

# COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

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COUNTY OF KING & QUEEN, VIRGINIA

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BOARD OF SUPERVISORS

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

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COUNTY SCHOOL BOARD

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

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SOCIAL SERVICES BOARD

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

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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	E. C. Walton
Superintendent of Schools	Richard W. Layman
Director of Social Services	Betty Dougherty
County Administrator	Thomas J. Swartzwelder
Clerk of the School Board	Suzanne Gilbertson
County Attorney	Thomas J. Swartzwelder

COUNTY OF KING & QUEEN, VIRGINIA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King and Queen, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King and Queen, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 1 to the Financial statement, the County of King and Queen, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012, on our consideration of the County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
January 16, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011. 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 \$21,026,639 (net assets).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other uses in excess of revenues and other financing sources of \$361,580 (Exhibit 5) after making contributions totaling \$3,695,210 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$18,006,331 a decrease of \$361,580 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,344,057, or 101% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$502,359 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Overview of the Financial Statements (Continued)

#### Government-wide financial statements (Continued)

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$21,026,639 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of King and Queen, Virginia's Net Assets		
	Governmental Activities	
	2011	2010
Current and other assets	\$ 18,500,475	\$ 19,557,687
Capital assets	7,391,327	5,243,304
Total assets	\$ 25,891,802	\$ 24,800,991
Current liabilities	\$ 314,481	\$ 1,000,153
Long-term liabilities outstanding	4,550,682	5,053,041
Total liabilities	\$ 4,865,163	\$ 6,053,194
Net assets:		
Invested in capital assets, net of related debt	\$ 5,130,504	\$ 2,463,329
Unrestricted	15,896,135	16,284,468
Total net assets	\$ 21,026,639	\$ 18,747,797

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets increased by \$2,278,842. The following table summarizes the County's Statement of Activities

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 3,360,983	\$ 3,809,129
Operating grants and contributions	2,265,979	2,321,552
Capital grants and contributions	147,075	122,783
General revenues:		
General property taxes	5,578,955	5,488,787
Other local taxes	594,612	639,854
Grants and other contributions not restricted	1,045,800	1,078,190
Other general revenues	279,872	208,914
Total revenues	<u>\$ 13,273,276</u>	<u>\$ 13,669,209</u>
Expenses:		
General government administration	\$ 1,267,906	\$ 1,174,459
Judicial administration	591,782	610,178
Public safety	1,979,131	2,399,846
Public works	606,615	681,508
Health and welfare	1,789,941	1,909,365
Education	4,117,502	4,122,668
Parks, recreation, and cultural	171,151	207,000
Community development	332,854	571,849
Interest and other fiscal charges	137,552	171,635
Total expenses	<u>\$ 10,994,434</u>	<u>\$ 11,848,508</u>
Change in net assets	\$ 2,278,842	\$ 1,820,701
Beginning of year	18,747,797	16,927,096
End of year	<u><u>\$ 21,026,639</u></u>	<u><u>\$ 18,747,797</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$18,006,331, a decrease of \$361,580 in comparison with the prior year. Approximately 91% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$232,617 and can be briefly summarized as follows:

- < \$ 427,837 increase in debt service expenditures
- < \$ 256,978 increase in public safety expenditures
- < \$ 157,896 increase in capital projects expenditures
- < \$ 42,594 increase in various other expenditures
- < \$ 427,837 decrease in education expenditures
- < \$ 224,851 decrease in nondepartmental expenditures

During the year, actual revenues and other sources of the General Fund exceeded budgetary estimates by \$554,411. Actual expenditures and other uses exceeded budgetary estimates by \$69,787. The combination of the two resulted in a positive variance of \$484,624.

### Capital Asset and Debt Administration

- < Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$7,391,327 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$2,260,823. Of this amount, \$855,823 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

During the current fiscal year, the County's total debt decreased by \$519,152.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

- < The unemployment rate for the County of 7.1 percent compares to the state's average unemployment rate of 6.5 percent.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The fiscal year 2012 budget decreased by approximately 3% and all tax rates remained the same.

### Requests for Information

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

## *BASIC FINANCIAL STATEMENTS*

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

County of King and Queen, Virginia  
Statement of Net Assets  
June 30, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,396,512	\$ -
Investments	251,041	-
Receivables (net of allowance for uncollectibles):		
Taxes receivable	286,664	-
Accounts receivable	45,194	47,149
Due from other governmental units	521,064	1,034,257
Inventories	-	8,397
Prepaid expenses	-	45,208
Capital assets (net of accumulated depreciation):		
Land	151,653	39,639
Buildings and improvements	3,519,560	-
Machinery and equipment	231,046	408,872
Jointly owned assets	855,822	3,320,547
Construction in progress	2,633,246	-
Total assets	<u>\$ 25,891,802</u>	<u>\$ 4,904,069</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 230,899	\$ 114,386
Accrued liabilities	-	860,669
Accrued interest payable	59,540	-
Due to other governmental units	-	125,769
Deferred revenue	24,042	-
Long-term liabilities:		
Due within one year	541,945	9,119
Due in more than one year	4,008,737	142,757
Total liabilities	<u>\$ 4,865,163</u>	<u>\$ 1,252,700</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 5,130,504	\$ 3,769,058
Unrestricted (deficit)	15,896,135	(117,689)
Total net assets	<u>\$ 21,026,639</u>	<u>\$ 3,651,369</u>
 Total liabilities and net assets	 <u>\$ 25,891,802</u>	 <u>\$ 4,904,069</u>

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



County of King and Queen, Virginia  
Statement of Activities  
For the Year Ended June 30, 2011

					Net (Expense) Revenue and	
					Changes in Net Assets	
					Primary Government	Component Unit
Functions/Programs	Expenses	Program Revenues			Governmental	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities	School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,267,906	\$ -	\$ 150,821	\$ -	\$ (1,117,085)	\$ -
Judicial administration	591,782	166,343	278,504	-	(146,935)	-
Public safety	1,979,131	75,282	543,645	147,075	(1,213,129)	-
Public works	606,615	3,119,358	39,160	-	2,551,903	-
Health and welfare	1,789,941	-	1,253,849	-	(536,092)	-
Education	4,117,502	-	-	-	(4,117,502)	-
Parks, recreation, and cultural	171,151	-	-	-	(171,151)	-
Community development	332,854	-	-	-	(332,854)	-
Interest on long-term debt	137,552	-	-	-	(137,552)	-
Total governmental activities	\$ 10,994,434	\$ 3,360,983	\$ 2,265,979	\$ 147,075	\$ (5,220,397)	\$ -
Total primary government	\$ 10,994,434	\$ 3,360,983	\$ 2,265,979	\$ 147,075	\$ (5,220,397)	\$ -
COMPONENT UNIT:						
School Board	\$ 10,472,007	\$ 133,079	\$ 6,241,498	\$ 109,763		\$ (3,987,667)
Total component unit	\$ 10,472,007	\$ 133,079	\$ 6,241,498	\$ 109,763		\$ (3,987,667)
General revenues:						
General property taxes					\$ 5,578,955	\$ -
Other local taxes:						
Local sales and use taxes					169,238	-
Consumers' utility taxes					177,919	-
Motor vehicle licenses					204,707	-
Other local taxes					42,748	-
Unrestricted revenues from use of money and property					160,529	-
Miscellaneous					119,343	212,548
Payments from King and Queen County					-	3,994,097
Grants and contributions not restricted to specific programs					1,045,800	-
Total general revenues					\$ 7,499,239	\$ 4,206,645
Change in net assets					2,278,842	218,978
Net assets - beginning					18,747,797	3,432,391
Net assets - ending					\$ 21,026,639	\$ 3,651,369

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

## *FUND FINANCIAL STATEMENTS*

County of King and Queen, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,985,279	\$ 289,858	\$ 1,121,375	\$ 17,396,512
Investments	251,041	-	-	251,041
Receivables (net of allowance for uncollectibles):				
Taxes receivable	286,664	-	-	286,664
Accounts receivable	45,194	-	-	45,194
Due from other funds	75,496	-	-	75,496
Due from other governmental units	397,596	-	123,468	521,064
Total assets	<u>\$ 17,041,270</u>	<u>\$ 289,858</u>	<u>\$ 1,244,843</u>	<u>\$ 18,575,971</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 182,927	\$ -	\$ 47,972	\$ 230,899
Due to other funds	-	-	75,496	75,496
Deferred revenue	263,245	-	-	263,245
Total liabilities	<u>\$ 446,172</u>	<u>\$ -</u>	<u>\$ 123,468</u>	<u>\$ 569,640</u>
Fund balances:				
Restricted	\$ 251,041	\$ -	\$ 166,801	\$ 417,842
Committed	-	289,858	954,574	1,244,432
Unassigned	16,344,057	-	-	16,344,057
Total fund balances	<u>\$ 16,595,098</u>	<u>\$ 289,858</u>	<u>\$ 1,121,375</u>	<u>\$ 18,006,331</u>
Total liabilities and fund balances	<u>\$ 17,041,270</u>	<u>\$ 289,858</u>	<u>\$ 1,244,843</u>	<u>\$ 18,575,971</u>

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

County of King and Queen, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 18,006,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,391,327
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	239,203
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	\$ (1,405,000)
General obligation bonds	(855,823)
Accrued interest payable	(59,540)
OPEB liability	(7,202)
Landfill closure liability	(2,128,462)
Compensated absences	(154,195)
	<u>(4,610,222)</u>
Net assets of governmental activities	<u>\$ 21,026,639</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, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 5,602,445	\$ -	\$ -	\$ 5,602,445
Other local taxes	594,612	-	-	594,612
Permits, privilege fees, and regulatory licenses	73,498	-	-	73,498
Fines and forfeitures	124,678	-	-	124,678
Revenue from the use of money and property	185,112	681	2,236	188,029
Charges for services	3,162,807	-	-	3,162,807
Miscellaneous	115,766	-	3,577	119,343
Recovered costs	76,398	-	-	76,398
Intergovernmental revenues:				
Commonwealth	2,396,568	147,075	373,167	2,916,810
Federal	542,044	-	-	542,044
Total revenues	<u>\$ 12,873,928</u>	<u>\$ 147,756</u>	<u>\$ 378,980</u>	<u>\$ 13,400,664</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,211,803	\$ -	\$ -	\$ 1,211,803
Judicial administration	485,070	-	-	485,070
Public safety	2,270,493	-	99	2,270,592
Public works	627,974	-	-	627,974
Health and welfare	1,217,196	-	536,062	1,753,258
Education	3,699,627	-	-	3,699,627
Parks, recreation, and cultural	178,911	-	-	178,911
Community development	327,900	-	-	327,900
Nondepartmental	3,700	-	-	3,700
Capital projects	294,119	2,239,056	-	2,533,175
Debt service:				
Principal retirement	519,152	-	-	519,152
Interest and other fiscal charges	151,082	-	-	151,082
Total expenditures	<u>\$ 10,987,027</u>	<u>\$ 2,239,056</u>	<u>\$ 536,161</u>	<u>\$ 13,762,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,886,901</u>	<u>\$ (2,091,300)</u>	<u>\$ (157,181)</u>	<u>\$ (361,580)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 1,933,698	\$ 424,576	\$ 2,358,274
Transfers out	(1,900,823)	-	(457,451)	(2,358,274)
Total other financing sources (uses)	<u>\$ (1,900,823)</u>	<u>\$ 1,933,698</u>	<u>\$ (32,875)</u>	<u>\$ -</u>
Net change in fund balances	\$ (13,922)	\$ (157,602)	\$ (190,056)	\$ (361,580)
Fund balances - beginning	16,609,020	447,460	1,311,431	18,367,911
Fund balances - ending	<u>\$ 16,595,098</u>	<u>\$ 289,858</u>	<u>\$ 1,121,375</u>	<u>\$ 18,006,331</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, 2011

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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	\$	(361,580)
--	----	-----------

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	\$ (2,781,018)		
Depreciation expense	306,608		
Transfer of joint tenancy assets to Component Unit from Primary Government	298,887		2,175,523

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(27,500)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(23,490)
--	--	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is a summary of items supporting this adjustment:

Principal retired on county lease revenue bond	\$ 160,000		
Increase in landfill closure liability	18,249		
Principal retired on school general obligation bonds	359,152		537,401

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

The following is a summary of items supporting this adjustment:

Decrease (increase) in interest payable	\$ 13,530		
Decrease (increase) in OPEB liability	(2,250)		
Decrease (increase) in accrued leave	(32,792)		(21,512)

Change in net assets of governmental activities	\$	2,278,842
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 27,763
	<u>27,763</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 9,658
Amounts held for others	18,105
Total liabilities	<u>\$ 27,763</u>

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

## *NOTES TO THE FINANCIAL STATEMENTS*



## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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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, 2011

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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, 2011.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does issue a separate financial report which is available at the King and Queen County School Board office. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2011.

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

None

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

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

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

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

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.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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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)

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

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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

Additionally, the County also reports the following fund types:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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

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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 \$175,845 at June 30, 2011 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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

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##### H. Capital Assets

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

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

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

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

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

##### I. Compensated Absences

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

##### J. Retirement Plan

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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

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##### K. Use of Estimates

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

##### L. Net Assets

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

##### M. Long-term Obligations

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

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

##### N. Fund Equity

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

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



# COUNTY OF KING & QUEEN, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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

#### N. Fund Equity (Continued)

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

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

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

The County currently has no minimum required unassigned fund balance.

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted for:				
Debt service reserve	\$ 251,041	\$ -	\$ -	\$ 251,041
Asset forfeiture	-	-	1,543	1,543
Court security	-	-	165,258	165,258
Total Restricted Fund Balance	\$ 251,041	\$ -	\$ 166,801	\$ 417,842
Committed to:				
Capital projects	\$ -	\$ 289,858	\$ -	\$ 289,858
Landfill contingency	-	-	954,574	954,574
Total Committed Fund Balance	\$ -	\$ 289,858	\$ 954,574	\$ 1,244,432
Unassigned Fund Balance	\$ 16,344,057	\$ -	\$ -	\$ 16,344,057
Total Fund Balances	\$ 16,595,098	\$ 289,858	\$ 1,121,375	\$ 18,006,331

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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#### *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—Cash and Cash Equivalents:*

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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, 2011

### Note 3—Cash and Cash Equivalents: (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, 2011 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.

Locality's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 16,967,673	\$ -
U.S. Treasury Money Market Fund	45	-
U.S. Treasury Bill	-	250,997
Total	\$ 16,967,718	\$ 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, 2011

*Note 3—Cash and Cash Equivalents: (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, 2011, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King & Queen	\$ 125,769	\$ -
Commonwealth of Virginia:		
Local sales tax	30,792	-
Welfare	31,568	-
Rolling stock tax	286	-
Communications tax	27,860	-
State Sales Tax	-	145,075
Constitutional officer reimbursements	90,296	-
Recordation tax	4,135	-
Mobile home titling tax	6,870	-
Forestry payment	33,250	-
Wireless grant	6,667	-
State technology reimbursement	-	64,054
Comprehensive Services Act	123,468	-
Federal Government:		
School fund grants	-	825,128
Welfare	40,103	-
Total due from other governments	<u>\$ 521,064</u>	<u>\$ 1,034,257</u>

At June 30, 2011, amounts due to other local governments are as follows:

Other Local Governments:	
County of King and Queen School Board	\$ <u>-</u> \$ <u>125,769</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land	\$ 103,391	\$ 75,762	\$ 27,500	\$ 151,653
Construction in progress	-	2,633,246	-	2,633,246
Total capital assets not subject to depreciation	\$ 103,391	\$ 2,709,008	\$ 27,500	\$ 2,784,899
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,290,518	\$ 8,906	\$ -	\$ 5,299,424
Machinery and equipment	1,252,423	63,104	-	1,315,527
Jointly owned assets	2,422,530	-	627,052	1,795,478
Total capital assets subject to depreciation	\$ 8,965,471	\$ 72,010	\$ 627,052	\$ 8,410,429
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,629,831	\$ 150,033	\$ -	\$ 1,779,864
Machinery and equipment	988,171	96,310	-	1,084,481
Jointly owned assets	1,207,556	60,265	328,165	939,656
Total accumulated depreciation	\$ 3,825,558	\$ 306,608	\$ 328,165	\$ 3,804,001
Total capital assets subject to depreciation, net	\$ 5,139,913	\$ (234,598)	\$ 298,887	\$ 4,606,428
Governmental activities capital assets, net	\$ 5,243,304	\$ 2,474,410	\$ 326,387	\$ 7,391,327

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

*Note 5—Capital Assets: (Continued)*

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<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	\$ 1,520,034	\$ 136,215	\$ -	\$ 1,656,249
Jointly owned assets	6,339,307	627,052	-	6,966,359
Total capital assets subject to depreciation	\$ 7,859,341	\$ 763,267	\$ -	\$ 8,622,608
Less: accumulated depreciation for:				
Machinery and equipment	\$ 1,150,261	\$ 97,116	\$ -	\$ 1,247,377
Jointly owned assets	3,159,945	157,702	(328,165)	3,645,812
Total accumulated depreciation	\$ 4,310,206	\$ 254,818	\$ (328,165)	\$ 4,893,189
Total capital assets subject to depreciation, net	\$ 3,549,135	\$ 508,449	\$ 328,165	\$ 3,729,419
Component unit school board capital assets, net	\$ 3,588,774	\$ 508,449	\$ 328,165	\$ 3,769,058

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government administration	\$ 16,678
Judicial administration	102,392
Public safety	103,462
Public works	4,503
Health and welfare	10,615
Education	60,265
Parks, recreation and cultural	8,693
Total Governmental activities	\$ 306,608
Component Unit School Board	\$ 254,818

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

**Note 6—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,900,823
Capital projects fund	1,933,698	-
Special Revenue Fund	424,576	457,451
Total Primary Government	<u>\$ 2,358,274</u>	<u>\$ 2,358,274</u>

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

**Note 7—Long-Term Obligations:**

Primary Government:

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

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 121,403	\$ 44,932	\$ 12,140	\$ 154,195	\$ 15,420
OPEB liability	4,952	2,250	-	7,202	-
Lease revenue bonds	1,565,000	-	160,000	1,405,000	170,000
Landfill post closure care	2,146,711	-	18,249	2,128,462	-
Total incurred by County	<u>\$ 3,838,066</u>	<u>\$ 47,182</u>	<u>\$ 190,389</u>	<u>\$ 3,694,859</u>	<u>\$ 185,420</u>
Incurred by School Board:					
General obligation bonds	<u>\$ 1,214,975</u>	<u>\$ -</u>	<u>\$ 359,152</u>	<u>\$ 855,823</u>	<u>\$ 356,525</u>
Total incurred by School Board	<u>\$ 1,214,975</u>	<u>\$ -</u>	<u>\$ 359,152</u>	<u>\$ 855,823</u>	<u>\$ 356,525</u>
Total Governmental Obligations	<u>\$ 5,053,041</u>	<u>\$ 47,182</u>	<u>\$ 549,541</u>	<u>\$ 4,550,682</u>	<u>\$ 541,945</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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

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Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bonds Payable	
	Principal	Interest
2012	\$ 170,000	\$ 73,587
2013	180,000	64,181
2014	190,000	54,000
2015	200,000	43,031
2016	210,000	31,500
2017	220,000	19,406
2018	235,000	6,609
Total	<u>\$ 1,405,000</u>	<u>\$ 292,314</u>



COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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
2012	\$ 356,525	\$ 45,828
2013	258,684	26,121
2014	160,000	10,409
2015	80,614	2,640
Total	<u>\$ 855,823</u>	<u>\$ 84,998</u>

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	Total Amount
<u>Incurred by County:</u>	
<u>Lease Revenue Bonds:</u>	
\$3,000,000 lease revenue bond issued August 12, 1997, payable in various annual installments through 2017, interest payable semi-annually at 5.43%	\$ 1,405,000
OPEB liability	7,202
Landfill postclosure care	2,128,462
Compensated absences (payable by General Fund)	154,195
Total incurred by County	<u>\$ 3,694,859</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
General Obligation Bonds:	
\$1,499,179 School Bonds, Series 1992B issued July 15, 1992, due in annual installments of varying amounts through 2011, interest payable at varying rates from 4.85% to 6.60%	\$ 97,197
\$75,837 School Bonds, Series 1992A issued November 12, 1992, due in semi-annual installments of varying amounts through 2012, interest payable at varying rates from 4.90% to 6.35%	9,493
\$464,639 School Bonds, Series 1992B issued November 12, 1992, due in semi-annual installments of varying amounts through 2012, interest payable at varying rates from 4.90% to 6.35%	46,463
\$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%	25,000
\$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%	230,000
\$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%	320,000
\$621,247 School Bonds issued May 12, 1999, due in annual installments of varying amounts through May 2013, interest at 6.77%	127,670
Total General Obligation Bonds	<u>\$ 855,823</u>
Total incurred by School Board	<u>\$ 855,823</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 4,550,682</u></u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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

Component Unit - School Board:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 91,246	\$ 9,068	\$ 9,125	\$ 91,189	\$ 9,119
OPEB liability	30,362	38,825	8,500	60,687	-
Total Component Unit-School Board	<u>\$ 121,608</u>	<u>\$ 47,893</u>	<u>\$ 17,625</u>	<u>\$ 151,876</u>	<u>\$ 9,119</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, 2011, represents the estimated liability for postclosure monitoring, of \$2,128,462 over the remaining four years. The liability includes an estimate for corrective action of \$2,000,000 as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9vac20-70 of the Virginia Administrative Code.

*Note 9—Deferred Revenue:*

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$263,245 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$239,203 at June 30, 2011.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$24,042 at June 30, 2011.

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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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, 2011, 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, 2011

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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 credit in their plan.

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

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

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

## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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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 Plan2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 8.90% of annual covered payroll.

The King and Queen County School Board professional employees current rate was 8.93% of annual covered payroll for 2011. 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, 2011, 2010, and 2009 were \$180,463, \$314,729, and \$447,207, respectively, and equal to the required contributions for each year.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$206,196 (which does not include the portion of the employee share assumed by the employer which was \$115,840) was equal to the County's required and actual contributions.

For the fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$37,596 (which does not include the portion of the employees share assumed by the County which was \$35,737) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 206,196	100%	\$ -
June 30, 2010	206,884	100%	-
June 30, 2009	203,616	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 37,596	100%	\$ -
June 30, 2010	59,546	100%	-
June 30, 2009	61,876	100%	-

(1) Employer portion only

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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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, 2010, the most recent actuarial valuation date, the plan was 84.21% funded. The actuarial accrued liability for benefits was \$7,865,957, and the actuarial value of assets was \$6,624,281, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,241,676. The covered payroll (annual payroll of active employees covered by the plan) was \$2,410,879, and ratio of the UAAL to the covered payroll was 51.50%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board's Non-Professional plan was 94.37% funded. The actuarial accrued liability for benefits was \$2,154,724 and the actuarial value of assets was \$2,033,327, resulting in an unfunded actuarial accrued liability (UAAL) of \$121,397. The covered payroll (annual payroll of active employees covered by the plan) was \$861,552 and ratio of the UAAL to the covered payroll was 14.09%.

The schedule of funding progress, presented as Required Supplementary Information 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:***

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	<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
E. D. Walton, 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
Selective Insurance Company - Surety:	
All School Board Employees-blanket bond	1,000,000



## COUNTY OF KING & QUEEN, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2011

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#### Note 15–Postemployment Benefits Other Than Pensions:

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##### 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, 2011

### Note 15-Postemployment Benefits Other Than Pensions: (Continued)

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

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

	<u>County</u>	<u>Schools</u>
Annual required contribution	\$ 2,476	\$ 38,700
Interest on net OPEB obligation	50	1,215
Adjustment to annual required contribution	(276)	(1,090)
Annual OPEB cost (expense)	\$ 2,250	\$ 38,825
Estimated Contributions made	-	(8,500)
Increase in net OPEB obligation	2,250	30,325
Net OPEB obligation-beginning of year	4,952	30,362
Net OPEB obligation-end of year	\$ 7,202	\$ 60,687

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

*Note 15-Postemployment Benefits Other Than Pensions: (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 2009 thru 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County : 6/30/2011	\$ 2,250	0.00%	\$ 7,202
6/30/2010	1,976	0.00%	4,952
6/30/2009	2,976	0.00%	2,976
Schools: 6/30/2011	38,825	21.89%	60,687
6/30/2010	37,362	53.26%	30,362
6/30/2009	37,300	65.42%	12,900

Funded Status and Funding Progress

As of June 30, 2009, the County's actuarial accrued liability for benefits was \$79,071, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,578,456, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.07 percent.

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2011

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*Note 15-Postemployment Benefits Other Than Pensions: (Continued)*

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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.

In the January 1, 2011 actuarial valuation, 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 2011 using Scale AA.

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

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was thirty years.

*Note 16-Other Post-Employment Benefits (OPEB):*

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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, 2011

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*Note 16-Other Post-Employment Benefits (OPEB): (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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$27,552, \$37,153, and \$54,822, respectively and equaled the required contributions for each year.

*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.*

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 5,200,442	\$ 5,200,442	\$ 5,602,445	\$ 402,003
Other local taxes	635,917	450,917	594,612	143,695
Permits, privilege fees, and regulatory licenses	51,590	51,590	73,498	21,908
Fines and forfeitures	100,521	100,521	124,678	24,157
Revenue from the use of money and property	61,390	61,390	185,112	123,722
Charges for services	3,491,130	3,491,130	3,162,807	(328,323)
Miscellaneous	60,000	60,000	115,766	55,766
Recovered costs	72,413	72,413	76,398	3,985
Intergovernmental revenues:				
Commonwealth	2,146,752	2,334,238	2,396,568	62,330
Federal	496,876	496,876	542,044	45,168
Total revenues	<u>\$ 12,317,031</u>	<u>\$ 12,319,517</u>	<u>\$ 12,873,928</u>	<u>\$ 554,411</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,343,472	\$ 1,372,641	\$ 1,211,803	\$ 160,838
Judicial administration	559,236	563,800	485,070	78,730
Public safety	2,150,211	2,407,189	2,270,493	136,696
Public works	732,579	740,794	627,974	112,820
Health and welfare	1,266,228	1,266,228	1,217,196	49,032
Education	4,243,605	3,815,768	3,699,627	116,141
Parks, recreation, and cultural	181,588	181,588	178,911	2,677
Community development	600,970	601,616	327,900	273,716
Nondepartmental	316,709	91,858	3,700	88,158
Capital projects	380,106	538,002	294,119	243,883
Debt service:				
Principal retirement	160,000	531,646	519,152	12,494
Interest and other fiscal charges	82,397	138,588	151,082	(12,494)
Total expenditures	<u>\$ 12,017,101</u>	<u>\$ 12,249,718</u>	<u>\$ 10,987,027</u>	<u>\$ 1,262,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 299,930</u>	<u>\$ 69,799</u>	<u>\$ 1,886,901</u>	<u>\$ 1,817,102</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (513,930)	\$ (568,345)	\$ (1,900,823)	\$ (1,332,478)
Total other financing sources and uses	<u>\$ (513,930)</u>	<u>\$ (568,345)</u>	<u>\$ (1,900,823)</u>	<u>\$ (1,332,478)</u>
Net change in fund balances	\$ (214,000)	\$ (498,546)	\$ (13,922)	\$ 484,624
Fund balances - beginning	214,000	2,708,072	16,609,020	13,900,948
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,209,526</u>	<u>\$ 16,595,098</u>	<u>\$ 14,385,572</u>

County of King and Queen, Virginia  
Schedule of Pension Funding Progress  
For the Year Ended June 30, 2011

## Primary Government:

## County Retirement Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2010	\$ 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%
6/30/2008	6,191,107	6,647,737	456,630	93.13%	2,024,933	22.55%
6/30/2007	5,547,119	6,000,434	453,315	92.45%	2,025,689	22.38%
6/30/2006	4,906,084	5,739,776	833,692	85.48%	1,942,110	42.93%
6/30/2005	4,567,298	5,374,587	807,289	84.98%	1,829,111	44.14%
6/30/2004	4,410,403	4,557,884	147,481	96.76%	1,672,775	8.82%
6/30/2003	4,302,675	3,890,964	(411,711)	110.58%	1,549,671	-26.57%
6/30/2002	4,209,062	3,602,664	(606,398)	116.83%	1,551,693	-39.08%
6/30/2001	4,066,188	3,336,179	(730,009)	121.88%	1,341,932	-54.40%

## Discretely Presented Component Unit:

## School Board Non-Professional Retirement Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2010	\$ 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%
6/30/2008	1,837,601	1,900,872	63,271	96.67%	900,562	7.03%
6/30/2007	1,575,895	1,713,197	137,302	91.99%	894,744	15.35%
6/30/2006	1,331,249	1,522,373	191,124	87.45%	819,337	23.33%
6/30/2005	1,205,698	1,522,670	316,972	79.18%	783,605	40.45%
6/30/2004	1,142,361	1,207,766	65,405	94.58%	749,441	8.73%
6/30/2003	1,059,446	967,019	(92,427)	109.56%	613,703	-15.06%
6/30/2002	963,648	919,109	(44,539)	104.85%	642,254	-6.93%
6/30/2001	856,431	820,348	(36,083)	104.40%	621,289	-5.81%



County of King and Queen, Virginia  
Schedule of Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2011

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

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

*OTHER SUPPLEMENTARY INFORMATION*

*COMBINING AND INDIVIDUAL FUNDS STATEMENTS  
AND SCHEDULES*

County of King and Queen, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 681	\$ 681
Intergovernmental revenues:				
Commonwealth	-	147,075	147,075	-
Total revenues	\$ -	\$ 147,075	\$ 147,756	\$ 681
<b>EXPENDITURES</b>				
Capital projects	\$ 170,000	\$ 2,607,400	\$ 2,239,056	\$ 368,344
Total expenditures	\$ 170,000	\$ 2,607,400	\$ 2,239,056	\$ 368,344
Excess (deficiency) of revenues over (under) expenditures	\$ (170,000)	\$ (2,460,325)	\$ (2,091,300)	\$ 369,025
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 170,000	\$ 244,415	\$ 1,933,698	\$ 1,689,283
Total other financing sources and uses	\$ 170,000	\$ 244,415	\$ 1,933,698	\$ 1,689,283
Net change in fund balances	\$ -	\$ (2,215,910)	\$ (157,602)	\$ 2,058,308
Fund balances - beginning	-	2,215,910	447,460	(1,768,450)
Fund balances - ending	\$ -	\$ -	\$ 289,858	\$ 289,858

County of King and Queen, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Special Revenue Fund  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,236	\$ 2,236
Miscellaneous	-	-	3,577	3,577
Intergovernmental revenues:				
Commonwealth	518,570	518,570	373,167	(145,403)
Total revenues	<u>\$ 518,570</u>	<u>\$ 518,570</u>	<u>\$ 378,980</u>	<u>\$ (139,590)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ -	\$ 99	\$ (99)
Health and welfare	762,500	762,500	536,062	226,438
Nondepartmental	100,000	100,000	-	100,000
Total expenditures	<u>\$ 862,500</u>	<u>\$ 862,500</u>	<u>\$ 536,161</u>	<u>\$ 326,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (343,930)</u>	<u>\$ (343,930)</u>	<u>\$ (157,181)</u>	<u>\$ 186,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 343,930	\$ 343,930	\$ 424,576	\$ 80,646
Transfers out	-	-	(457,451)	(457,451)
Total other financing sources and uses	<u>\$ 343,930</u>	<u>\$ 343,930</u>	<u>\$ (32,875)</u>	<u>\$ (376,805)</u>
Net change in fund balances	\$ -	\$ -	\$ (190,056)	\$ (190,056)
Fund balances - beginning	-	-	1,311,431	1,311,431
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,375</u>	<u>\$ 1,121,375</u>

County of King and Queen, Virginia  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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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	\$ 9,658	\$ 18,105	\$ 27,763
Total assets	<u>\$ 9,658</u>	<u>\$ 18,105</u>	<u>\$ 27,763</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 9,658	\$ -	\$ 9,658
Amounts held for others	-	18,105	18,105
Total liabilities	<u>\$ 9,658</u>	<u>\$ 18,105</u>	<u>\$ 27,763</u>

## County of King and Queen, Virginia

Fiduciary Funds  
Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 14,861	\$ 8,052	\$ 13,255	\$ 9,658
Liabilities:				
Amounts held for social services clients	\$ 14,861	\$ 8,052	\$ 13,255	\$ 9,658
<b>Soil and Erosion Deposit Escrow Fund:</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	\$ 32,966	\$ 8,052	\$ 13,255	\$ 27,763
Total assets	\$ 32,966	\$ 8,052	\$ 13,255	\$ 27,763
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Amounts held for social services clients	14,861	8,052	13,255	9,658
Total liabilities	\$ 32,966	\$ 8,052	\$ 13,255	\$ 27,763

*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*



County of King and Queen, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2011

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 47,149	\$ -	\$ 47,149
Due from other governmental units	981,083	53,174	1,034,257
Inventories	-	8,397	8,397
Prepaid items	45,208	-	45,208
Total assets	<u>\$ 1,073,440</u>	<u>\$ 61,571</u>	<u>\$ 1,135,011</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 109,907	\$ 4,479	\$ 114,386
Accrued liabilities	837,764	22,905	860,669
Due to other governmental units	125,769	-	125,769
Total liabilities	<u>\$ 1,073,440</u>	<u>\$ 27,384</u>	<u>\$ 1,100,824</u>
Fund balances:			
Nonspendable	\$ -	\$ 8,397	\$ 8,397
Restricted		25,790	25,790
Total fund balances	<u>\$ -</u>	<u>\$ 34,187</u>	<u>\$ 34,187</u>
Total liabilities and fund balances	<u>\$ 1,073,440</u>	<u>\$ 61,571</u>	<u>\$ 1,135,011</u>

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

Total fund balances per above	\$ 34,187
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,769,058
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(151,876)
Net assets of governmental activities	<u>\$ 3,651,369</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, 2011

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ -	\$ 133,079	\$ 133,079
Miscellaneous	212,548	-	212,548
Intergovernmental revenues:			
Local government	3,695,210	-	3,695,210
Commonwealth	4,214,676	5,427	4,220,103
Federal	1,818,809	312,349	2,131,158
Total revenues	<u>\$ 9,941,243</u>	<u>\$ 450,855</u>	<u>\$ 10,392,098</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 9,915,087	\$ 407,549	\$ 10,322,636
Debt service:			
Interest and other fiscal charges	500	-	500
Total expenditures	<u>\$ 9,915,587</u>	<u>\$ 407,549</u>	<u>\$ 10,323,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 25,656</u>	<u>\$ 43,306</u>	<u>\$ 68,962</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 25,656	\$ 25,656
Transfers out	(25,656)	-	(25,656)
Total other financing sources and uses	<u>\$ (25,656)</u>	<u>\$ 25,656</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 68,962	\$ 68,962
Fund balances - beginning	-	(34,775)	(34,775)
Fund balances - ending	<u>\$ -</u>	<u>\$ 34,187</u>	<u>\$ 34,187</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 \$ 68,962

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	\$ 136,215	
Depreciation expense	(254,818)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>298,887</u>	180,284

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	\$ 57	
Decrease (increase) in OPEB liability	<u>(30,325)</u>	(30,268)

Change in net assets of governmental activities \$ 218,978

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, 2011

	School Operating Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
Miscellaneous	\$ 218,980	\$ 218,980	\$ 212,548	\$	(6,432)
Intergovernmental revenues:					
Local government	4,239,188	3,811,351	3,695,210		(116,141)
Commonwealth	4,311,671	4,202,145	4,214,676		12,531
Federal	605,834	2,908,271	1,818,809		(1,089,462)
Total revenues	\$ 9,375,673	\$ 11,140,747	\$ 9,941,243	\$	(1,199,504)
EXPENDITURES					
Current:					
Education	\$ 8,930,867	\$ 11,123,778	\$ 9,915,087	\$	1,208,691
Debt service:					
Principal retirement	355,449	-	-		-
Interest and other fiscal charges	72,888	500	500		-
Total expenditures	\$ 9,359,204	\$ 11,124,278	\$ 9,915,587	\$	1,208,691
Excess (deficiency) of revenues over (under) expenditures	\$ 16,469	\$ 16,469	\$ 25,656	\$	9,187
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ (16,469)	\$ (16,469)	\$ (25,656)	\$	(9,187)
Total other financing sources and uses	\$ (16,469)	\$ (16,469)	\$ (25,656)	\$	(9,187)
Net change in fund balances	\$ -	\$ -	\$ -	\$	-
Fund balances - beginning	-	-	-		-
Fund balances - ending	\$ -	\$ -	\$ -	\$	-

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, 2011

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 141,000	\$ 141,000	\$ 133,079	\$ (7,921)
Intergovernmental revenues:				
Commonwealth	5,283	5,281	5,427	146
Federal	210,000	229,432	312,349	82,917
Total revenues	<u>\$ 356,283</u>	<u>\$ 375,713</u>	<u>\$ 450,855</u>	<u>\$ 75,142</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 372,752	\$ 392,182	\$ 407,549	\$ (15,367)
Total expenditures	<u>\$ 372,752</u>	<u>\$ 392,182</u>	<u>\$ 407,549</u>	<u>\$ (15,367)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,469)</u>	<u>\$ (16,469)</u>	<u>\$ 43,306</u>	<u>\$ 59,775</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 16,469	\$ 16,469	\$ 25,656	\$ 9,187
Total other financing sources and uses	<u>\$ 16,469</u>	<u>\$ 16,469</u>	<u>\$ 25,656</u>	<u>\$ 9,187</u>
Net change in fund balances	\$ -	\$ -	\$ 68,962	\$ 68,962
Fund balances - beginning	-	-	(34,775)	(34,775)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,187</u>	<u>\$ 34,187</u>

## *SUPPORTING SCHEDULES*

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,582,317	\$ 3,582,317	\$ 3,740,000	\$ 157,683
Real and personal public service corporation taxes	83,503	83,503	89,956	6,453
Personal property taxes	1,268,965	1,268,965	1,395,612	126,647
Mobile home taxes	28,478	28,478	30,889	2,411
Machinery and tools taxes	161,368	161,368	184,979	23,611
Merchant's capital taxes	25,811	25,811	23,841	(1,970)
Penalties	30,000	30,000	77,834	47,834
Interest	20,000	20,000	59,334	39,334
Total general property taxes	\$ 5,200,442	\$ 5,200,442	\$ 5,602,445	\$ 402,003
Other local taxes:				
Local sales and use taxes	\$ 108,000	\$ 108,000	\$ 169,238	\$ 61,238
Consumers' utility taxes	298,391	113,391	177,919	64,528
Motor vehicle licenses	186,926	186,926	204,707	17,781
Bank stock taxes	3,000	3,000	5,233	2,233
Taxes on recordation and wills	39,600	39,600	37,515	(2,085)
Total other local taxes	\$ 635,917	\$ 450,917	\$ 594,612	\$ 143,695
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 7,718	\$ 3,218
Land use application fees	5,000	5,000	11,267	6,267
Transfer fees	300	300	293	(7)
Permits and other licenses	41,790	41,790	54,220	12,430
Total permits, privilege fees, and regulatory licenses	\$ 51,590	\$ 51,590	\$ 73,498	\$ 21,908
Fines and forfeitures:				
Court fines and forfeitures	\$ 100,521	\$ 100,521	\$ 124,678	\$ 24,157
Revenue from use of money and property:				
Revenue from use of money	\$ 41,500	\$ 41,500	\$ 44,057	\$ 2,557
Revenue from use of property	19,890	19,890	141,055	121,165
Total revenue from use of money and property	\$ 61,390	\$ 61,390	\$ 185,112	\$ 123,722
Charges for services:				
Sheriff's fees	\$ 447	\$ 447	\$ 447	\$ -
Court costs	2,125	2,125	4,200	2,075
Court security fees	21,250	21,250	30,567	9,317
Courthouses maintenance fees	6,500	6,500	6,463	(37)
Charges for Commonwealth's Attorney	400	400	435	35
Landfill host fees	3,459,008	3,459,008	3,119,358	(339,650)
Charges for correction and detention	1,400	1,400	1,337	(63)
Total charges for services	\$ 3,491,130	\$ 3,491,130	\$ 3,162,807	\$ (328,323)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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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	\$ 60,000	\$ 60,000	\$ 115,766	\$ 55,766
Recovered costs:				
Advertising for delinquent taxes	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Drug enforcement restitution	-	-	607	607
Juror fees	2,700	2,700	2,397	(303)
Finance director shared services	44,713	44,713	36,941	(7,772)
Airport management services	-	-	16,453	16,453
School resource officer	20,000	20,000	20,000	-
Total recovered costs	\$ 72,413	\$ 72,413	\$ 76,398	\$ 3,985
Total revenue from local sources	\$ 9,673,403	\$ 9,488,403	\$ 9,935,316	\$ 446,913
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 10,000	\$ 10,000	\$ 21,129	\$ 11,129
Communications tax	-	185,000	182,946	(2,054)
Rolling stock tax	-	-	286	286
Spay and neuter programs	90	90	-	(90)
Additional tax on deeds	17,460	17,460	8,704	(8,756)
State recordation tax	-	-	16,338	16,338
Personal property tax relief funds	837,943	837,943	868,391	30,448
Reduction in aid to local governments	(41,000)	(51,994)	(51,994)	-
Total noncategorical aid	\$ 824,493	\$ 998,499	\$ 1,045,800	\$ 47,301
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 111,223	\$ 111,223	\$ 138,829	\$ 27,606
Sheriff	350,156	350,156	459,014	108,858
Commissioner of revenue	43,372	43,372	64,417	21,045
Treasurer	41,002	41,002	58,292	17,290
Registrar/electoral board	30,600	30,600	28,112	(2,488)
Clerk of the Circuit Court	90,882	90,882	139,675	48,793
Total shared expenses	\$ 667,235	\$ 667,235	\$ 888,339	\$ 221,104
Other categorical aid:				
Public assistance and welfare administration	\$ 394,431	\$ 394,431	\$ 352,813	\$ (41,618)
Emergency medical services - five for life	-	-	7,994	7,994
Emergency services grant	-	13,480	4,796	(8,684)
E-911 wireless grant	34,529	34,529	38,415	3,886
TEA21 grant	205,564	205,564	-	(205,564)
Litter control	500	500	5,910	5,410
Forest reserve funds	-	-	33,250	33,250
Arts grant	18,000	18,000	-	(18,000)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
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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 the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ -	\$ -	\$ 19,143	\$ 19,143
Spay/neuter program	-	-	108	108
Juror reimbursement	2,000	2,000	-	(2,000)
Total other categorical aid	\$ 655,024	\$ 668,504	\$ 462,429	\$ (206,075)
Total categorical aid	\$ 1,322,259	\$ 1,335,739	\$ 1,350,768	\$ 15,029
Total revenue from the Commonwealth	\$ 2,146,752	\$ 2,334,238	\$ 2,396,568	\$ 62,330
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 484,376	\$ 484,376	\$ 527,869	\$ 43,493
Transportation safety	12,500	12,500	9,190	(3,310)
Emergency preparedness grant	-	-	4,985	4,985
Total categorical aid	\$ 496,876	\$ 496,876	\$ 542,044	\$ 45,168
Total revenue from the federal government	\$ 496,876	\$ 496,876	\$ 542,044	\$ 45,168
Total General Fund	\$ 12,317,031	\$ 12,319,517	\$ 12,873,928	\$ 554,411
<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	\$ -	\$ -	\$ 2,236	\$ 2,236
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 3,577	\$ 3,577
Total revenue from local sources	\$ -	\$ -	\$ 5,813	\$ 5,813
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 518,570	\$ 518,570	\$ 373,167	\$ (145,403)
Total categorical aid	\$ 518,570	\$ 518,570	\$ 373,167	\$ (145,403)
Total revenue from the Commonwealth	\$ 518,570	\$ 518,570	\$ 373,167	\$ (145,403)
Total Special Revenue Funds	\$ 518,570	\$ 518,570	\$ 378,980	\$ (139,590)



County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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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	\$ -	\$ -	\$ 681	\$ 681
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ -	\$ 147,075	\$ 147,075	\$ -
Total capital projects	\$ -	\$ 147,075	\$ 147,756	\$ 681
Total Primary Government	\$ 12,835,601	\$ 12,985,162	\$ 13,400,664	\$ 415,502
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 218,980	\$ 218,980	\$ 212,548	\$ (6,432)
Total revenue from local sources	\$ 218,980	\$ 218,980	\$ 212,548	\$ (6,432)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 4,239,188	\$ 3,811,351	\$ 3,695,210	\$ (116,141)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 816,051	\$ 849,562	\$ 849,411	\$ (151)
Basic school aid	1,891,442	1,771,619	1,771,618	(1)
Remedial summer education	-	-	1,794	1,794
At risk payments	158,888	158,167	158,167	-
At risk four-year olds	147,734	130,946	130,946	-
Early reading intervention	6,801	8,501	8,501	-
Hold harmless composite index	306,206	289,131	289,131	-
ESL	4,531	8,760	8,760	-
Gifted and talented	18,383	18,260	18,260	-
Homebound	1,236	2,409	2,409	-
Career and technical education	3,726	3,926	2,494	(1,432)
SOL Algebra readiness	10,456	10,456	10,456	-
ISAEF	-	-	7,859	7,859
Remedial education	86,195	85,620	85,620	-
School fringes	200,986	199,645	199,645	-
Primary class size reduction	119,726	128,574	128,574	-
Special education	337,836	335,582	335,582	-
Middle school teacher corps	-	-	5,000	5,000

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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 Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Career switcher mentor grant	\$ 539	\$ 539	\$ -	\$ (539)
Textbook payment	21,463	21,319	21,320	1
Technology grant	128,000	128,000	128,000	-
Vocational education	51,472	51,129	51,129	-
Total categorical aid	\$ 4,311,671	\$ 4,202,145	\$ 4,214,676	\$ 12,531
Total revenue from the Commonwealth	\$ 4,311,671	\$ 4,202,145	\$ 4,214,676	\$ 12,531
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 209,000	\$ 449,410	\$ 344,933	\$ (104,477)
Title I - ARRA	-	17,574	15,724	(1,850)
Vocational education	16,500	15,776	11,600	(4,176)
School improvement grants cluster	-	936,984	591,028	(345,956)
21st century learning center	-	635,444	362,673	(272,771)
Title IV - Part A	-	(500)	-	500
Title VIB	237,000	238,190	238,190	-
Title II - Part D	2,000	2,208	157	(2,051)
Title II - Part D - ARRA	-	162	-	(162)
Jobs Bill funding	-	176,018	-	(176,018)
Preschool grant	16,600	30,812	4,827	(25,985)
Title II - Part A	58,000	80,954	29,215	(51,739)
Gear up	-	12,035	10,468	(1,567)
JROTC grant	66,734	66,734	67,895	1,161
State fiscal stabilization fund - ARRA	-	246,470	142,099	(104,371)
Total categorical aid	\$ 605,834	\$ 2,908,271	\$ 1,818,809	\$ (1,089,462)
Total School Operating Fund	\$ 9,375,673	\$ 11,140,747	\$ 9,941,243	\$ (1,199,504)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 141,000	\$ 141,000	\$ 133,079	\$ (7,921)
Total charges for services	\$ 141,000	\$ 141,000	\$ 133,079	\$ (7,921)
Total revenue from local sources	\$ 141,000	\$ 141,000	\$ 133,079	\$ (7,921)

County of King and Queen, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

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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 Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 5,283	\$ 5,281	\$ 5,427	\$ 146
Total categorical aid	\$ 5,283	\$ 5,281	\$ 5,427	\$ 146
Total revenue from the Commonwealth	\$ 5,283	\$ 5,281	\$ 5,427	\$ 146
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 210,000	\$ 229,432	\$ 290,801	\$ 61,369
Commodities	-	-	21,548	21,548
Total categorical aid	\$ 210,000	\$ 229,432	\$ 312,349	\$ 82,917
Total revenue from the federal government	\$ 210,000	\$ 229,432	\$ 312,349	\$ 82,917
Total School Cafeteria Fund	\$ 356,283	\$ 375,713	\$ 450,855	\$ 75,142
Total Discretely Presented Component Unit - School Board	\$ 9,731,956	\$ 11,516,460	\$ 10,392,098	\$ (1,124,362)

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

**Schedule 2**  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 51,480	\$ 51,480	\$ 38,671	\$ 12,809
General and financial administration:				
County administrator	\$ 258,779	\$ 258,017	\$ 229,197	\$ 28,820
Information Technology	67,890	73,875	47,843	26,032
Legal services	118,501	118,501	113,905	4,596
Commissioner of revenue	215,037	207,344	196,434	10,910
Independent Auditor	38,100	38,100	32,539	5,561
Treasurer	241,514	230,760	200,892	29,868
General reassessment	30,000	67,100	53,049	14,051
Other general and financial administration	223,789	228,759	210,139	18,620
Total general and financial administration	\$ 1,193,610	\$ 1,222,456	\$ 1,083,998	\$ 138,458
Board of elections:				
Electoral board and officials	\$ 34,399	\$ 34,399	\$ 28,359	\$ 6,040
Registrar	63,983	64,306	60,775	3,531
Total board of elections	\$ 98,382	\$ 98,705	\$ 89,134	\$ 9,571
Total general government administration	\$ 1,343,472	\$ 1,372,641	\$ 1,211,803	\$ 160,838
Judicial administration:				
Courts:				
Circuit court	\$ 2,650	\$ 2,650	\$ 2,037	\$ 613
General district court	9,385	12,885	12,435	450
Special Magistrates	1,700	1,700	336	1,364
Juvenile and domestic relations court	15,171	15,171	9,242	5,929
Ninth District Court services unit	88,065	88,065	43,946	44,119
Victim witness assistance	3,773	3,773	2,111	1,662
Clerk of the circuit court	233,329	233,975	222,113	11,862
Total courts	\$ 354,073	\$ 358,219	\$ 292,220	\$ 65,999
Commonwealth's attorney:				
Commonwealth's attorney	\$ 205,163	\$ 205,581	\$ 192,850	\$ 12,731
Total judicial administration	\$ 559,236	\$ 563,800	\$ 485,070	\$ 78,730
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,216,452	\$ 1,293,424	\$ 1,226,375	\$ 67,049
Fire and rescue services:				
Fire department	\$ 138,000	\$ 138,000	\$ 139,143	\$ (1,143)
Ambulance and rescue services	60,900	80,900	80,900	-
Radio communications	145,547	145,547	102,199	43,348
Emergency medical services	663	663	663	-
Forestry services	11,852	11,852	11,852	-
Total fire and rescue services	\$ 356,962	\$ 376,962	\$ 334,757	\$ 42,205

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

**Schedule 2**  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Payments to Regional Jail	\$ 313,077	\$ 460,157	\$ 460,157	\$ -
Inspections:				
Building	\$ 102,483	\$ 102,914	\$ 91,990	\$ 10,924
Total inspections	\$ 102,483	\$ 102,914	\$ 91,990	\$ 10,924
Other protection:				
Animal control	\$ 103,986	\$ 102,786	\$ 103,334	\$ (548)
Emergency services	57,051	70,746	53,840	16,906
Medical examiner	200	200	40	160
Total other protection	\$ 161,237	\$ 173,732	\$ 157,214	\$ 16,518
Total public safety	\$ 2,150,211	\$ 2,407,189	\$ 2,270,493	\$ 136,696
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 510,521	\$ 510,521	\$ 445,373	\$ 65,148
Maintenance of general buildings and grounds:				
General properties	\$ 222,058	\$ 230,273	\$ 182,601	\$ 47,672
Total public works	\$ 732,579	\$ 740,794	\$ 627,974	\$ 112,820
Health and welfare:				
Health:				
Supplement of local health department	\$ 55,727	\$ 55,727	\$ 55,019	\$ 708
Mental health and mental retardation:				
Community services board	\$ 18,739	\$ 18,739	\$ 18,739	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,120,835	\$ 1,120,835	\$ 1,088,030	\$ 32,805
Disability Services Board	1,800	1,800	1,800	-
Other Social Services	69,127	69,127	53,608	15,519
Total welfare	\$ 1,191,762	\$ 1,191,762	\$ 1,143,438	\$ 48,324
Total health and welfare	\$ 1,266,228	\$ 1,266,228	\$ 1,217,196	\$ 49,032
Education:				
Other instructional costs:				
Contributions to Community College	\$ 4,417	\$ 4,417	\$ 4,417	\$ -
Contribution to County School Board	4,239,188	3,811,351	3,695,210	116,141
Total education	\$ 4,243,605	\$ 3,815,768	\$ 3,699,627	\$ 116,141

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Library:				
Contribution to county library	\$ 181,588	\$ 181,588	\$ 178,911	\$ 2,677
Total parks, recreation, and cultural	\$ 181,588	\$ 181,588	\$ 178,911	\$ 2,677
Community development:				
Planning and community development:				
Planning and zoning	\$ 168,091	\$ 168,522	\$ 158,803	\$ 9,719
Wetlands board	3,250	3,250	1,508	1,742
Board of zoning appeals	4,000	4,000	922	3,078
Airport authority	57,000	57,000	62,689	(5,689)
Economic development	101,292	101,507	52,442	49,065
Tea-21 grant	205,571	205,571	1,530	204,041
Planning commission	19,300	19,300	14,231	5,069
Total planning and community development	\$ 558,504	\$ 559,150	\$ 292,125	\$ 267,025
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	500	1,000	(500)
RC & D Program	727	727	727	-
Total environmental management	\$ 10,901	\$ 10,901	\$ 11,401	\$ (500)
Cooperative extension program:				
Extension office	\$ 31,565	\$ 31,565	\$ 24,374	\$ 7,191
Total community development	\$ 600,970	\$ 601,616	\$ 327,900	\$ 273,716
Nondepartmental:				
Contingencies	\$ 316,709	\$ 91,858	\$ 3,700	\$ 88,158
Capital projects:				
Capital projects	\$ 380,106	\$ 538,002	\$ 294,119	\$ 243,883
Total capital projects	\$ 380,106	\$ 538,002	\$ 294,119	\$ 243,883
Debt service:				
Principal retirement	\$ 160,000	\$ 531,646	\$ 519,152	\$ 12,494
Interest and other fiscal charges	82,397	138,588	151,082	(12,494)
Total debt service	\$ 242,397	\$ 670,234	\$ 670,234	\$ -
Total General Fund	\$ 12,017,101	\$ 12,249,718	\$ 10,987,027	\$ 1,262,691

County of King and Queen, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

**Schedule 2**  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Fund:</b>				
Public Safety:				
Sheriff:				
Other protection:				
Forfeited assets	\$ -	\$ -	\$ 99	\$ (99)
Total public safety	\$ -	\$ -	\$ 99	\$ (99)
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 762,500	\$ 762,500	\$ 536,062	\$ 226,438
Total Welfare	\$ 762,500	\$ 762,500	\$ 536,062	\$ 226,438
Nondepartmental:				
Contingencies	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Total Special Revenue Fund	\$ 862,500	\$ 862,500	\$ 536,161	\$ 326,339
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
Capital projects expenditures	\$ 170,000	\$ 2,607,400	\$ 2,239,056	\$ 368,344
Total capital projects	\$ 170,000	\$ 2,607,400	\$ 2,239,056	\$ 368,344
Total Primary Government	\$ 13,049,601	\$ 15,719,618	\$ 13,762,244	\$ 1,957,374
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, health and attendance	\$ 660,870	\$ 662,220	\$ 612,395	\$ 49,825
Instruction costs	6,364,161	8,450,286	7,432,695	1,017,591
Pupil transportation	832,485	962,243	937,731	24,512
Operation and maintenance of school plant	1,073,351	1,049,029	932,266	116,763
Total education	\$ 8,930,867	\$ 11,123,778	\$ 9,915,087	\$ 1,208,691
Debt service:				
Principal retirement	\$ 355,449	\$ -	\$ -	\$ -
Interest and other fiscal charges	72,888	500	500	-
Total debt service	\$ 428,337	\$ 500	\$ 500	\$ -
Total School Operating Fund	\$ 9,359,204	\$ 11,124,278	\$ 9,915,587	\$ 1,208,691
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 372,752	\$ 392,182	\$ 386,001	\$ 6,181
Commodities	-	-	21,548	(21,548)
Total school food services	\$ 372,752	\$ 392,182	\$ 407,549	\$ (15,367)
Total education	\$ 372,752	\$ 392,182	\$ 407,549	\$ (15,367)
Total School Cafeteria Fund	\$ 372,752	\$ 392,182	\$ 407,549	\$ (15,367)
Total Discretely Presented Component Unit - School Board	\$ 9,731,956	\$ 11,516,460	\$ 10,323,136	\$ 1,193,324

## *OTHER STATISTICAL INFORMATION*



Table 1

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

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

(1) Information has only been available for nine years.

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Sale of Capital Assets	Total
2003	\$ 3,129,826	\$ 2,583,936	\$ -	\$ 3,742,322	\$ 726,073	\$ 184,514	\$ 49,874	\$ 864,765	\$ -	\$ 11,281,310
2004	3,958,017	2,213,309	-	3,838,869	769,121	145,519	61,558	857,587	-	11,843,980
2005	4,005,883	2,142,695	147,075	3,506,866	739,518	242,467	14,818	735,777	-	11,535,099
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

(1) Information has only been available for nine years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2002	\$ 812,883	\$ 366,491	\$ 1,288,428	\$ 607,554	\$ 1,177,694	\$ 9,024,141	\$ 123,568	\$ 530,005	\$ -	\$ 1,132,230	\$ 15,062,994
2003	800,175	379,645	1,659,147	664,287	1,129,216	9,026,197	139,890	767,820	-	2,591,359	17,157,736
2004	866,892	404,297	1,519,464	638,435	1,253,724	8,975,418	142,565	537,646	-	1,186,181	15,524,622
2005	906,020	416,189	1,621,304	722,307	1,311,835	9,661,559	145,303	384,770	-	802,156	15,971,443
2006	1,020,584	450,736	1,521,395	691,646	1,612,480	10,687,468	156,708	434,857	-	784,383	17,360,257
2007	1,062,685	480,250	1,833,305	752,922	1,758,135	11,077,211	160,436	306,923	-	761,325	18,193,192
2008	1,165,088	581,038	1,933,856	725,509	2,112,770	11,665,106	179,708	822,467	-	733,279	19,918,821
2009	1,258,270	493,137	2,125,239	747,643	2,042,172	11,228,294	205,937	456,520	-	714,627	19,271,839
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097	198,307	554,621	-	696,343	18,086,194
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053	178,911	327,900	3,700	670,734	17,856,995

(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
2002	\$ 3,737,447	\$ 717,479	\$ 54,833	\$ 85,869	\$ 201,407	\$ 3,056,150	\$ 46,261	\$ 60,614	\$ 8,003,448	\$ 15,963,508
2003	3,929,844	726,073	85,300	111,954	184,878	3,212,548	139,631	110,828	8,670,381	17,171,437
2004	3,836,016	769,121	66,377	63,343	145,924	3,986,533	71,994	201,961	8,171,551	17,312,820
2005	3,874,708	739,518	75,202	102,723	242,748	3,968,571	36,599	8,528	8,912,482	17,961,079
2006	4,190,947	764,145	118,990	105,093	447,708	3,779,573	203,545	60,359	9,802,473	19,472,833
2007	5,340,444	787,448	134,266	101,128	674,966	4,197,600	339,068	44,329	8,947,946	20,567,195
2008	5,249,624	819,271	108,920	101,754	652,520	4,414,084	287,826	9,664	10,224,591	21,868,254
2009	5,477,519	762,763	63,144	133,051	306,633	4,110,956	659,419	26,630	10,300,393	21,840,508
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618	329,555	85,994	9,683,574	20,443,564
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886	331,891	76,398	9,663,040	19,949,796

(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
2002	\$ 4,460,411	\$ 4,116,684	92.29%	\$ 174,019	\$ 4,290,703	96.20%	\$ 722,440	16.20%
2003	4,484,481	4,315,671	96.24%	220,556	4,536,227	101.15%	639,704	14.26%
2004	4,639,387	4,384,467	94.51%	145,549	4,530,016	97.64%	593,409	12.79%
2005	4,574,883	4,287,799	93.72%	190,552	4,478,351	97.89%	387,592	8.47%
2006	4,901,390	4,932,516	100.64%	221,878	5,154,394	105.16%	311,139	6.35%
2007	6,612,760	5,974,714	90.35%	226,213	6,200,927	93.77%	320,540	4.85%
2008	6,088,486	5,876,877	96.52%	175,231	6,052,108	99.40%	370,897	6.09%
2009	6,303,965	6,078,961	96.43%	182,195	6,261,156	99.32%	390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Personal Property and Mobile Homes (1)										Machinery and Tools		Merchant's Capital		Public Utility (2)		Total
	Real Estate (1)		Homes (1)		Tools		Capital		Real Estate								
2002	\$	338,178,000	\$	50,626,633	\$	12,930,995	\$	1,752,356	\$	18,378,366	\$	421,866,350					
2003		440,057,150		51,809,484		12,145,955		1,837,043		22,863,960		528,713,592					
2004		446,957,421		55,139,132		12,820,775		1,972,554		21,848,271		538,738,153					
2005		452,075,800		47,747,134		18,462,245		2,231,252		18,643,060		539,159,491					
2006		460,207,178		59,836,243		16,532,922		2,314,788		16,787,331		555,678,462					
2007		470,862,472		63,592,087		15,608,585		2,899,704		13,875,616		566,838,464					
2008		759,696,379		65,245,642		15,612,800		3,072,540		19,571,641		863,199,002					
2009		773,289,533		68,747,403		15,684,710		2,826,694		17,160,338		877,708,678					
2010		784,602,233		66,823,674		15,441,892		4,179,900		18,311,989		889,359,688					
2011		781,893,148		69,095,920		16,141,065		3,656,050		18,456,483		889,242,666					

(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
2002	\$ 0.75	\$ 3.94	\$ 0.65	\$ 0.99
2003	0.58	3.94	0.65	0.99
2004	0.58	3.94	0.65	0.99
2005	0.58	3.94	0.65	0.99
2006	0.58	3.94	0.65	0.99
2007	0.76	3.94	0.65	0.99
2008	0.48	3.94	0.65	0.99
2009	0.48	3.94	0.65	1.10
2010	0.48	3.94	0.65	1.10
2011	0.48	3.94	0.65	1.10

(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)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2002	6,630	421,866,350	4,489,373	-	-	4,489,373	1.06%	677
2003	6,630	528,713,592	4,048,055	-	-	4,048,055	0.77%	611
2004	6,630	538,738,153	3,343,840	-	-	3,343,840	0.62%	504
2005	6,630	539,159,491	2,989,993	-	-	2,989,993	0.55%	451
2006	6,630	555,678,462	2,631,195	-	-	2,631,195	0.47%	397
2007	6,630	566,838,464	2,277,104	-	-	2,277,104	0.40%	343
2008	6,630	863,199,002	1,927,405	-	-	1,927,405	0.22%	291
2009	6,630	877,708,678	1,571,654	-	-	1,571,654	0.18%	237
2010	6,945	889,359,688	1,214,975	-	-	1,214,975	0.14%	175
2011	6,945	889,242,666	855,823	-	-	855,823	0.10%	123

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

(2) From Table 6.

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

(4) In accordance with the provisions of annexation settlements.



## *COMPLIANCE SECTION*

# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King and Queen, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated January 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control Over Financial Reporting*

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

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

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

### Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the County of King and Queen, Virginia, in a separate letter dated January 16, 2012.

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
January 16, 2012

# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Compliance

We have audited County of King and Queen, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of King and Queen, Virginia's major federal programs for the year ended June 30, 2011. The County of King and Queen, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of King and Queen, Virginia's management. Our responsibility is to express an opinion on the County of King and Queen, Virginia's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
January 16, 2012

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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	\$ 12,972
Temporary assistance for needy families	93.558	400109/0400110	83,742
Refugee and entrant assistance - state administered programs	93.566	500109/500110	269
Low-income home energy assistance	93.568	600409/00600410	8,571
<b>Child care and development cluster:</b>			
Child care and development block grant	93.575	770109/0770110	15,924
Child care mandatory and matching funds of the child care and development fund	93.596	760109/0760110	36,615
ARRA - Child care and development block grant	93.713	740109/0780109	3,014
Chafee education and training vouchers	93.599	9160108/9130109	95
Stephanie Tubbs Jones Child welfare services program	93.645	900109/090110	361
Foster care - Title IV-E	93.658	1100109/1100110	72,815
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	1,989
Sub-total CFDA 93.658			<u>\$ 74,804</u>
Adoption assistance	93.659	1120109/11201110	6,841
ARRA - Adoption assistance	93.659	1120109/11201110	59
Sub-total CFDA 93.659			<u>\$ 6,900</u>
Social services block grant	93.667	1000109/1000110	50,459
Chafee foster care independence program	93.674	9150109/9150110	2,244
Children's health insurance program	93.767	540109/0540110	4,305
Medical assistance program	93.778	1200109/1200110	83,938
Total Department of Health and Human Services			<u>\$ 384,213</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
<b>Child Nutrition Cluster:</b>			
Food distribution	10.555	17901-45707	\$ 21,548
Department of Education:			
National school lunch program	10.555	17901-40623	199,235
Sub-total CFDA 10.555			<u>\$ 220,783</u>
Department of Education:			
School breakfast program	10.553	17901-40591	91,566
Department of Social Services:			
<b>SNAP Cluster:</b>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	10109/0010110	139,866
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	40109/0040110	3,790
Sub-total CFDA 10.561			<u>\$ 143,656</u>
Total Department of Agriculture			<u>\$ 456,005</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency management performance grant	97.042	77501-52749	<u>\$ 4,985</u>

County of King and Queen, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600	60507-59250/50192	\$ 9,190
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	\$ 67,895
Department of Education:			
Pass Through Payments:			
Department of Education:			
<b>Title I, Part A Cluster:</b>			
Title I grants to local educational agencies	84.010	17901-42901	\$ 344,933
ARRA - Title I grants to local educational agencies	84.389	17901-42913	15,724
<b>Special Education Cluster:</b>			
Special education - grants to states	84.027	17901-43071	238,190
Special education - preschool grants	84.173	17901-62521	4,827
Career and technical education - basic grants to states	84.048	17901-61095/61159	11,600
21st century community learning centers	84.287	17901-60565	362,673
<b>Education Technology State Grants Cluster:</b>			
Education technology state grants	84.318	17901-61600	157
ARRA - Education technology state grants	84.386	17901-60897	157
Gear up grant	84.334	17117-0	10,468
Improving teacher quality state grants	84.367	17901-61480	29,058
<b>School Improvement Grants Cluster:</b>			
School improvement grants	84.377	17901-43040	4,076
ARRA - School improvement grants	84.388	17901-43040	586,952
ARRA - State fiscal stabilization fund - education state grants	84.394	17901-62532	142,099
Total Department of Education			\$ 1,750,914
Total Expenditures of Federal Awards			\$ 2,673,202

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, 2011

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Note A - 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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of King and Queen, Virginia.

Note B - 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 C - 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	\$ 542,044
Total primary government	<u>\$ 542,044</u>

Component Unit Public Schools:

School Operating Fund	\$ 1,818,809
School Cafeteria Fund	312,349
Total component unit public schools	<u>\$ 2,131,158</u>

Total federal expenditures per basic financial statements	<u>\$ 2,673,202</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,673,202</u></u>
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County of King & Queen, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants
84.377/84.388	School Improvement Grants Cluster
84.287	Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? ✓ yes \_\_\_\_\_ no

**Section II-Financial Statement Findings**

None

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

None

County of King and Queen, Virginia

Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2011

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There were no prior year findings and questioned costs.