

# COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013

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## COUNTY OF KING & QUEEN, VIRGINIA

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### BOARD OF SUPERVISORS

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Sherrin C. Alsop	Doris H. Morris, Chairman	James M. Milby, Jr.
R. F. Bailey, Jr., Vice Chairman		J. Lawrence Simpkins

### COUNTY SCHOOL BOARD

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Brenda Lee	Stephanie H. Sears, Chairperson	Larry Horsley, Jr.
Cora L. Armstrong		Joseph Williams

### SOCIAL SERVICES BOARD

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

### OTHER OFFICIALS

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

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COUNTY OF KING & QUEEN, VIRGINIA

FINANCIAL REPORT  
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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of King and Queen, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of King and Queen, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of the County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of King and Queen, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia  
January 17, 2014

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

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

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013. Please read it in conjunction with the County's basic financial statements, which follow this section.

### **Financial Highlights**

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

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$23,353,536 (net position).

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$565,708 (Exhibit 5) after making contributions totaling \$4,082,600 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$19,451,983, an increase of \$565,708 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,696,363, or 82% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$412,375 during the current fiscal year.

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

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

### **Overview of the Financial Statements (Continued)**

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

Proprietary funds – Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Wireless Service Authority Fund provides a centralized source for wireless services to County residents.

**Fiduciary funds** - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$23,353,536 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of King and Queen, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 20,633,152	\$ 19,617,838	\$ 13,909	\$ -	\$ 20,647,061	\$ 19,617,838
Capital assets	6,835,317	6,911,714	286,119	-	7,121,436	6,911,714
Total assets	\$ 27,468,469	\$ 26,529,552	\$ 300,028	\$ -	\$ 27,768,497	\$ 26,529,552
Current liabilities	\$ 764,308	\$ 413,379	\$ 14,500	\$ -	\$ 778,808	\$ 413,379
Long-term liabilities outstanding	3,605,641	4,018,016	-	-	3,605,641	4,018,016
Total liabilities	\$ 4,369,949	\$ 4,431,395	\$ 14,500	\$ -	\$ 4,384,449	\$ 4,431,395
Deferred inflows of resources	\$ 30,512	\$ -	\$ -	\$ -	\$ 30,512	\$ -
Net position:						
Net investment in capital assets	\$ 5,540,317	\$ 5,177,352	\$ 286,119	\$ -	\$ 5,826,436	\$ 5,177,352
Restricted	481,282	482,383	-	-	481,282	482,383
Unrestricted	17,046,409	16,438,422	(591)	-	17,045,818	16,438,422
Total net position	\$ 23,068,008	\$ 22,098,157	\$ 285,528	\$ -	\$ 23,353,536	\$ 22,098,157

### **Government-wide Financial Analysis (Continued)**

The County's net position decreased \$1,255,379 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of King and Queen, Virginia's Changes in Net Assets						
	Governmental	Activities	Business-type	Activities	Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,882,358	\$ 3,216,698	\$ 13,909	\$ -	\$ 2,896,267	\$ 3,216,698
Operating grants and contributions	2,719,685	2,539,732	-	-	2,719,685	2,539,732
General revenues:						
General property taxes	6,376,738	5,671,926	-	-	6,376,738	5,671,926
Other local taxes	656,466	620,996	-	-	656,466	620,996
Grants and other contributions not restricted	1,038,100	1,049,684	-	-	1,038,100	1,049,684
Other general revenues	203,016	192,442	-	-	203,016	192,442
Transfers	(366,237)	-	366,237	-	-	-
Total revenues	\$ 13,510,126	\$ 13,291,478	\$ 380,146	\$ -	\$ 13,890,272	\$ 13,291,478
Expenses:						
General government administration	\$ 1,203,043	\$ 1,226,149	\$ -	\$ -	\$ 1,203,043	\$ 1,226,149
Judicial administration	616,327	613,685	-	-	616,327	613,685
Public safety	2,919,101	2,751,138	-	-	2,919,101	2,751,138
Public works	626,842	554,107	-	-	626,842	554,107
Health and welfare	1,935,820	2,078,523	-	-	1,935,820	2,078,523
Education	4,439,670	4,156,243	-	-	4,439,670	4,156,243
Parks, recreation, and cultural	181,060	248,605	-	-	181,060	248,605
Community development	537,440	485,371	-	-	537,440	485,371
Interest and other fiscal charges	80,972	106,139	-	-	80,972	106,139
Wireless service authority	-	-	94,618	-	94,618	-
Total expenses	\$ 12,540,275	\$ 12,219,960	\$ 94,618	\$ -	\$ 12,634,893	\$ 12,219,960
Change in net assets	\$ 969,851	\$ 1,071,518	\$ 285,528	\$ -	\$ 1,255,379	\$ 1,071,518
Beginning of year	22,098,157	21,026,639	-	-	22,098,157	21,026,639
End of year	\$ 23,068,008	\$ 22,098,157	\$ 285,528	\$ -	\$ 23,353,536	\$ 22,098,157



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

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$19,451,983, an increase of \$565,708 in comparison with the prior year. Approximately 55% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

**Proprietary Funds** - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$285,528. The total increase in net position was \$285,528. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## **General Fund Budgetary Highlights**

During the year, revenues and other sources exceeded budgetary estimates by \$341,311. Expenditures and other uses were less than budgetary estimates by \$844,952, resulting in a positive variance of \$1,186,263.

## **Capital Asset and Debt Administration**

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2013 amounts to \$6,835,317 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

**Long-term debt** - At the end of the current fiscal year, the County had total debt outstanding of \$1,295,000. Of this amount, \$240,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's total debt outstanding decreased by \$439,362 during the current fiscal year.

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

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

- < The unemployment rate for the County of King and Queen was 6.6 percent at June 30, 2013. The Commonwealth of Virginia's unemployment rate was 5.7 percent as of the same date.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

The fiscal year 2014 budget decreased approximately 7%. The real estate tax rate increased from \$0.52 per \$100 of assessed value to \$0.54. All other rates remained unchanged.

### **Requests for Information**

This financial report is designed to provide a general overview of the County of King and Queen, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, Allen's Circle and Courthouse Landing Road, King and Queen Courthouse, Virginia 23085.

## *BASIC FINANCIAL STATEMENTS*

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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Statement of Net Position  
June 30, 2013

	Primary Government			Component Units	
	Governmental	Business-type		School	Industrial
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Board</u>	<u>Development Authority</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 253,112	\$ 9,376	\$ 262,488	\$ 44,340	\$ 77,199
Investments	18,986,336	-	18,986,336	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	508,967	-	508,967	-	-
Accounts receivable	33,256	4,533	37,789	88,102	-
Due from other governmental units	600,440	-	600,440	1,107,708	-
Inventories	-	-	-	16,604	-
Prepaid items	-	-	-	11,078	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	251,041	-	251,041	-	-
Capital assets (net of accumulated depreciation):					
Land	151,653	-	151,653	39,639	126,706
Buildings and improvements	3,480,402	-	3,480,402	-	-
Machinery and equipment	2,977,843	68,587	3,046,430	330,125	-
Infrastructure	225,419	217,532	442,951	3,545,200	-
Construction in progress	-	-	-	-	10,376
Total assets	\$ 27,468,469	\$ 300,028	\$ 27,768,497	\$ 5,182,796	\$ 214,281
<b>LIABILITIES</b>					
Accounts payable	\$ 317,117	\$ 14,500	\$ 331,617	\$ 129,679	\$ -
Accrued liabilities	16,172	-	16,172	1,097,023	-
Accrued interest payable	34,215	-	34,215	-	-
Due to other governmental units	396,804	-	396,804	-	-
Long-term liabilities:					
Due within one year	371,386	-	371,386	7,539	-
Due in more than one year	3,234,255	-	3,234,255	176,166	-
Total liabilities	\$ 4,369,949	\$ 14,500	\$ 4,384,449	\$ 1,410,407	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 30,512	\$ -	\$ 30,512	\$ -	\$ -
Total deferred inflows of resources	\$ 30,512	\$ -	\$ 30,512	\$ -	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 5,540,317	\$ 286,119	\$ 5,826,436	\$ 3,914,964	\$ 137,082
Restricted for:					
Debt service reserve	251,041	-	251,041	-	-
Asset forfeiture	12,047	-	12,047	-	-
Court security	152,769	-	152,769	-	-
CDBG	65,425	-	65,425	-	-
Unrestricted (deficit)	17,046,409	(591)	17,045,818	(142,575)	77,199
Total net position	\$ 23,068,008	\$ 285,528	\$ 23,353,536	\$ 3,772,389	\$ 214,281

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

County of King and Queen, Virginia  
Statement of Activities  
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,203,043	\$ -	\$ 157,363	\$ -
Judicial administration	616,327	139,807	287,287	-
Public safety	2,919,101	96,560	862,186	-
Public works	626,842	-	-	-
Health and welfare	1,935,820	-	1,305,633	-
Education	4,439,670	-	-	-
Parks, recreation, and cultural	181,060	-	-	-
Community development	537,440	2,645,991	107,216	-
Interest on long-term debt	80,972	-	-	-
Total governmental activities	\$ 12,540,275	\$ 2,882,358	\$ 2,719,685	\$ -
Business-type activities:				
Wireless Service Authority	\$ 94,618	\$ 13,909	\$ -	\$ -
Total business-type activities	94,618	13,909	-	-
Total primary government	\$ 12,634,893	\$ 2,896,267	\$ 2,719,685	\$ -
<b>COMPONENT UNITS:</b>				
School Board	\$ 11,829,557	\$ 118,423	\$ 7,323,371	\$ -
Industrial Development Authority	192,046	2,844	-	-
Total component units	\$ 12,021,603	\$ 121,267	\$ 7,323,371	\$ -
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Payments from King and Queen County				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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



Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (1,045,680)	\$ -	\$ (1,045,680)	\$ -	\$ -	
(189,233)	-	(189,233)	-	-	
(1,960,355)	-	(1,960,355)	-	-	
(626,842)	-	(626,842)	-	-	
(630,187)	-	(630,187)	-	-	
(4,439,670)	-	(4,439,670)	-	-	
(181,060)	-	(181,060)	-	-	
2,215,767	-	2,215,767	-	-	
(80,972)	-	(80,972)	-	-	
\$ (6,938,232)	\$ -	\$ (6,938,232)	\$ -	\$ -	
\$ -	\$ (80,709)	\$ (80,709)	\$ -	\$ -	
-	(80,709)	(80,709)	-	-	
\$ (6,938,232)	\$ (80,709)	\$ (7,018,941)	\$ -	\$ -	
			\$ (4,387,763)	\$ -	
			-	(189,202)	
			\$ (4,387,763)	\$ (189,202)	
\$ 6,376,738	\$ -	\$ 6,376,738	\$ -	\$ -	
198,823	-	198,823	-	-	
192,554	-	192,554	-	-	
207,571	-	207,571	-	-	
57,518	-	57,518	-	-	
77,878	-	77,878	-	303	
125,138	-	125,138	139,725	-	
-	-	-	4,320,112	150,000	
1,038,100	-	1,038,100	-	-	
(366,237)	366,237	-	-	-	
\$ 7,908,083	\$ 366,237	\$ 8,274,320	\$ 4,459,837	\$ 150,303	
969,851	285,528	1,255,379	72,074	(38,899)	
22,098,157	-	22,098,157	3,700,315	253,180	
\$ 23,068,008	\$ 285,528	\$ 23,353,536	\$ 3,772,389	\$ 214,281	

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## *FUND FINANCIAL STATEMENTS*

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County of King and Queen, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,657	\$ 20,559	\$ 170,896	\$ 253,112
Investments	17,288,816	548,204	1,149,316	18,986,336
Receivables (net of allowance for uncollectibles):				
Taxes receivable	508,967	-	-	508,967
Accounts receivable	33,179	-	77	33,256
Due from other funds	4,514	-	-	4,514
Due from other governmental units	535,634	-	64,806	600,440
Restricted assets:				
Temporarily restricted:				
Investments	251,041	-	-	251,041
Total assets	<u>\$ 18,683,808</u>	<u>\$ 568,763</u>	<u>\$ 1,385,095</u>	<u>\$ 20,637,666</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 255,318	\$ 76	\$ 61,723	\$ 317,117
Accrued liabilities	13,277	-	2,895	16,172
Due to other funds	-	-	4,514	4,514
Due to other governmental units	396,804	-	-	396,804
Total liabilities	<u>\$ 665,399</u>	<u>\$ 76</u>	<u>\$ 69,132</u>	<u>\$ 734,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 451,076	\$ -	\$ -	\$ 451,076
Total deferred inflows of resources	<u>\$ 451,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,076</u>
<b>Fund balances:</b>				
Restricted	\$ 316,466	\$ -	\$ 164,816	\$ 481,282
Committed	4,302,894	568,687	1,000,000	5,871,581
Assigned	2,251,610	-	151,147	2,402,757
Unassigned	10,696,363	-	-	10,696,363
Total fund balances	<u>\$ 17,567,333</u>	<u>\$ 568,687</u>	<u>\$ 1,315,963</u>	<u>\$ 19,451,983</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,683,808</u>	<u>\$ 568,763</u>	<u>\$ 1,385,095</u>	<u>\$ 20,637,666</u>

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

County of King and Queen, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 19,451,983
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,835,317
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	420,564
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:	
Lease revenue bond	\$ (1,055,000)
General obligation bonds	(240,000)
Accrued interest payable	(34,215)
Net OPEB obligation	(75,947)
Landfill postclosure liability	(2,020,838)
Compensated absences	(213,856)
	<u>(3,639,856)</u>
Net Position of governmental activities	<u><u>\$ 23,068,008</u></u>

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

County of King and Queen, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 6,320,017	\$ -	\$ -	\$ 6,320,017
Other local taxes	656,466	-	-	656,466
Permits, privilege fees, and regulatory licenses	67,785	-	-	67,785
Fines and forfeitures	128,578	-	-	128,578
Revenue from the use of money and property	70,970	1,248	5,660	77,878
Charges for services	2,657,786	-	28,209	2,685,995
Miscellaneous	114,768	-	10,370	125,138
Recovered costs	11,082	-	-	11,082
Intergovernmental revenues:				
Commonwealth	2,700,031	-	313,863	3,013,894
Federal	689,473	-	54,418	743,891
Total revenues	<u>\$ 13,416,956</u>	<u>\$ 1,248</u>	<u>\$ 412,520</u>	<u>\$ 13,830,724</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,167,386	\$ -	\$ -	\$ 1,167,386
Judicial administration	503,509	-	-	503,509
Public safety	2,718,294	-	40,612	2,758,906
Public works	602,076	-	-	602,076
Health and welfare	1,345,842	-	577,880	1,923,722
Education	4,087,017	-	-	4,087,017
Parks, recreation, and cultural	181,060	-	-	181,060
Community development	770,018	-	-	770,018
Nondepartmental	25,770	-	2,603	28,373
Capital projects	314,174	30,760	-	344,934
Debt service:				
Principal retirement	439,362	-	-	439,362
Interest and other fiscal charges	92,416	-	-	92,416
Total expenditures	<u>\$ 12,246,924</u>	<u>\$ 30,760</u>	<u>\$ 621,095</u>	<u>\$ 12,898,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,170,032</u>	<u>\$ (29,512)</u>	<u>\$ (208,575)</u>	<u>\$ 931,945</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 167,508	\$ 307,886	\$ 475,394
Transfers out	(841,631)	-	-	(841,631)
Total other financing sources (uses)	<u>\$ (841,631)</u>	<u>\$ 167,508</u>	<u>\$ 307,886</u>	<u>\$ (366,237)</u>
Net change in fund balances	\$ 328,401	\$ 137,996	\$ 99,311	\$ 565,708
Fund balances - beginning	17,238,932	430,691	1,216,652	18,886,275
Fund balances - ending	<u>\$ 17,567,333</u>	<u>\$ 568,687</u>	<u>\$ 1,315,963</u>	<u>\$ 19,451,983</u>

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

County of King and Queen, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	565,708
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	599,818	
Depreciation expense		(438,703)	
Transfer of joint tenancy assets to Component Unit from Primary Government		(237,512)	(76,397)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		56,721
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on county lease revenue bond	\$	180,000	
Decrease in landfill postclosure liability		43,214	
Principal retired on school general obligation bonds		259,362	482,576

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in accrued interest payable	\$	11,444	
Decrease (increase) in net OPEB obligation		(26,320)	
Decrease (increase) in compensated absences		(43,881)	(58,757)

Change in net position of governmental activities	\$	969,851
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The notes to the financial statements are an integral part of this statement.



County of King and Queen, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

	Enterprise Fund Wireless Service Authority
<b>ASSETS</b>	
Current assets:	
Cash in custody of others	\$ 9,376
Accounts receivable (net of allowance for uncollectibles)	4,533
Total current assets	<u>\$ 13,909</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 227,321
Machinery and equipment	70,481
Accumulated depreciation	(11,683)
Total net capital assets	<u>\$ 286,119</u>
Total noncurrent assets	<u>\$ 286,119</u>
Total assets	<u><u>\$ 300,028</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 14,500
Total current liabilities	<u>\$ 14,500</u>
Total liabilities	<u>\$ 14,500</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 286,119
Unrestricted	(591)
Total net position	<u><u>\$ 285,528</u></u>

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

County of King and Queen, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2013

	Enterprise Fund Wireless Service Authority
<b>OPERATING REVENUES</b>	
Charges for services:	
Internet subscriber revenues	\$ 13,909
Total operating revenues	<u>\$ 13,909</u>
<b>OPERATING EXPENSES</b>	
Management services	\$ 55,000
Advertising	730
Telecommunications	27,025
Other charges	180
Depreciation	11,683
Total operating expenses	<u>\$ 94,618</u>
Operating income (loss)	<u>\$ (80,709)</u>
Transfers in	\$ 366,237
Change in net position	<u>\$ 285,528</u>
Total net position - beginning	-
Total net position - ending	<u><u>\$ 285,528</u></u>

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

County of King and Queen, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2013

	Enterprise Fund Wireless Service Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 9,376
Payments to suppliers	(67,525)
Payments for operating activities	(910)
Net cash provided by (used for) operating activities	\$ (59,059)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 366,237
Net cash provided by (used for) noncapital financing activities	\$ 366,237
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	\$ (297,802)
Net cash provided by (used for) capital and related financing activities	\$ (297,802)
Net increase (decrease) in cash and cash equivalents	\$ 9,376
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	\$ 9,376
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (80,709)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 11,683
(Increase) decrease in accounts receivable	(4,533)
Increase (decrease) in accounts payable	14,500
Total adjustments	\$ 21,650
Net cash provided by (used for) operating activities	\$ (59,059)

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

County of King and Queen, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,781
	<u><u>21,781</u></u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 3,676
Amounts held for others	18,105
Total liabilities	<u><u>\$ 21,781</u></u>

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

## *NOTES TO THE FINANCIAL STATEMENTS*

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## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2013

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#### *Note 1—Summary of Significant Accounting Policies:*

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

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

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

#### Government-wide and Fund Financial Statements

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

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

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

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

#### A. Financial Reporting Entity

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



## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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##### B. Individual Component Unit Disclosures

*Blended Component Unit.* The County has no blended component units at June 30, 2013.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2013.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry, developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2013. The Authority does not issue a separate financial report.

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

None

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

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

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

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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

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

##### Governmental Funds

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

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

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

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

Additionally, the County also reports the following fund types:

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which include special welfare and soil and erosion deposit escrow funds.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

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

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's Enterprise Fund consists of the Wireless Service Authority Fund which provides wireless internet service to citizens for a fee.

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$11,308 at June 30, 2013 and is comprised solely of property taxes.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

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G. Receivables and payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2013.

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

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I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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##### N. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

The County Board of Supervisors adopted a minimum required unassigned fund balance of \$3,000,000 on June 10 2013.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

N. Fund Equity (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted:				
Debt service reserve	\$ 251,041	\$ -	\$ -	\$ 251,041
Asset forfeiture	-	-	12,047	12,047
Court security	-	-	152,769	152,769
CDBG	65,425	-	-	65,425
Total Restricted Fund Balance	\$ 316,466	\$ -	\$ 164,816	\$ 481,282
Committed:				
Capital projects	\$ -	\$ 568,687	\$ -	\$ 568,687
Landfill contingency	1,000,000	-	1,000,000	2,000,000
FY13 Budgeted use of fund balance	601,531	-	-	601,531
Rescue squads	175,680	-	-	175,680
Fire departments	175,683	-	-	175,683
EDA projects:				
Airport district	200,000	-	-	200,000
Farmer's market	150,000	-	-	150,000
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	250,000	-	-	250,000
Broadband	500,000	-	-	500,000
Rescue services	400,000	-	-	400,000
County capital projects	500,000	-	-	500,000
School construction projects	100,000	-	-	100,000
Total Committed Fund Balance	\$ 4,302,894	\$ 568,687	\$ 1,000,000	\$ 5,871,581
Assigned:				
Future expenditures	\$ 2,251,610	\$ -	\$ 151,147	\$ 2,402,757
Total Assigned Fund Balance	\$ 2,251,610	\$ -	\$ 151,147	\$ 2,402,757
Unassigned	\$ 10,696,363	\$ -	\$ -	\$ 10,696,363
Total Fund Balances	\$ 17,567,333	\$ 568,687	\$ 1,315,963	\$ 19,451,983



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

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**O. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board**

The County has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances was required.

**P. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reported a deferred inflows of resources for property taxes unavailable at June 30, 2013. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the government funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on are reported as deferred inflows of resources.

**Q. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board**

The County early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement 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.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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##### **R. Net Position Flow Assumption**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

#### *Note 2—Stewardship, Compliance, and Accounting:*

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

1. On or before March 30<sup>th</sup>, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

#### *Note 3—Deposits and Investments:*

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##### **Deposits**

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

# COUNTY OF KING & QUEEN, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

### *Note 3—Deposits and Investments: (Continued)*

#### Investments

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

#### Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 18,986,335	\$ -
U.S. Treasury Money Market Fund	45	-
U.S. Treasury Bill	-	250,997
Total	\$ 18,986,380	\$ 250,997

#### Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
U.S. Treasury Money Market Fund	\$ 45	\$ 45
U.S. Treasury Bill	250,997	250,997
Total	\$ 251,042	\$ 251,042

# COUNTY OF KING & QUEEN, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

### *Note 3—Deposits and Investments: (Continued)*

#### External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

### *Note 4—Due to/from Other Governments:*

At June 30, 2013, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King & Queen	\$ -	\$ 396,804
Commonwealth of Virginia:		
Local sales tax	35,552	-
Welfare	28,164	-
Communications tax	28,412	-
State Sales Tax	-	161,606
Constitutional officer reimbursements	114,587	-
Equipment grant	136,645	-
Recordation tax	3,999	-
Mobile home titling tax	1,405	-
Forestry payment	63,075	-
Wireless grant	3,399	-
State technology reimbursement	-	33,228
Comprehensive Services Act	64,806	-
Fire program funds	3,099	-
Personal Property Tax Relief Act reimbursement	63,627	-
Federal Government:		
School fund grants		516,070
Emergency management planning grant	11,368	-
Welfare	42,302	-
Total due from other governments	<u>\$ 600,440</u>	<u>\$ 1,107,708</u>

At June 30, 2013, amounts due to other local governments are as follows:

Other Local Governments:		
County of King and Queen School Board	\$ <u>396,804</u>	\$ <u>-</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 151,653	\$ -	\$ -	\$ 151,653
Construction in progress	4,500	-	4,500	-
Total capital assets not subject to depreciation	<u>\$ 156,153</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 151,653</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,299,424	\$ -	\$ -	\$ 5,299,424
Machinery and equipment	4,245,571	362,535	-	4,608,106
Infrastructure	-	237,283	-	237,283
Jointly owned assets	1,105,327	-	549,784	555,543
Total capital assets subject to depreciation	<u>\$ 10,650,322</u>	<u>\$ 599,818</u>	<u>\$ 549,784</u>	<u>\$ 10,700,356</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,921,874	\$ 137,148	\$ -	\$ 2,059,022
Machinery and equipment	1,366,922	263,341	-	1,630,263
Infrastructure	-	11,864	-	11,864
Jointly owned assets	605,965	21,850	312,272	315,543
Total accumulated depreciation	<u>\$ 3,894,761</u>	<u>\$ 434,203</u>	<u>\$ 312,272</u>	<u>\$ 4,016,692</u>
Total capital assets subject to depreciation, net	<u>\$ 6,755,561</u>	<u>\$ 165,615</u>	<u>\$ 237,512</u>	<u>\$ 6,683,664</u>
Governmental activities capital assets, net	<u>\$ 6,911,714</u>	<u>\$ 165,615</u>	<u>\$ 242,012</u>	<u>\$ 6,835,317</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Capital assets subject to depreciation:				
Machinery and equipment	\$ 1,612,132	\$ 88,292	\$ 27,299	\$ 1,673,125
Jointly owned assets	7,656,510	-	(549,784)	8,206,294
Total capital assets subject to depreciation	\$ 9,268,642	\$ 88,292	\$ (522,485)	\$ 9,879,419
Accumulated depreciation:				
Machinery and equipment	\$ 1,287,081	\$ 83,218	\$ 27,299	\$ 1,343,000
Jointly owned assets	4,197,469	151,353	(312,272)	4,661,094
Total accumulated depreciation	\$ 5,484,550	\$ 234,571	\$ (284,973)	\$ 6,004,094
Total capital assets subject to depreciation, net	\$ 3,784,092	\$ (146,279)	\$ (237,512)	\$ 3,875,325
Component unit school board capital assets, net	\$ 3,823,731	\$ (146,279)	\$ (237,512)	\$ 3,914,964

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 28,176
Judicial administration	114,997
Public safety	258,194
Public works	3,905
Health and welfare	7,082
Education	21,849
Total Governmental activities	\$ 434,203
Component Unit School Board	\$ 234,571

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 5—Capital Assets: (Continued)*

A Summary of proprietary fund property, plant and equipment at June 30, 2013 follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets subject to depreciation:				
Machinery and equipment	\$ -	\$ 70,481	\$ -	\$ 70,481
Infrastructure	-	227,321	-	227,321
Total capital assets subject to depreciation	\$ -	\$ 297,802	\$ -	\$ 297,802
Accumulated depreciation:				
Machinery and equipment	\$ -	\$ 1,894	\$ -	\$ 1,894
Infrastructure	-	9,789	-	9,789
Total accumulated depreciation	\$ -	\$ 11,683	\$ -	\$ 11,683
Total capital assets subject to depreciation, net	\$ -	\$ 286,119	\$ -	\$ 286,119
Business-type activities capital assets, net	\$ -	\$ 286,119	\$ -	\$ 286,119

*Note 6—Interfund Transfers:*

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 841,631
Wireless Service Authority	366,237	-
Capital projects fund	167,508	-
Special Revenue Fund	307,886	-
Total Primary Government	\$ 841,631	\$ 841,631

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 7—Long-Term Obligations:*

*Primary Government:*

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Obligations:					
Incurring by County:					
Compensated absences	\$ 169,975	\$ 60,879	\$ 16,998	\$ 213,856	\$ 21,386
Net OPEB obligation	49,627	41,754	15,434	75,947	-
Lease revenue bond	1,235,000	-	180,000	1,055,000	190,000
Landfill postclosure liability	2,064,052	-	43,214	2,020,838	-
Total incurred by County	\$ 3,518,654	\$ 102,633	\$ 255,646	\$ 3,365,641	\$ 211,386
Incurring by School Board:					
General obligation bonds	\$ 499,362	\$ -	\$ 259,362	\$ 240,000	\$ 160,000
Total incurred by School Board	\$ 499,362	\$ -	\$ 259,362	\$ 240,000	\$ 160,000
Total Governmental Obligations	\$ 4,018,016	\$ 102,633	\$ 515,008	\$ 3,605,641	\$ 371,386

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

Year Ending June 30	County Obligations	
	Lease Revenue Bond	
	Principal	Interest
2014	\$ 190,000	\$ 54,000
2015	200,000	43,031
2016	210,000	31,500
2017	220,000	19,406
2018	235,000	6,609
Total	\$ 1,055,000	\$ 154,546



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2014	\$ 160,000	\$ 10,407
2015	80,000	2,640
Total	<u>\$ 240,000</u>	<u>\$ 13,047</u>

Details of long-term indebtedness are as follows:

Long-Term Obligations:

Incurred by County:

Lease Revenue Bond:

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

Total Amount
\$ 1,055,000
75,947
2,020,838
213,856
<u>\$ 3,365,641</u>

Net OPEB obligation

Landfill postclosure liability

Compensated absences (payable by General Fund)

Total incurred by County

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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*Note 7—Long-Term Obligations: (Continued)*

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Primary Government: (Continued)

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

	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$1,050,000 School Bonds, Series 1993C issued October 26, 1993, due in annual installments of varying amounts through June 15, 2014, interest payable at 4.72%	\$ 5,000
\$1,500,000 School Bonds, Series 1994A issued April 5, 1994, due in annual installments of varying amounts through July 15, 2013, interest payable at 6.17%	75,000
\$1,600,000 School Bonds, Series 1994B issued November 22, 1994, due in annual installments of \$80,000 plus interest through July 15, 2015, interest payable at 6.26%	160,000
Total General Obligation Bonds	<u>\$ 240,000</u>
Total incurred by School Board	<u>\$ 240,000</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 3,605,641</u></u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 7—Long-Term Obligations: (Continued)*

Component Unit – School Board:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 91,490	\$ -	\$ 16,097	\$ 75,393	\$ 7,539
Net OPEB obligation	85,712	35,200	12,600	108,312	-
Total Component Unit-School Board	<u>\$ 177,202</u>	<u>\$ 35,200</u>	<u>\$ 28,697</u>	<u>\$ 183,705</u>	<u>\$ 7,539</u>

*Note 8—Landfill Postclosure Costs:*

The County closed its two landfills and is liable for postclosure monitoring for a period of five years. The amount reported as landfill postclosure liability at June 30, 2013, represents the estimated liability for postclosure monitoring, of \$2,020,838 over the remaining year. The liability includes an estimate for corrective action of \$2,000,000 as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

*Note 9—Unearned and Unavailable Revenue:*

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The County reports unavailable revenue totaling \$451,076 at June 30, 2013 which is comprised of the following:

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$420,564 at June 30, 2013.

Unavailable Prepaid Property Taxes: Property taxes due subsequent to June 30, 2013, but paid in advance by the tax payers totaled \$30,512 at June 30, 2013.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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#### *Note 10—Contingent Liabilities:*

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Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

#### *Note 11—Litigation:*

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At June 30, 2013, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

#### *Note 12—Risk Management:*

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

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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#### *Note 13—Defined Benefit Pension Plan:*

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##### **A. Plan Description**

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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#### *Note 13—Defined Benefit Pension Plan: (Continued)*

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

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

##### **B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rate for the fiscal year ended 2013 were 11.86% and 7.55% of annual covered payroll, respectively.

The King and Queen County School Board professional employees current rate was 11.66%, 6.33% and 3.93% of annual covered payroll for 2013, 2012 and 2011, respectively. The contribution requirements of plan members and King and Queen County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2013, 2012, and 2011 were \$543,843, \$284,876 and \$180,463, respectively, and equal to the required contributions for each year.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

*Note 13—Defined Benefit Pension Plan: (Continued)*

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$275,443 (which does not include the employee share which was \$116,123) was equal to the County's required and actual contributions.

For the fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$38,287 (which does not include the employees share which was \$36,188) which was equal to the School Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2013	\$ 275,443	100%	\$ -
June 30, 2012	198,307	100%	-
June 30, 2011	206,196	100%	-
School Board:			
Non-Professional:			
June 30, 2013	\$ 38,287	100%	\$ -
June 30, 2012	37,477	100%	-
June 30, 2011	37,596	100%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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#### *Note 13—Defined Benefit Pension Plan: (Continued)*

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##### **D. Funded Status and Funding Progress:**

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 79.97% funded. The actuarial accrued liability for benefits was \$8,724,799, and the actuarial value of assets was \$6,977,339, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,747,466. The covered payroll (annual payroll of active employees covered by the plan) was \$2,207,336, and ratio of the UAAL to the covered payroll was 79.17%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's Non-Professional plan was 96.03% funded. The actuarial accrued liability for benefits was \$2,261,024 and the actuarial value of assets was \$2,171,219, resulting in an unfunded actuarial accrued liability (UAAL) of \$89,805. The covered payroll (annual payroll of active employees covered by the plan) was \$716,378 and ratio of the UAAL to the covered payroll was 12.54%.

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

#### *Note 14 – Surety Bonds:*

---

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Deborah F. Longest, Clerk of the Circuit Court	\$ 555,000
Irene Longest, Treasurer	300,000
Helen M. Longest, Commissioner of the Revenue	3,000
John R. Charboneau, Sheriff	30,000
Department of Risk Management-Public Official Liability:	
General Government Employees	1,000,000
Department of General Services - State Department-Surety:	
All Social Services Employees-blanket bond	100,000
VACo Insurance - Surety:	
All School Board Employees-blanket bond	1,000,000



## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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#### Note 15–Other Postemployment Benefits - Health Insurance:

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##### A. Plan Description

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

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

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

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

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

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

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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##### **B. Funding Policy**

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

##### **C. Annual OPEB Cost and Net OPEB Obligation**

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

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board.

The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 42,539	\$ 35,400
Interest on net OPEB obligation	1,241	3,000
Adjustment to annual required contribution	(2,026)	(3,200)
Annual OPEB cost (expense)	\$ 41,754	\$ 35,200
Contributions made	(15,434)	(12,600)
Increase in net OPEB obligation	26,320	22,600
Net OPEB obligation-beginning of year	49,627	85,712
Net OPEB obligation-end of year	\$ 75,947	\$ 108,312

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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

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

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013 and the two preceding years were as follows:

	Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
County :	6/30/2013	\$	41,754	36.96%	\$	75,947
	6/30/2012		42,245	0.00%		49,627
	6/30/2011		2,250	0.00%		7,202
School Board:	6/30/2013	\$	35,200	35.80%	\$	108,312
	6/30/2012		38,825	35.45%		85,712
	6/30/2011		37,362	21.89%		60,687

**D. Funded Status and Funding Progress**

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

As of January 1, 2013, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$275,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,387,937, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.12 percent.

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2013

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

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##### **E. Actuarial Methods and Assumptions**

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

As of January 1, 2013, the most recent actuarial valuation date, the projected unit credit method was used for the School Board's plan. The County has elected for its retirees to calculate information of an actuarial nature using the alternative measurement method permitted by GASB 43 for plans with fewer than 100 employees.

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

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

*Mortality*-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using Scale AA.

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

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

#### *Note 16-Other Postemployment Benefits - VRS Health Insurance Credit:*

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##### **A. Plan Description**

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2013

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*Note 16-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)*

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**A. Plan Description (Continued)**

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

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

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$51,772, \$27,003 and \$27,552, respectively and equaled the required contributions for each year.

*Note 17-Upcoming Pronouncements:*

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The GASB has issued Statement No. 60, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

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*REQUIRED SUPPLEMENTARY INFORMATION*

*NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:*

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

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County of King and Queen, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 5,451,151	\$ 5,451,151	\$ 6,320,017	\$ 868,866
Other local taxes	565,567	565,567	656,466	90,899
Permits, privilege fees, and regulatory licenses	39,600	39,600	67,785	28,185
Fines and forfeitures	148,863	148,863	128,578	(20,285)
Revenue from the use of money and property	70,902	70,902	70,970	68
Charges for services	2,834,298	2,834,298	2,657,786	(176,512)
Miscellaneous	70,000	70,000	114,768	44,768
Recovered costs	32,400	32,400	11,082	(21,318)
Intergovernmental revenues:				
Commonwealth	2,865,599	3,309,145	2,700,031	(609,114)
Federal	557,950	553,719	689,473	135,754
Total revenues	<u>\$ 12,636,330</u>	<u>\$ 13,075,645</u>	<u>\$ 13,416,956</u>	<u>\$ 341,311</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,263,966	\$ 1,278,242	\$ 1,167,386	\$ 110,856
Judicial administration	571,867	575,064	503,509	71,555
Public safety	2,566,301	3,076,891	2,718,294	358,597
Public works	653,765	661,871	602,076	59,795
Health and welfare	1,397,299	1,397,299	1,345,842	51,457
Education	4,548,605	4,263,008	4,087,017	175,991
Parks, recreation, and cultural	186,208	186,208	181,060	5,148
Community development	903,261	1,059,977	770,018	289,959
Nondepartmental	86,530	73,655	25,770	47,885
Capital projects	278,544	318,836	314,174	4,662
Debt service:				
Principal retirement	180,000	439,362	439,362	-
Interest and other fiscal charges	66,181	92,416	92,416	-
Total expenditures	<u>\$ 12,702,527</u>	<u>\$ 13,422,829</u>	<u>\$ 12,246,924</u>	<u>\$ 1,175,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (66,197)</u>	<u>\$ (347,184)</u>	<u>\$ 1,170,032</u>	<u>\$ 1,517,216</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (443,930)	\$ (510,678)	\$ (841,631)	\$ (330,953)
Total other financing sources (uses)	<u>\$ (443,930)</u>	<u>\$ (510,678)</u>	<u>\$ (841,631)</u>	<u>\$ (330,953)</u>
Net change in fund balances	\$ (510,127)	\$ (857,862)	\$ 328,401	\$ 1,186,263
Fund balances - beginning	510,127	1,258,997	17,238,932	15,979,935
Fund balances - ending	<u>\$ -</u>	<u>\$ 401,135</u>	<u>\$ 17,567,333</u>	<u>\$ 17,166,198</u>

County of King and Queen, Virginia  
Schedule of Pension Funding Progress  
For the Year Ended June 30, 2013

## Primary Government:

## County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 6,977,339	\$ 8,724,799	\$ 1,747,460	79.97%	\$ 2,207,336	79.17%
6/30/2011	6,900,177	8,357,852	1,457,675	82.56%	2,279,047	63.96%
6/30/2010	6,624,281	7,865,957	1,241,676	84.21%	2,410,879	51.50%
6/30/2009	6,503,850	7,207,048	703,198	90.24%	2,578,456	27.27%

## Discretely Presented Component Unit:

## School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 2,171,219	\$ 2,261,024	\$ 89,805	96.03%	\$ 716,378	12.54%
6/30/2011	2,119,071	2,236,566	117,495	94.75%	718,794	16.35%
6/30/2010	2,033,327	2,154,724	121,397	94.37%	861,552	14.09%
6/30/2009	1,977,441	1,985,084	7,643	99.61%	925,048	0.83%

County of King and Queen, Virginia  
Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2013

Actuarial (1)Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	(2) Annual Covered Payroll	UAAL as % of Payroll				
County										
6/30/2012	\$	\$	381,794	\$	381,794	0.00%	\$	2,279,047	16.75%	
6/30/2009		-	79,071		79,071	0.00%		2,578,456	3.07%	
School Board:										
1/1/2013	\$	-	\$	275,800	\$	275,800	0.00%	\$	5,624,900	4.90%
1/1/2011		-		299,300		299,300	0.00%		5,581,900	5.36%
1/1/2009		-		295,600		295,600	0.00%		5,270,100	5.61%

(1) Only two years valuation available for the County.

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

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND  
SCHEDULES*

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County of King and Queen, Virginia  
 Capital Projects Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,248	\$ 1,248
Total revenues	\$ -	\$ -	\$ 1,248	\$ 1,248
<b>EXPENDITURES</b>				
Capital projects	\$ 100,000	\$ 500,760	\$ 30,760	\$ 470,000
Total expenditures	\$ 100,000	\$ 500,760	\$ 30,760	\$ 470,000
Excess (deficiency) of revenues over (under) expenditures	\$ (100,000)	\$ (500,760)	\$ (29,512)	\$ 471,248
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 100,000	\$ 100,000	\$ 167,508	\$ 67,508
Total other financing sources (uses)	\$ 100,000	\$ 100,000	\$ 167,508	\$ 67,508
Net change in fund balances	\$ -	\$ (400,760)	\$ 137,996	\$ 538,756
Fund balances - beginning	-	400,760	430,691	29,931
Fund balances - ending	\$ -	\$ -	\$ 568,687	\$ 568,687

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund  
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,660	\$ 5,660
Charges for services	30,000	30,000	28,209	(1,791)
Miscellaneous	3,930	4,265	10,370	6,105
Intergovernmental revenues:				
Commonwealth	518,570	518,570	313,863	(204,707)
Federal	-	-	54,418	54,418
Total revenues	\$ 552,500	\$ 552,835	\$ 412,520	\$ (140,315)
EXPENDITURES				
Current:				
Public safety	\$ 37,295	\$ 44,179	\$ 40,612	\$ 3,567
Health and welfare	762,500	762,500	577,880	184,620
Nondepartmental	100,000	-	2,603	(2,603)
Total expenditures	\$ 899,795	\$ 806,679	\$ 621,095	\$ 185,584
Excess (deficiency) of revenues over (under) expenditures	\$ (347,295)	\$ (253,844)	\$ (208,575)	\$ 45,269
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 340,000	\$ 240,000	\$ 307,886	\$ 67,886
Total other financing sources (uses)	\$ 340,000	\$ 240,000	\$ 307,886	\$ 67,886
Net change in fund balances	\$ (7,295)	\$ (13,844)	\$ 99,311	\$ 113,155
Fund balances - beginning	7,295	13,844	1,216,652	1,202,808
Fund balances - ending	\$ -	\$ -	\$ 1,315,963	\$ 1,315,963

County of King and Queen, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

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	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Soil and Erosion Deposit Escrow</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,676	\$ 18,105	\$ 21,781
Total assets	<u>\$ 3,676</u>	<u>\$ 18,105</u>	<u>\$ 21,781</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 3,676	\$ -	\$ 3,676
Amounts held for others	-	18,105	18,105
Total liabilities	<u>\$ 3,676</u>	<u>\$ 18,105</u>	<u>\$ 21,781</u>

County of King and Queen, Virginia  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare:</b>				
Assets:				
Cash and cash equivalents	\$ 7,374	\$ 1,338	\$ 5,036	\$ 3,676
Liabilities:				
Amounts held for social services clients	\$ 7,374	\$ 1,338	\$ 5,036	\$ 3,676
<b>Soil and Erosion Deposit Escrow:</b>				
Assets:				
Cash and cash equivalents	\$ 18,105	\$ -	\$ -	\$ 18,105
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 25,479	\$ 1,338	\$ 5,036	\$ 21,781
Total assets	\$ 25,479	\$ 1,338	\$ 5,036	\$ 21,781
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Amounts held for social services clients	7,374	1,338	5,036	3,676
Total liabilities	\$ 25,479	\$ 1,338	\$ 5,036	\$ 21,781

*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of King and Queen, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2013

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 44,340	\$ 44,340
Receivables (net of allowance for uncollectibles):			
Accounts receivable	88,102	-	88,102
Due from other governmental units	1,095,003	12,705	1,107,708
Inventories	-	16,604	16,604
Prepaid items	11,078	-	11,078
Total assets	<u>\$ 1,194,183</u>	<u>\$ 73,649</u>	<u>\$ 1,267,832</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 126,827	\$ 2,852	\$ 129,679
Accrued liabilities	1,067,356	29,667	1,097,023
Total liabilities	<u>\$ 1,194,183</u>	<u>\$ 32,519</u>	<u>\$ 1,226,702</u>
Fund balances:			
Nonspendable	\$ 11,078	\$ 16,604	\$ 27,682
Restricted	-	24,526	24,526
Unassigned	(11,078)	-	(11,078)
Total fund balances	<u>\$ -</u>	<u>\$ 41,130</u>	<u>\$ 41,130</u>
Total liabilities and fund balances	<u>\$ 1,194,183</u>	<u>\$ 73,649</u>	<u>\$ 1,267,832</u>

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

Total fund balances per above	\$ 41,130
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,914,964
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(183,705)
Net position of governmental activities	<u>\$ 3,772,389</u>

County of King and Queen, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ -	\$ 118,423	\$ 118,423
Miscellaneous	139,725	-	139,725
Intergovernmental revenues:			
Local government	4,082,600	-	4,082,600
Commonwealth	4,701,557	5,523	4,707,080
Federal	2,307,872	308,419	2,616,291
Total revenues	<u>\$ 11,231,754</u>	<u>\$ 432,365</u>	<u>\$ 11,664,119</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 11,231,754	\$ 445,021	\$ 11,676,775
Total expenditures	<u>\$ 11,231,754</u>	<u>\$ 445,021</u>	<u>\$ 11,676,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (12,656)</u>	<u>\$ (12,656)</u>
Net change in fund balances	\$ -	\$ (12,656)	\$ (12,656)
Fund balances - beginning	-	53,785	53,785
Fund balances - ending	<u>\$ -</u>	<u>\$ 41,129</u>	<u>\$ 41,129</u>

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

Net change in fund balances - total governmental funds - per above	\$	(12,656)
--	----	----------

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

Capital outlay	\$ 88,292	
Depreciation expense	(234,571)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>237,512</u>	91,233

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ 16,097	
Decrease (increase) in net OPEB obligation	<u>(22,600)</u>	(6,503)

Change in net position of governmental activities	\$	<u>72,074</u>
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County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ 151,000	\$ 151,000	\$ 139,725	\$ (11,275)
Intergovernmental revenues:				
Local government	4,544,188	4,258,591	4,082,600	(175,991)
Commonwealth	4,199,178	4,823,625	4,701,557	(122,068)
Federal	2,138,024	2,873,711	2,307,872	(565,839)
Total revenues	<u>\$ 11,032,390</u>	<u>\$ 12,106,927</u>	<u>\$ 11,231,754</u>	<u>\$ (875,173)</u>
EXPENDITURES				
Current:				
Education	\$ 10,746,062	\$ 12,106,196	\$ 11,231,754	\$ 874,442
Debt service:				
Principal retirement	259,639	-	-	-
Interest and other fiscal charges	26,689	731	-	731
Total expenditures	<u>\$ 11,032,390</u>	<u>\$ 12,106,927</u>	<u>\$ 11,231,754</u>	<u>\$ 875,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2013

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 124,703	\$ 124,703	\$ 118,423	\$ (6,280)
Intergovernmental revenues:				
Commonwealth	5,595	5,595	5,523	(72)
Federal	250,000	275,435	308,419	32,984
Total revenues	<u>\$ 380,298</u>	<u>\$ 405,733</u>	<u>\$ 432,365</u>	<u>\$ 26,632</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 380,298	\$ 445,733	\$ 445,021	\$ 712
Total expenditures	<u>\$ 380,298</u>	<u>\$ 445,733</u>	<u>\$ 445,021</u>	<u>\$ 712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ (12,656)</u>	<u>\$ 27,344</u>
Net change in fund balances	\$ -	\$ (40,000)	\$ (12,656)	\$ 27,344
Fund balances - beginning	-	40,000	53,785	13,785
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,129</u>	<u>\$ 41,129</u>

## *SUPPORTING SCHEDULES*

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County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,820,845	\$ 3,820,845	\$ 4,305,830	\$ 484,985
Real and personal public service corporation taxes	119,171	119,171	142,614	23,443
Personal property taxes	1,198,965	1,198,965	1,523,906	324,941
Mobile home taxes	30,991	30,991	28,914	(2,077)
Machinery and tools taxes	166,368	166,368	179,984	13,616
Merchant's capital taxes	25,811	25,811	29,895	4,084
Penalties	54,000	54,000	72,985	18,985
Interest	35,000	35,000	35,889	889
Total general property taxes	\$ 5,451,151	\$ 5,451,151	\$ 6,320,017	\$ 868,866
Other local taxes:				
Local sales and use taxes	\$ 150,000	\$ 150,000	\$ 198,823	\$ 48,823
Consumers' utility taxes	175,000	175,000	192,554	17,554
Business license taxes	-	-	16,050	16,050
Motor vehicle licenses	186,926	186,926	207,571	20,645
Bank stock taxes	4,500	4,500	-	(4,500)
Taxes on recordation and wills	49,141	49,141	41,468	(7,673)
Total other local taxes	\$ 565,567	\$ 565,567	\$ 656,466	\$ 90,899
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 6,641	\$ 2,141
Land use application fees	4,000	4,000	14,705	10,705
Transfer fees	320	320	314	(6)
Permits and other licenses	30,780	30,780	46,125	15,345
Total permits, privilege fees, and regulatory licenses	\$ 39,600	\$ 39,600	\$ 67,785	\$ 28,185
Fines and forfeitures:				
Court fines and forfeitures	\$ 148,863	\$ 148,863	\$ 128,578	\$ (20,285)
Revenue from use of money and property:				
Revenue from use of money	\$ 32,472	\$ 32,472	\$ 30,934	\$ (1,538)
Revenue from use of property	38,430	38,430	40,036	1,606
Total revenue from use of money and property	\$ 70,902	\$ 70,902	\$ 70,970	\$ 68
Charges for services:				
Sheriff's fees	\$ 5,000	\$ 5,000	\$ 447	\$ (4,553)
Court costs	4,500	4,500	7,347	2,847
Court security fees	-	-	(2,071)	(2,071)
Courthouses maintenance fees	6,100	6,100	5,060	(1,040)
Charges for Commonwealth's Attorney	850	850	893	43
Landfill host fees	2,817,848	2,817,848	2,645,991	(171,857)
Charges for correction and detention	-	-	119	119
Total charges for services	\$ 2,834,298	\$ 2,834,298	\$ 2,657,786	\$ (176,512)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 70,000	\$ 70,000	\$ 114,768	\$ 44,768
Recovered costs:				
Advertising for delinquent taxes	\$ -	\$ -	\$ 1,732	\$ 1,732
Drug enforcement restitution	-	-	7,004	7,004
Juror fees	2,000	2,000	1,696	(304)
Airport management services	10,400	10,400	650	(9,750)
School resource officer	20,000	20,000	-	(20,000)
Total recovered costs	\$ 32,400	\$ 32,400	\$ 11,082	\$ (21,318)
Total revenue from local sources	\$ 9,212,781	\$ 9,212,781	\$ 10,027,452	\$ 814,671
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 8,000	\$ 8,000	\$ 8,165	\$ 165
Communications tax	176,074	176,074	179,705	3,631
Additional tax on deeds	10,000	10,000	10,034	34
State recordation tax	-	-	13,648	13,648
Personal property tax relief funds	840,000	840,000	870,055	30,055
Reduction in aid to local governments	(53,421)	(53,421)	(43,507)	9,914
Total noncategorical aid	\$ 980,653	\$ 980,653	\$ 1,038,100	\$ 57,447
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 137,978	\$ 137,978	\$ 138,824	\$ 846
Sheriff	434,130	434,130	449,429	15,299
Commissioner of revenue	62,193	62,193	63,923	1,730
Treasurer	55,425	60,851	64,654	3,803
Registrar/electoral board	28,000	30,274	28,786	(1,488)
Clerk of the Circuit Court	138,282	138,282	141,610	3,328
Total shared expenses	\$ 856,008	\$ 863,708	\$ 887,226	\$ 23,518
Other categorical aid:				
Public assistance and welfare administration	\$ 436,686	\$ 436,686	\$ 401,629	\$ (35,057)
Emergency medical services - five for life	8,250	8,250	7,823	(427)
Emergency services grant	-	179,130	-	(179,130)
E-911 wireless grant	42,000	192,000	175,123	(16,877)
TEA21 grant	518,502	518,502	-	(518,502)
Litter control	500	7,216	7,216	-
Sheriff transportation safety grant	5,000	5,000	-	(5,000)
Forest reserve funds	-	-	63,075	63,075
Fire programs fund	18,000	18,000	19,808	1,808
Spay/neuter program	-	-	31	31
Governor's Opportunity funds	-	100,000	100,000	-
Total other categorical aid	\$ 1,028,938	\$ 1,464,784	\$ 774,705	\$ (690,079)
Total categorical aid	\$ 1,884,946	\$ 2,328,492	\$ 1,661,931	\$ (666,561)
Total revenue from the Commonwealth	\$ 2,865,599	\$ 3,309,145	\$ 2,700,031	\$ (609,114)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 547,950	\$ 547,950	\$ 542,576	\$ (5,374)
Homeland security grant	-	-	48,107	48,107
Transportation safety	10,000	5,769	-	(5,769)
Emergency preparedness grant	-	-	96,561	96,561
Sheriff's JAG grant	-	-	2,229	2,229
Total categorical aid	\$ 557,950	\$ 553,719	\$ 689,473	\$ 135,754
Total revenue from the federal government	\$ 557,950	\$ 553,719	\$ 689,473	\$ 135,754
Total General Fund	\$ 12,636,330	\$ 13,075,645	\$ 13,416,956	\$ 341,311
<b>Special Revenue Funds:</b>				
Revenue from local sources:				
Other local taxes:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,660	\$ 5,660
Charges for services:				
Court security fees	\$ 30,000	\$ 30,000	\$ 28,209	\$ (1,791)
Total charges for services	\$ 30,000	\$ 30,000	\$ 28,209	\$ (1,791)
Miscellaneous revenue:				
Miscellaneous	\$ 3,930	\$ 4,265	\$ 10,370	\$ 6,105
Total revenue from local sources	\$ 33,930	\$ 34,265	\$ 44,239	\$ 9,974
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 6,853	\$ 6,853
Comprehensive Services Act	518,570	518,570	307,010	(211,560)
Total categorical aid	\$ 518,570	\$ 518,570	\$ 313,863	\$ (204,707)
Total revenue from the Commonwealth	\$ 518,570	\$ 518,570	\$ 313,863	\$ (204,707)
Revenue from the federal government:				
Categorical aid:				
Comprehensive Services Act	\$ -	\$ -	\$ 54,418	\$ 54,418
Total categorical aid	\$ -	\$ -	\$ 54,418	\$ 54,418
Total revenue from the federal government	\$ -	\$ -	\$ 54,418	\$ 54,418
Total Special Revenue Funds	\$ 552,500	\$ 552,835	\$ 412,520	\$ (140,315)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,248	\$ 1,248
Total capital projects	\$ -	\$ -	\$ 1,248	\$ 1,248
Total Primary Government	\$ 13,188,830	\$ 13,628,480	\$ 13,830,724	\$ 202,244
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 151,000	\$ 151,000	\$ 139,725	\$ (11,275)
Total revenue from local sources	\$ 151,000	\$ 151,000	\$ 139,725	\$ (11,275)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 4,544,188	\$ 4,258,591	\$ 4,082,600	\$ (175,991)
Total revenues from local governments	\$ 4,544,188	\$ 4,258,591	\$ 4,082,600	\$ (175,991)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 969,416	\$ 976,752	\$ 965,472	\$ (11,280)
Basic school aid	1,814,463	2,168,774	2,168,382	(392)
At risk payments	170,401	196,285	196,285	-
At risk four-year olds	119,470	119,470	119,470	-
Early reading intervention	6,907	6,907	6,907	-
Hold harmless composite index	926	42,983	-	(42,983)
ESL	8,904	8,574	8,574	-
Gifted and talented	18,847	21,720	21,720	-
Homebound	2,522	4,576	4,576	-
Career and technical education	2,494	2,539	2,556	17
SOL Algebra readiness	10,607	12,334	12,334	-
Other state	834	1,276	19,726	18,450
Remedial education	102,655	118,306	118,306	-
School fringes	332,427	383,108	418,000	34,892
Primary class size reduction	111,886	176,826	176,826	-
Special education	292,327	336,894	336,894	-
Technology initiative	-	-	33,228	33,228



County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Textbook payment	\$ 35,982	\$ 41,467	\$ 41,467	\$ -
Technology grant	154,000	154,000	-	(154,000)
Vocational education	44,110	50,834	50,834	-
Total categorical aid	\$ 4,199,178	\$ 4,823,625	\$ 4,701,557	\$ (122,068)
Total revenue from the Commonwealth	\$ 4,199,178	\$ 4,823,625	\$ 4,701,557	\$ (122,068)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 199,976	\$ 300,808	\$ 178,654	\$ (122,154)
Title I - ARRA	-	4,964	-	(4,964)
Vocational education	15,300	16,107	40,413	24,306
School improvement grants cluster	1,018,528	1,299,585	1,037,885	(261,700)
21st century learning center	400,000	611,347	463,749	(147,598)
Title VIB	236,822	243,347	243,347	-
Title I 1003 A, School improvement grant	81,300	53,377	21,513	(31,864)
Jobs Bill funding	59,098	123,631	123,631	-
Preschool grant	16,571	36,463	11,363	(25,100)
Title II - Part A	50,429	124,082	118,138	(5,944)
Title III	-	-	1,275	1,275
JROTC grant	60,000	60,000	67,904	7,904
Total categorical aid	\$ 2,138,024	\$ 2,873,711	\$ 2,307,872	\$ (565,839)
Total School Operating Fund	\$ 11,032,390	\$ 12,106,927	\$ 11,231,754	\$ (875,173)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 124,703	\$ 124,703	\$ 118,423	\$ (6,280)
Total charges for services	\$ 124,703	\$ 124,703	\$ 118,423	\$ (6,280)
Total revenue from local sources	\$ 124,703	\$ 124,703	\$ 118,423	\$ (6,280)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 5,595	\$ 5,595	\$ 5,523	\$ (72)
Total categorical aid	\$ 5,595	\$ 5,595	\$ 5,523	\$ (72)
Total revenue from the Commonwealth	\$ 5,595	\$ 5,595	\$ 5,523	\$ (72)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 250,000	\$ 250,000	\$ 282,984	\$ 32,984
Commodities	-	25,435	25,435	-
Total categorical aid	\$ 250,000	\$ 275,435	\$ 308,419	\$ 32,984
Total revenue from the federal government	\$ 250,000	\$ 275,435	\$ 308,419	\$ 32,984
Total School Cafeteria Fund	\$ 380,298	\$ 405,733	\$ 432,365	\$ 26,632
Total Discretely Presented Component Unit - School Board	\$ 11,412,688	\$ 12,512,660	\$ 11,664,119	\$ (848,541)

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

**Schedule 2**  
**Page 1 of 4**

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 47,380	\$ 47,380	\$ 35,368	\$ 12,012
General and financial administration:				
County administrator	\$ 247,970	\$ 247,970	\$ 224,471	\$ 23,499
Information Technology				-
County attorney	124,260	124,260	118,876	5,384
Commissioner of revenue	207,865	209,786	204,248	5,538
Professional auditing and accounting services	40,200	40,200	35,557	4,643
Treasurer	236,218	244,025	218,889	25,136
General reassessment	-	-	966	(966)
Management information systems	71,607	71,607	66,351	5,256
Other general and financial administration	175,069	175,069	171,264	3,805
Total general and financial administration	\$ 1,103,189	\$ 1,112,917	\$ 1,040,622	\$ 72,295
Board of elections:				
Electoral board and officials	\$ 38,900	\$ 43,448	\$ 26,698	\$ 16,750
Registrar	74,497	74,497	64,698	9,799
Total board of elections	\$ 113,397	\$ 117,945	\$ 91,396	\$ 26,549
Total general government administration	\$ 1,263,966	\$ 1,278,242	\$ 1,167,386	\$ 110,856
Judicial administration:				
Courts:				
Circuit court	\$ 2,650	\$ 2,650	\$ 1,383	\$ 1,267
General district court	12,170	15,170	15,695	(525)
Special Magistrates	879	879	308	571
Juvenile and domestic relations court	10,721	10,721	6,002	4,719
Ninth District Court services unit	87,479	87,479	43,700	43,779
Victim witness assistance	3,104	3,301	3,301	-
Clerk of the circuit court	242,119	242,119	230,331	11,788
Total courts	\$ 359,122	\$ 362,319	\$ 300,720	\$ 61,599
Commonwealth's attorney:				
Commonwealth's attorney	\$ 212,745	\$ 212,745	\$ 202,789	\$ 9,956
Total judicial administration	\$ 571,867	\$ 575,064	\$ 503,509	\$ 71,555
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,260,716	\$ 1,256,485	\$ 1,160,712	\$ 95,773
E-911	77,367	227,367	223,753	3,614
Total law enforcement and traffic control	\$ 1,338,083	\$ 1,483,852	\$ 1,384,465	\$ 99,387
Fire and rescue services:				
Fire department	\$ 118,000	\$ 118,000	\$ 115,047	\$ 2,953
Ambulance and rescue services	89,250	89,250	28,676	60,574
Rescue services	-	72,115	48,950	23,165
Radio communications	259,646	259,646	134,914	124,732
Emergency medical services	695	695	695	-
Forestry services	11,852	11,852	11,852	-
Total fire and rescue services	\$ 479,443	\$ 551,558	\$ 340,134	\$ 211,424

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

**Schedule 2**  
**Page 2 of 4**

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Payments to Regional Jail	\$ 501,322	\$ 578,960	\$ 578,960	\$ -
Inspections:				
Building	\$ 84,256	\$ 84,256	\$ 69,996	\$ 14,260
Total inspections	\$ 84,256	\$ 84,256	\$ 69,996	\$ 14,260
Other protection:				
Animal control and shelter	\$ 124,179	\$ 124,179	\$ 129,851	\$ (5,672)
Emergency services	38,818	253,886	214,868	39,018
Medical examiner	200	200	20	180
Total other protection	\$ 163,197	\$ 378,265	\$ 344,739	\$ 33,526
Total public safety	\$ 2,566,301	\$ 3,076,891	\$ 2,718,294	\$ 358,597
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 455,699	\$ 455,699	\$ 425,849	\$ 29,850
Maintenance of general buildings and grounds:				
General properties	\$ 198,066	\$ 206,172	\$ 176,227	\$ 29,945
Total public works	\$ 653,765	\$ 661,871	\$ 602,076	\$ 59,795
Health and welfare:				
Health:				
Supplement of local health department	\$ 55,019	\$ 55,019	\$ 55,019	\$ -
Mental health and mental retardation:				
Community services board	\$ 20,700	\$ 20,700	\$ 20,700	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,261,389	\$ 1,261,389	\$ 1,209,932	\$ 51,457
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Bay Aging	27,568	27,568	27,568	-
Contributions	22,675	22,675	22,675	-
Total welfare	\$ 1,321,580	\$ 1,321,580	\$ 1,270,123	\$ 51,457
Total health and welfare	\$ 1,397,299	\$ 1,397,299	\$ 1,345,842	\$ 51,457
Education:				
Other instructional costs:				
Contributions to Community College	\$ 4,417	\$ 4,417	\$ 4,417	\$ -
Contribution to County School Board	4,544,188	4,258,591	4,082,600	175,991
Other instructional costs	\$ 4,548,605	\$ 4,263,008	\$ 4,087,017	\$ 175,991
Total education	\$ 4,548,605	\$ 4,263,008	\$ 4,087,017	\$ 175,991

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

Schedule 2  
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Library:				
Contribution to county library	\$ 186,208	\$ 186,208	\$ 181,060	\$ 5,148
Total parks, recreation, and cultural	\$ 186,208	\$ 186,208	\$ 181,060	\$ 5,148
Community development:				
Planning and community development:				
Planning and zoning	\$ 192,642	\$ 192,642	\$ 178,044	\$ 14,598
Wetlands board	3,100	3,100	2,222	878
Board of zoning appeals	4,000	4,000	-	4,000
Industrial Development Authority	3,285	103,285	100,506	2,779
Airport authority	35,000	35,000	44,275	(9,275)
Economic development	21,198	71,198	63,374	7,824
Tea-21 grant	588,502	588,502	340,112	248,390
Planning commission	12,300	12,300	8,052	4,248
Total planning and community development	\$ 860,027	\$ 1,010,027	\$ 736,585	\$ 273,442
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	7,216	1,000	6,216
Total environmental management	\$ 10,174	\$ 16,890	\$ 10,674	\$ 6,216
Cooperative extension program:				
Extension office	\$ 33,060	\$ 33,060	\$ 22,759	\$ 10,301
Total community development	\$ 903,261	\$ 1,059,977	\$ 770,018	\$ 289,959
Nondepartmental:				
Contingencies	\$ 86,530	\$ 73,655	\$ 25,770	\$ 47,885
Capital projects:				
Capital projects	\$ 278,544	\$ 318,836	\$ 314,174	\$ 4,662
Total capital projects	\$ 278,544	\$ 318,836	\$ 314,174	\$ 4,662
Debt service:				
Principal retirement	\$ 180,000	\$ 439,362	\$ 439,362	\$ -
Interest and other fiscal charges	66,181	92,416	92,416	-
Total debt service	\$ 246,181	\$ 531,778	\$ 531,778	\$ -
Total General Fund	\$ 12,702,527	\$ 13,422,829	\$ 12,246,924	\$ 1,175,905

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2013

**Schedule 2**  
**Page 4 of 4**

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Fund:</b>				
Public Safety:				
Sheriff:				
Other protection:				
Court security	\$ 37,295	\$ 43,295	\$ 39,728	3,567
Forfeited assets	-	174	174	-
DARE educational materials	-	710	710	-
Total public safety	\$ 37,295	\$ 44,179	\$ 40,612	\$ 3,567
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 762,500	\$ 762,500	\$ 577,880	\$ 184,620
Total Welfare	\$ 762,500	\$ 762,500	\$ 577,880	\$ 184,620
Nondepartmental:				
Contingencies	\$ 100,000	-	\$ 2,603	\$ (2,603)
Total Special Revenue Fund	\$ 899,795	\$ 806,679	\$ 621,095	\$ 185,584
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
Capital projects expenditures	\$ 100,000	\$ 500,760	\$ 30,760	\$ 470,000
Total capital projects	\$ 100,000	\$ 500,760	\$ 30,760	\$ 470,000
Total Primary Government	\$ 13,702,322	\$ 14,730,268	\$ 12,898,779	\$ 1,831,489
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, health and attendance	\$ 603,845	\$ 603,845	\$ 797,755	\$ (193,910)
Instruction costs	8,272,987	9,591,064	8,522,920	1,068,144
Pupil transportation	884,597	884,597	995,621	(111,024)
Operation and maintenance of school plant	984,633	1,026,690	915,458	111,232
Total education	\$ 10,746,062	\$ 12,106,196	\$ 11,231,754	\$ 874,442
Debt service:				
Principal retirement	\$ 259,639	-	-	-
Interest and other fiscal charges	26,689	731	-	731
Total debt service	\$ 286,328	\$ 731	\$ -	\$ 731
Total School Operating Fund	\$ 11,032,390	\$ 12,106,927	\$ 11,231,754	\$ 875,173
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 380,298	\$ 445,733	\$ 445,021	\$ 712
Total school food services	\$ 380,298	\$ 445,733	\$ 445,021	\$ 712
Total education	\$ 380,298	\$ 445,733	\$ 445,021	\$ 712
Total School Cafeteria Fund	\$ 380,298	\$ 445,733	\$ 445,021	\$ 712
Total Discretely Presented Component Unit - School Board	\$ 11,412,688	\$ 12,552,660	\$ 11,676,775	\$ 875,885

## *STATISTICAL INFORMATION*

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Table 1

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

Fiscal Year	General		Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Service Authority	Total
	Government Administration	Judicial Administration									
2004	\$ 874,973	\$ 514,195	\$ 1,532,918	\$ 568,633	\$ 1,273,415	\$ 3,931,391	\$ 151,259	\$ 536,269	\$ 412,885	\$ -	\$ 9,795,938
2005	1,060,365	506,447	1,507,805	648,691	1,323,143	4,009,833	153,996	367,843	322,320	-	9,900,443
2006	1,031,852	562,272	1,496,012	676,572	1,632,731	4,434,348	165,401	429,013	288,996	-	10,717,197
2007	1,019,799	590,168	1,773,096	726,985	1,757,721	5,338,975	173,818	291,868	260,407	-	11,932,837
2008	1,182,630	689,333	1,930,910	735,960	2,109,521	5,350,926	188,401	825,805	231,322	-	13,244,808
2009	1,260,537	601,917	2,201,455	2,948,485	2,072,942	4,321,829	214,630	456,491	201,368	-	14,279,654
2010	1,174,459	610,178	2,399,846	681,508	1,909,365	4,122,668	207,000	571,849	171,635	-	11,848,508
2011	1,267,906	591,782	1,979,131	606,615	1,789,941	4,117,502	171,151	332,854	137,552	-	10,994,434
2012	1,226,149	613,685	2,751,138	554,107	2,078,523	4,156,243	248,605	485,371	106,139	-	12,219,960
2013	1,203,043	616,327	2,919,101	626,842	1,935,820	4,439,670	181,060	537,440	80,972	94,618	12,634,893

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Sale of Capital Assets		
2004	\$ 3,958,017	\$ 2,213,309	\$ -	\$ 3,838,869	\$ 769,121	\$ 145,519	\$ 61,558	\$ 857,587	\$ -	\$ 11,843,980	
2005	4,005,883	2,142,695	-	3,506,866	739,518	242,467	14,818	735,777	-	11,388,024	
2006	3,863,171	2,333,862	-	4,267,063	764,145	447,464	72,055	1,133,924	-	12,881,684	
2007	4,290,554	2,170,888	25,000	5,427,229	787,448	674,374	105,276	906,193	-	14,386,962	
2008	4,476,891	2,489,220	435,110	5,273,163	819,271	652,770	61,233	965,834	18,945	15,192,437	
2009	4,157,409	2,429,879	103,073	5,450,427	762,763	306,619	448,295	905,252	-	14,563,717	
2010	3,809,129	2,321,552	122,783	5,488,787	639,854	80,345	128,569	1,078,190	-	13,669,209	
2011	3,360,983	2,265,979	147,075	5,578,955	594,612	160,529	119,343	1,045,800	-	13,273,276	
2012	3,216,698	2,539,732	-	5,671,926	620,996	71,039	121,403	1,049,684	-	13,291,478	
2013	2,896,267	2,719,685	-	6,376,738	656,466	77,878	125,138	1,038,100	-	13,890,272	

Table 3

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

Fiscal Year	General Government Administration			Parks, Recreation, and Cultural				Debt Service			Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Community Development	Non-departmental			
2004	\$ 866,892	\$ 404,297	\$ 1,519,464	\$ 638,435	\$ 1,253,724	\$ 8,975,418	\$ 142,565	\$ 537,646	\$ -	\$ 1,186,181	\$ 15,524,622
2005	906,020	416,189	1,621,304	722,307	1,311,835	9,661,559	145,303	384,770	-	802,156	15,971,443
2006	1,020,584	450,736	1,521,395	691,646	1,612,480	10,687,468	156,708	434,857	-	784,383	17,360,257
2007	1,062,685	480,250	1,833,305	752,922	1,758,135	11,077,211	160,436	306,923	-	761,325	18,193,192
2008	1,165,088	581,038	1,933,856	725,509	2,112,770	11,665,106	179,708	822,467	-	733,279	19,918,821
2009	1,258,270	493,137	2,125,239	747,643	2,042,172	11,228,294	205,937	456,520	-	714,627	19,271,839
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097	198,307	554,621	-	696,343	18,086,194
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053	178,911	327,900	3,700	670,734	17,856,995
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194	248,605	475,388	7,495	646,481	19,272,401
2013	1,167,386	503,509	2,758,906	602,076	1,923,722	11,681,192	181,060	770,018	28,373	531,778	20,148,020

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

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

(3) Excludes Capital Projects expenditures.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2004	\$ 3,836,016	\$ 769,121	\$ 66,377	\$ 63,343	\$ 145,924	\$ 3,986,533	\$ 71,994	\$ 201,961	\$ 8,171,551	\$ 17,312,820
2005	3,874,708	739,518	75,202	102,723	242,748	3,968,571	36,599	8,528	8,912,482	17,961,079
2006	4,190,947	764,145	118,990	105,093	447,708	3,779,573	203,545	60,359	9,802,473	19,472,833
2007	5,340,444	787,448	134,266	101,128	674,966	4,197,600	339,068	44,329	8,947,946	20,567,195
2008	5,249,624	819,271	108,920	101,754	652,520	4,414,084	287,826	9,664	10,224,591	21,868,254
2009	5,477,519	762,763	63,144	133,051	306,633	4,110,956	659,419	26,630	10,300,393	21,840,508
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618	329,555	85,994	9,683,574	20,443,564
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886	331,891	76,398	9,663,040	19,949,796
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700	121,403	25,839	10,658,460	20,260,755
2013	6,320,017	656,466	67,785	128,578	76,630	2,685,995	114,768	11,082	11,081,156	21,142,477

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2004	\$ 4,639,387	\$ 4,384,467	94.51%	\$ 145,549	\$ 4,530,016	97.64%	\$ 593,409	12.79%
2005	4,574,883	4,287,799	93.72%	190,552	4,478,351	97.89%	387,592	8.47%
2006	4,901,390	4,932,516	100.64%	221,878	5,154,394	105.16%	311,139	6.35%
2007	6,612,760	5,974,714	90.35%	226,213	6,200,927	93.77%	320,540	4.85%
2008	6,088,486	5,876,877	96.52%	175,231	6,052,108	99.40%	370,897	6.09%
2009	6,303,965	6,078,961	96.43%	182,195	6,261,156	99.32%	390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	318,242	5.00%
2013	7,154,945	6,928,385	96.83%	152,813	7,081,198	98.97%	337,926	4.72%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real	Estate	
2004	\$ 446,957,421	\$ 55,139,132	\$ 12,820,775	\$ 1,972,554	\$ 21,848,271	\$	538,738,153
2005	452,075,800	47,747,134	18,462,245	2,231,252	18,643,060		539,159,491
2006	460,207,178	59,836,243	16,532,922	2,314,788	16,787,331		555,678,462
2007	470,862,472	63,592,087	15,608,585	2,899,704	13,875,616		566,838,464
2008	759,696,379	65,245,642	15,612,800	3,072,540	19,571,641		863,199,002
2009	773,289,533	68,747,403	15,684,710	2,826,694	17,160,338		877,708,678
2010	784,602,233	66,823,674	15,441,892	4,179,900	18,311,989		889,359,688
2011	781,893,148	69,095,920	16,141,065	3,656,050	18,456,483		889,242,666
2012	789,498,710	68,688,278	16,700,580	4,580,483	22,917,533		902,385,584
2013	838,291,612	73,948,213	16,121,740	4,729,556	27,120,435		960,211,556

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2004	\$ 0.58	\$ 3.94	\$ 0.65	\$ 0.99
2005	0.58	3.94	0.65	0.99
2006	0.58	3.94	0.65	0.99
2007	0.76	3.94	0.65	0.99
2008	0.48	3.94	0.65	0.99
2009	0.48	3.94	0.65	1.10
2010	0.48	3.94	0.65	1.10
2011	0.48	3.94	0.65	1.10
2012	0.48	3.94	0.65	1.10
2013	0.52	3.94	0.65	1.10

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004	6,630	\$ 538,738,153	\$ 3,343,840	\$ 3,343,840	0.62%	\$ 504
2005	6,630	539,159,491	2,989,993	2,989,993	0.55%	451
2006	6,630	555,678,462	2,631,195	2,631,195	0.47%	397
2007	6,630	566,838,464	2,277,104	2,277,104	0.40%	343
2008	6,630	863,199,002	1,927,405	1,927,405	0.22%	291
2009	6,630	877,708,678	1,571,654	1,571,654	0.18%	237
2010	6,945	889,359,688	1,214,975	1,214,975	0.14%	175
2011	6,945	889,242,666	855,823	855,823	0.10%	123
2012	6,945	902,385,584	499,362	499,362	0.06%	72
2013	6,945	960,211,556	240,000	240,000	0.02%	35

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

(2) From Table 6.

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



*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' 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*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of King and Queen, Virginia's basic financial statements, and have issued our report thereon dated January 17, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of King and Queen Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of King and Queen, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of King and Queen, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia  
January 17, 2014

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited County of King and Queen, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King and Queen, Virginia's major federal programs for the year ended June 30, 2013. County of King and Queen, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of King and Queen, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of King and Queen, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of King and Queen, Virginia's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, County of King and Queen, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of County of King and Queen, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of King and Queen, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 County of King and Queen, Virginia's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a long horizontal line.

Richmond, Virginia  
January 17, 2014

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	950109/0950110	\$ 13,631
Temporary Assistance for Needy Families	93.558	400109/0400110	82,384
Refugee and Entrant Assistance - State Administered Programs	93.566	500109/500110	415
Low-Income Home Energy Assistance	93.568	600409/00600410	9,427
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760109/0760110	15,685
Chafee Education and Training Vouchers Program	93.599	9160108/9130109	2,146
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900109/090110	353
Foster Care - Title IV-E	93.658	1100109/1100110	94,250
Adoption Assistance	93.659	1120109/11201110	41,139
Social Services Block Grant	93.667	1000109/1000110	103,276
Chafee Foster Care Independence Program	93.674	9150109/9150110	594
Children's Health Insurance Program	93.767	540109/0540110	3,168
Medical Assistance Program	93.778	1200109/1200110	86,271
Total Department of Health and Human Services			<u>\$ 452,739</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Direct Payments:			
Summer Food Service Program for Children	10.559	n/a	<u>\$ 368</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 25,067
Department of Education:			
National School Lunch Program	10.555	17901-40623	190,400
Sub-total CFDA 10.555			<u>\$ 215,467</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	92,584
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10109/0010110	144,255
Total Department of Agriculture			<u>\$ 452,674</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grant	97.042	77501-52749	\$ 96,561
State Homeland Security Program	97.073	77501-52705	48,107
Total Department of Homeland Security			<u>\$ 144,668</u>

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	\$ 67,904
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	30712/30713/30716	\$ 2,229
Total Department of Justice			\$ 2,229
Department of Education:			
Pass Through Payments:			
Department of Education:			
Higher Education - Institutional Aid	84.031	17901	\$ 1,275
Title I Grants to Local Educational Agencies	84.010	17901-42901	225,449
<b>Special Education Cluster:</b>			
Special Education - Grants to States	84.027	17901-43071	243,347
Special Education - Preschool Grants	84.173	17901-62521	11,363
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	15,131
Twenty-First Century Community Learning Centers	84.287	17901-60565	463,749
Improving Teacher Quality State Grants	84.367	17901-61480	118,138
ARRA - School Improvement Grants	84.388	17901-43040	1,037,885
ARRA - Education Jobs Fund	84.410	17901-62700	123,631
Total Department of Education			\$ 2,239,968
Total Expenditures of Federal Awards			\$ 3,360,182

See accompanying notes to schedule of expenditures of federal awards.



County of King and Queen, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 689,473
Nonmajor Special Revenue Fund	54,418
Total primary government	<u>\$ 743,891</u>

Component Unit School Board:

School Operating Fund	\$ 2,307,872
School Cafeteria Fund	308,419
Total component unit School Board	<u>\$ 2,616,291</u>

Total federal expenditures per basic financial statements	<u>\$ 3,360,182</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,360,182</u></u>
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County of King & Queen, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

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**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiencies identified? \_\_\_\_\_ yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiencies identified? \_\_\_\_\_ yes ✓ none reported

Type of auditors' report issued on compliance  
for major programs: unmodified

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

Identification of major programs:

CFDA Number(s)

84.410

84.388

Name of Federal Program or Cluster

ARRA - Education Jobs Fund

ARRA - School Improvement Grants

Dollar threshold used to distinguish between type A  
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ yes \_\_\_\_\_ no

**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None

County of King and Queen, Virginia

Prior Year Findings  
For the Year Ended June 30, 2013

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There were no prior year findings.

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