

**ASSESSED AND ESTIMATED VALUE OF PROPERTY**

**Last Ten Calendar Years**

*(Unaudited)*

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service (2)	Total Direct Tax	Total
2002	\$ 742,579,474	\$ 0.94	\$ 84,222,914	\$ 3.55	\$ 153,862,093	\$ 2.30	\$ 34,503,520	\$ 1.38	\$ 1,015,168,001
2003	765,744,726	1.08	83,436,554	3.55	148,076,370	2.30	33,431,805	1.47	1,030,689,455
2004	909,258,951	0.87	84,621,184	3.65	148,254,803	2.30	30,502,008	1.26	1,172,636,946
2005	1,066,913,767	0.92	95,011,903	3.65	135,948,296	2.30	39,061,299	1.26	1,336,935,265
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787	2.30	30,792,861	1.27	1,395,622,550
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977	2.50	32,529,671	1.32	1,684,519,040
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279	2.45	44,709,244	1.12	1,948,080,592
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870	2.45	40,248,359	1.10	1,951,759,141
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904	2.45	42,974,549	1.10	1,959,156,921
2011	1,678,028,967	0.81	114,936,284	3.65	109,455,936	2.45	44,005,450	1.10	1,946,426,637

Notes:

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

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Table 7**

**PROPERTY TAX RATES (1)**

**Last Ten Fiscal Years**

*(Unaudited)*

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital	Public Service		Total Direct Tax Rate
					Real Estate	Personal Property	
2002-03	\$ 0.94/0.23	\$ 3.55/0.34	\$ 2.30/0.80	\$ 3.90/1.10	\$ 0.94/0.23	\$ 3.55/0.34	\$ 1.38
2003-04	1.08/0.23	3.55/0.34	2.30/0.80	-	1.08/0.23	3.30/0.34	1.47
2004-05	0.87/0.23	3.65/0.34	2.30/0.80	-	0.87/0.23	3.65/0.34	1.26
2005-06	0.92/0.23	3.65/0.34	2.30/0.80	-	0.87/0.23	3.65/0.34	1.26
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	-	0.92/0.25	3.65/0.34	1.27
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	-	0.99/0.29	3.65/0.50	1.32
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.12
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.10
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.10
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	-	0.81/0.27	3.65/0.50	1.10

Notes:

(1) Per \$100 of assessed value

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

COUNTY OF KING WILLIAM, VIRGINIA

Table 8

**PRINCIPAL TAXPAYERS**  
**Current Year and Nine Years Ago**  
*(Unaudited)*

Taxpayer	Type of Business	Fiscal Year June 30,					
		2012			2003		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation*	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation*
Smurfit Stone Container Corporation	Paper Mill	\$ 39,901,700	1	2.10%	\$ 40,425,200	1	3.98%
Nestle Purina Pet Care	Cat Litter	9,652,700	2	0.51%	6,636,200	2	0.65%
West Point Square LLC	Developer	4,663,942	3	0.25%	3,730,500	3	0.37%
Central Garage II LLC	Developer	4,404,309	4	0.23%	2,376,900	4	0.23%
Old Town LLC	Developer	2,575,700	5	0.14%	1,456,000	8	0.14%
Widespread Properties LLC	Developer	2,351,170	6	0.12%	-	-	-
Siegel Family LP	Land-Owner	2,153,000	7	0.11%	-	-	-
Central Garage LLC	Developer	2,148,060	8	0.11%	-	-	-
Woodland Investment	Land-Owner	1,969,700	9	0.10%	-	-	-
John Gwathmey	Developer	1,878,300	10	0.10%	-	-	-
John N. Mills, et al		-		-	2,141,500	5	0.21%
Charles S. Hunter III		-		-	1,975,000	6	0.19%
The Lafferty Foundation		-		-	1,731,500	7	0.17%
Bailey and Bailey, Inc.		-		-	1,380,600	9	0.14%
J. Harvey Martin		-		-	1,198,000	10	0.12%
<b>Total</b>		<b>\$ 71,698,581</b>		<b>3.77%</b>	<b>\$ 63,051,400</b>		<b>6.20%</b>

\*Excludes Land Use Values



COUNTY OF KING WILLIAM, VIRGINIA

Table 9

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent Tax (1)(2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2002-03	\$ 9,639,712	\$ 9,371,946	97.22%	\$ 258,054	\$ 9,630,000	99.90%	\$ 714,184	7.41%
2003-04	10,103,620	9,932,651	98.31%	259,241	10,191,892	100.87%	701,441	6.94%
2004-05	11,102,130	10,736,144	96.70%	316,868	11,053,012	99.56%	779,445	7.02%
2005-06	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%	847,685	6.97%
2006-07	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%	970,125	7.22%
2007-08	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%	1,169,629	7.36%
2008-09	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%	1,429,258	8.36%
2009-10	17,712,478	16,089,974	90.84%	549,087	16,639,061	93.94%	1,661,636	9.38%
2010-11	16,992,846	14,898,722	87.68%	515,696	15,414,418	90.71%	1,578,428	9.29%
2011-12	16,840,093	14,316,101	85.01%	498,263	14,814,364	87.97%	1,062,593	6.31%

Notes:

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

COUNTY OF KING WILLIAM, VIRGINIA

Table 10

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Capital Leases	Revenue Bonds			
2003	\$ 14,678,732	\$ 7,472,468	\$ 8,667,961	\$ 8,603,756	\$ 39,422,917	9.73%	\$ 2,557
2004	20,914,869	6,895,253	1,095,000	8,528,757	37,433,879	8.44%	2,496
2005	20,316,893	6,329,688	1,040,000	8,301,711	35,988,292	7.57%	2,499
2006	19,077,720	5,764,123	980,000	9,112,556	34,934,399	7.67%	2,371
2007	17,852,301	5,198,558	920,000	10,381,132	34,351,991	6.89%	2,233
2008	16,635,583	4,633,069	855,000	12,137,378	34,261,030	6.87%	2,227
2009	15,507,512	4,073,432	785,000	11,821,167	32,187,111	6.05%	2,007
2010	14,438,031	3,539,232	790,736	11,442,351	30,210,350	5.44%	1,859
2011	13,622,081	3,105,032	668,380	11,110,879	28,506,372	5.14%	1,754
2012	12,534,601	2,670,832	638,643	11,181,616	27,025,692	4.64%	1,696

Note:

(1) See demographic statistics on Table 13.

COUNTY OF KING WILLIAM, VIRGINIA

Table 11

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO  
ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Debt Payable From Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2002-03	13,900	\$ 1,015,168,001	\$ 30,754,956	\$ 8,603,756	\$ 22,151,200	\$ 2.18%	\$ 1,594
2003-04	14,334	1,030,689,455	36,338,879	8,528,757	27,810,122	2.70%	1,940
2004-05	14,515	1,172,636,946	34,948,292	8,301,711	26,646,581	2.27%	1,836
2005-06	14,732	1,336,935,265	33,954,339	9,112,556	24,841,783	1.86%	1,686
2006-07	15,381	1,395,622,550	33,431,991	10,381,132	23,050,859	1.65%	1,499
2007-08	15,381	1,684,519,040	33,406,030	12,137,378	21,268,652	1.26%	1,383
2008-09	16,040	1,948,080,592	31,402,111	11,821,167	19,580,944	1.01%	1,221
2009-10	16,255	1,951,759,141	29,419,614	11,442,351	17,977,263	0.92%	1,106
2010-11	15,935	1,959,156,921	27,837,992	11,110,879	16,727,113	0.85%	1,050
2011-12	15,981	1,946,426,637	26,387,049	11,181,616	15,205,433	0.78%	951

Notes:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm)

(2) Amounts taken from Table 6.

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Table 12**

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**

**At June 30, 2012**

*(Unaudited)*

		Debt Outstanding
County of King William	100%	\$ 26,387,049

The County of King William has no overlapping debt.

**COUNTY OF KING WILLIAM, VIRGINIA****Table 13****DEMOGRAPHIC AND ECONOMIC STATISTICS****Last Ten Fiscal Years***(Unaudited)*

Fiscal Year	(1) Population	(1) Per Capita Income	Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2002-03	13,900	\$ 29,147	\$ 405,143,300	1,870	3.80%
2003-04	14,334	30,926	443,299,000	1,859	4.20%
2004-05	14,515	32,771	475,672,000	1,909	3.50%
2005-06	14,732	30,916	455,454,512	2,021	2.60%
2006-07	15,381	32,417	498,605,877	2,055	2.80%
2007-08	15,381	32,417	498,605,877	2,120	3.70%
2008-09	16,040	33,186	532,303,440	2,139	7.40%
2009-10	16,255	34,138	554,913,190	2,144	7.00%
2010-11	15,935	36,532	582,137,420	2,252	6.60%
2011-12	15,981	38,882	621,373,242	2,252	6.10%

Sources:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm)

(2) Virginia Department of Education

(3) Virginia Employment Commission

**PRINCIPAL EMPLOYERS****Current Year and Nine Years Ago***(Unaudited)*

Employer	Fiscal Year June 30,				
	2012			2003	
	Employees	Rank	% of Total Employment	Employees	Rank
RockTenn Container Corporation	250 to 499	1	5.72%	-	-
King William County Schools	250 to 499	2	2.86%	250 to 499	2
Nestle Purina Petcare Company	100 to 249	3	1.14%	-	-
Town of West Point School Board	100 to 249	4	1.14%	100 to 249	4
County of King William	100 to 249	5	1.14%	50 to 99	6
Food Lion	50 to 99	6	1.14%	-	-
Virginia Log Company	50 to 99	7	-	-	-
Riverside Regional Medical Center	50 to 99	8	0.57%	50 to 99	8
Parent Child Corporation	50 to 99	9	0.57%	50 to 99	10
Augusta Lumber Company	20 to 49	10	0.57%	-	-
J. Sanders Construction Company	-	-	0.57%	50 to 99	7
St. Laurent	-	-	-	500 to 999	1
On Site Resource	-	-	-	100 to 249	3
Environmental Elements	-	-	-	50 to 99	5
Citizen's & Farmers Bank	-	-	-	50 to 99	9

Source: Virginia Employment Commission.

COUNTY OF KING WILLIAM, VIRGINIA

Table 15

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government administration	15.2	15.2	17.3	18.9	17.5	18.5	17.5	17.5	17.1	12.0
Judicial administration	3.0	3.0	3.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
Public safety:										
Sheriff's department	28.0	29.0	30.4	30.3	31.0	32.0	32.0	32.0	32.0	29.0
Emergency Services	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community connection program	2.0	2.0	2.0	2.6	2.5	2.5	3.0	3.0	3.0	3.0
Building inspections	4.0	5.0	5.0	6.0	5.0	5.0	4.0	4.0	4.0	2.0
Animal control	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works:										
General maintenance	5.0	5.0	7.0	6.5	7.0	7.5	8.5	8.5	8.5	4.0
Litter control	0.4	0.4	0.2	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Health and welfare:										
Department of social services	11.5	11.5	12.0	12.0	12.0	11.0	13.3	13.3	13.3	13.7
Culture and recreation:										
Parks and recreation	2.0	2.0	2.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0
Community development:										
Planning	5.0	5.0	5.0	5.0	4.0	4.0	5.0	5.0	5.0	4.0
<b>Totals</b>	<b>78.1</b>	<b>80.1</b>	<b>85.9</b>	<b>94.0</b>	<b>91.6</b>	<b>93.1</b>	<b>93.9</b>	<b>93.9</b>	<b>93.5</b>	<b>78.3</b>

Source: Payroll records

COUNTY OF KING WILLIAM, VIRGINIA

Table 16

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Last Ten Fiscal Years

(Unaudited)

Function/Activity		Fiscal Year June 30,									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sheriff	Physical arrests	383	511	701	809	744	688	779	855	873	825
	Traffic violations	794	844	998	750	683	1,050	884	715	618	539
Fire Protection	Number of stations	4	4	4	3	3	3	3	3	3	3
	Number of calls answered	235	235	235	235	496	210	1,863	1,819	2,359	1,575
	Number of inspections conducted	25	25	25	25	25	25	31	31	31	31
Community Development	Residential building permits	1,134	1,441	1,943	1,734	1,713	1,316	808	546	507	492
Parks and Recreation	Program participants	4,203	4,397	8,562	8,287	9,460	13,637	14,377	8,938	10,256	5,807
Water/Sewer	Service connections	25	25	87	124	157	291	312	328	340	413
	Average daily consumption in gallons	14,500	23,622	46,300	66,518	96,712	87,100	96,712	82,419	103,948	56,744



COUNTY OF KING WILLIAM, VIRGINIA

Table 17

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
General government administration:										
Administration buildings	1	1	1	1	1	1	1	1	2	2
Public safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	23	25	25	27	26	26	26	29	29
Building inspections:										
Vehicles	4	5	4	4	4	4	4	4	2	2
Animal control:										
Vehicles	1	1	2	2	2	2	2	2	2	3
Emergency services:										
Vehicles	-	-	-	-	3	3	3	2	2	2
Public works:										
General maintenance:										
Trucks/vehicles	6	6	7	8	8	8	8	10	6	10
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	-
Sites (Including transfer sites)	4	4	4	4	4	4	4	4	4	4
Health and welfare:										
Department of Social Services:										
Vehicles	-	1	2	2	3	3	3	3	3	3
Culture and recreation:										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	1	1	1	1	1	1
Park Acreage	51	51	51	51	51	51	51	51	51	51
Baseball/Softball Fields	4	4	4	4	4	4	3	3	3	3
T-Ball Fields	2	3	3	3	3	3	3	3	3	3
Soccer Fields	2	2	2	2	2	2	1	1	1	1
Basketball Courts	2	2	2	2	2	2	2	2	2	2

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

Source: Finance Department

## **COMPLIANCE SECTION**

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ 131,049
<u>Virginia Department of Agriculture and Consumer Services:</u>			
Child Nutrition Cluster:			
Commodity Distributions	40623	10.555	47,004
<u>Virginia Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	40591	10.553	120,166
National School Lunch Program	40623	10.555	321,732
			441,898
<b>Total Department of Agriculture</b>			619,951
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Motor Vehicles:</u>			
State and Community Highway Safety	Not Provided	20.600	1,601
Alcohol Impaired Driving Countermeasures Incentive Grants	51281	20.601	1,598
<b>Total Department of Transportation</b>			3,199

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	\$ 13,770
Temporary Assistance to Needy Families	Not Provided	93.558	90,123
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	181
Low-Income Home Energy Assistance	Not Provided	93.568	7,629
CCDF Cluster:			
Child Care and Development Block Grant	Not Provided	93.575	99,800
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	39,910
Child Welfare Services - State Grants	Not Provided	93.645	243
Foster Care - Title IV-E	Not Provided	93.658	42,055
Adoption Assistance	Not Provided	93.659	55,688
Social Services Block Grant	Not Provided	93.667	56,008
Chafee Foster Care Independent Living	Not Provided	93.674	1,035
State Children's Insurance Program	Not Provided	93.767	3,309
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	79,352
			<u>489,103</u>
<u>State Board of Elections:</u>			
Voting Access for Individuals with Disabilities- Grants to State	Not Provided	93.617	<u>2,307</u>
<b>Total Department of Health and Human Services</b>			<u>491,410</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Pass-through payments:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	08DJBX0056	16.738	<u>1,433</u>
<b>Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance</b>			<u>1,433</u>
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	<u>59,378</u>
<b>Total Department of Defense</b>			<u>59,378</u>

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:			
<u>Direct payments:</u>			
<u>Department of Education:</u>			
Title VII - Indian Education		84.060	\$ 15,115
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	42901	84.010	322,373
ARRA - Title I Grants to Local Educational Agencies	42913	84.389	4,473
Special Education Cluster:			
Special Education - Grants to States	43071/61110	84.027	404,064
Safe and Drug Free Schools and Communities State Grants	60511	84.186	4,991
Vocational Education - Basic Grants to States	61095	84.048	27,016
ARRA - State Fiscal Stabilization Fund - Education State Grants	62532	84.394	53,740
ARRA - Education Jobs Fund	Not Provided	84.410	324,793
Title III English Language Acquisition State Grants	Not Provided	84.365	1,080
Investing in Innovation Fund (i3)	Not Provided	84.411	2,000
Improving Teacher Quality State Grants	61480	84.367	43,672
			1,188,202
<u>Office of Special Education and Rehabilitative Services:</u>			
Special Education Cluster:			
ARRA - Special Education - Grants to States	61245	84.391	18,723
ARRA - Special Education - Preschool Grants	Not Provided	84.392	16,608
			35,331
<b>Total Department of Education</b>			1,238,648
DEPARTMENT OF HOMELAND SECURITY:			
<u>Pass-through payments:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	Not Provided	97.042	5,000
Homeland Security Grant Program	Not Provided	97.067	3,750
State Homeland Security Program	Not Provided	97.073	16,040
<b>Total Department of Homeland Security</b>			24,790
<b>Total Federal Awards Expended</b>			\$ 2,438,809

See Notes to Expenditures of Federal Awards.

## COUNTY OF KING WILLIAM, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### Note 1. Significant Accounting Policies

##### Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on an accrual basis of accounting consistent with the basis of accounting used by the County. The schedule includes all known federal funds expended by the County for the year ended June 30, 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

## **COUNTY OF KING WILLIAM, VIRGINIA**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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#### **Note 2. Non-Cash Assistance**

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$47,004 at the time received were consumed during the year ended June 30, 2012. These commodities were included in the determination of federal awards expended during the year ended June 30, 2012.



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the County of King William, Virginia, (County) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Items 12-01 and 12-02, to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 12-03.

We noted certain matters that we reported to management of the County in a separate letter dated December 11, 2012.

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

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

PBGH, LLP

Harrisonburg, Virginia  
December 11, 2012

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

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

Compliance

We have audited the compliance of the County of King William, Virginia (County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

PBGH, LLP

Harrisonburg, Virginia  
December 11, 2012

**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal awards

Internal control over major programs:

Material weaknesses identified?	<u>      </u>	Yes	<u>  √  </u>	No
Significant deficiencies identified?	<u>      </u>	Yes	<u>  √  </u>	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>      </u>	Yes	<u>  √  </u>	No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
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84.410	ARRA – Education Jobs Fund
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**Special Education Cluster:**

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

**Title I, Part A Cluster:**

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 2**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS (Continued)**

Identification of major programs: (Continued)

CFDA Number	Name of Federal Program or Cluster
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**Child Nutrition Cluster:**

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes √ No

**II. FINANCIAL STATEMENT FINDINGS**

**A. Significant Deficiencies in Internal Control**

**12-01: Significant Deficiency in Lacking Documented Internal Control Policies and Procedures**

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

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

**Effect:** As a result of not having documented internal control policies and procedures, and assessing the associated risks of the control environment, we think the County and School Board could have eliminated some of the audit adjustments identified during the fiscal year 2012 audit. By defining the controls that are currently in place, the County and School Board will have a clearer picture of areas for improvement, and identify areas for additions or amendment to existing controls.

**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 3**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**II. FINANCIAL STATEMENT FINDINGS (Continued)**

**A. Significant Deficiencies in Internal Control (Continued)**

**12-01: Significant Deficiency in Lacking Documented Internal Control Policies and Procedures  
(Continued)**

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

**12-02: Significant Deficiency in Lacking Anti-Fraud Programs**

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

Condition: The County does not currently have in place formalized anti-fraud programs, such as those noted above.

Effect: The potential effect of not having these policies and procedures in place, includes risks of the County being subjected to loss of funds, misappropriation, or other abuse. Each of these could lead to significant losses to the County, as well as undesired public attention. Furthermore, incorporation of anti-fraud policies and programs sets a “tone at the top,” which would resonate throughout the County and could lead to strengthened controls elsewhere, indicating that fraud or other abuse will not be tolerated.

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 4**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Finding

12-03: Lack of Documented Approval of Exonerated Property Taxes

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require exoneration forms for property taxes be properly approved. During the audit for fiscal year 2012, we noted that no documentation of approval was maintained for the sample of exonerations tested. We also observed that outside of the individual processing the exoneration, there is no secondary approval.

We recommend that the County implement a policy with procedures to be in compliance with the Specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to prevent possible errors or fraud related to the exoneration of property taxes.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 1**

**CORRECTIVE ACTION PLAN  
Year Ended June 30, 2012**

Identifying Number: 12-01

Finding:

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

Corrective Action Taken or Planned:

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

The School Board's accounting manuals and internal control documentation are in process and are expected to be completed by the end of fiscal year 2012-2013.

Identifying Number: 12-02

Finding:

There is a lack of anti-fraud programs at the County.

Corrective Action Taken or Planned:

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

**COUNTY OF KING WILLIAM, VIRGINIA**

**Page 2**

**CORRECTIVE ACTION PLAN**

**Year Ended June 30, 2012**

Identifying Number: 12-03

Finding:

The *Code of Virginia* requires that exoneration forms for property taxes be approved. During the audit for fiscal year 2012, we noted that no documentation of approval was maintained for the sample of exonerations tested. It was also noted during our testing that, outside of the individual performing the exoneration, there is no secondary approval.

Corrective Action Taken or Planned:

The County will consult with the County Attorney and Commissioner of the Revenue to establish clear procedures for staff internal to the Commissioner's office to use for all future tax exonerations. Such procedures will clearly outline required secondary reviews and approvals with such reviews and approvals meeting, at a minimum, requirements of the *Code of Virginia* and also meeting typical recommendations for internal control when approval by an outside entity such as the Board of Supervisors or County Administrator is not required.

**COUNTY OF KING WILLIAM, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2012**

The prior year single audit disclosed no Circular A-133 findings in the Schedule of Findings and Questioned Costs.