

2013

County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2013
www.kingwilliamcounty.us



(Cover photo of the Pamunkey River and narrative courteously of Joe Topham)

This photo was taken a few hundred yards from a wide, marsh-lined “island” set far back from any road along the river. Once a peninsula in the Pamunkey River, “The Island” was cut off from the south either by an earthquake or major flood, just in time to escape the fate of being deemed a part of Hanover County by the Virginia Assembly.



THE PAMUNKEY RIVER

The Pamunkey River is named for a tribe within Powhatan’s Confederacy who occupied the lower section of the river when Captain John Smith made his first exploration of the stream in 1609. The Pamunkey Indians were among the most powerful tribes in Powhatan’s Confederacy, and played a significant role in the initial interactions with English settlers in the early 17th Century.

The cover photo was taken a few hundred yards from a wide, marsh-lined island set far back from any road along the river which Chief Opechancanough (Powhatan’s brother and successor) used as his headquarters during his war with the English in 1644. Because of the remoteness of “The Island”, as it is called today, he was able to remain undiscovered amongst the thick marshland of this section of the Pamunkey. It took Governor William Berkley’s forces several months to locate and ultimately capture the warrior-chief, who was estimated to be between 90 and 100 years old at the time. Chief Opechancanough was later killed by an English guard while interned at Jamestown, and this uprising marked the final major Anglo-Powhatan struggle as a peace treaty between the Pamunkey Indians and the Governor of Virginia would be signed two years later.

During the Civil War, Union General George McClellan used White House Landing on the lower Pamunkey, ancestral home of Martha Custis Washington and owned at the time by the Lee family, as the supply depot for his entire 110,000 soldier army. All food, military equipment and weaponry was transported up the York River from the Chesapeake Bay and offloaded at this site, and transported via the Richmond & York River Railroad to the front lines on Richmond’s east end. Upon being unnerved by Confederate attacks around Mechanicsville, McClellan decided to hastily abandon this site in July of 1862, burning all that could not be taken and moving the depot to a more easily defended position on the James River. To this day, the wooden remains of some of these sunken transport ships can be seen at low tide along the southern shore.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2013

Prepared by:

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

**COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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2013

County of King William, Virginia



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Introductory Section

INTRODUCTORY SECTION

Letter of Transmittal

Directory of Principle Officials

Organization of the County

Certificate of Achievement for Excellence in
Financial Reporting—2012

King William County Government and Public Schools



FINANCE DEPARTMENT

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January 15, 2014

To the Honorable Chairman and Members of the King William County Board of Supervisors, Chairman and Members of the King William County School Board, and Citizens of King William County, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the County) for the fiscal year ended June 30, 2013. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

This report consists of management's representations concerning the finances of the County. Consequently, responsibility for both the accuracy of the data, and the completeness and reliability of the information presented in this report rests with management. To the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

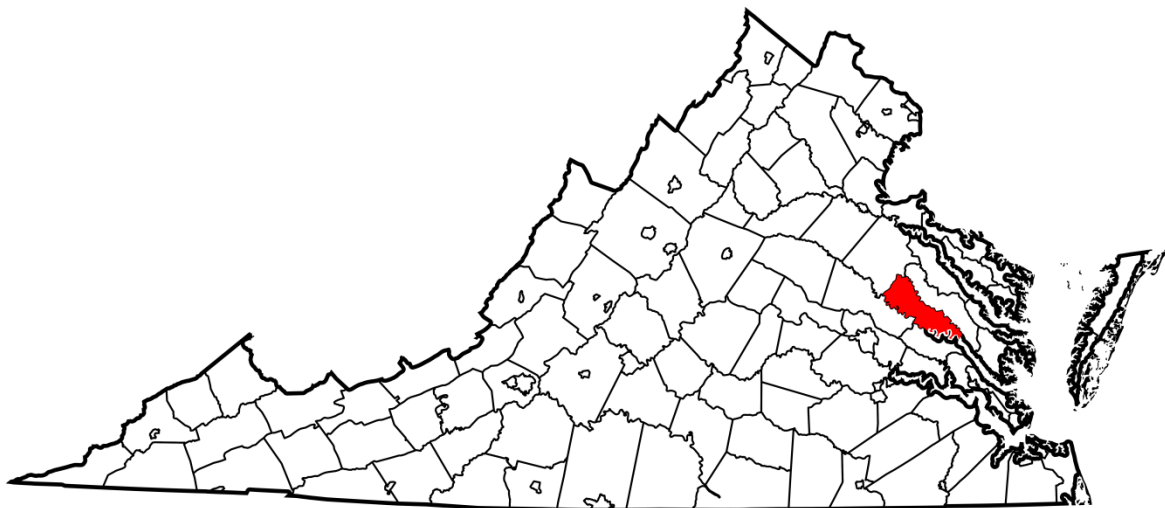
The County's financial statements have been audited by the firm of PBMares, LLP, a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditor's Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the County was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are presented in the Compliance Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A is included in the Financial Section of this report immediately following the report of the independent auditors.

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Population growth has hovered around 1.7%, in the past ten years. The population increased to the current level of 16,014 in 2012. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



The County seat is located in central King William County. King William County includes the town of West Point. The County provides certain governmental services, such as court and social services to the town residents pursuant to general provisions of the *Code of Virginia*. Properties in the town are subject to both town and county taxation.

Government

King William County operates under the traditional (modified) Board of Supervisors/County Administrator form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which establishes policies for the administration of the County. The Board of Supervisors consists of five members representing the five magisterial districts in the County: Aylett, Manquin, Mangohick, Courthouse/Sweethall, and West Point. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors and directs business and administrative procedures within the County government.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Sheriff, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Treasurer, and the Commissioner of the Revenue.

The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All resources required to support these services are reflected in this report.

School Board

King William County is financially accountable for a legally separate school district, which is reported separately with the financial statements as a component unit. The King William County Public Schools (KWCPS) is the single largest service provided by the County. The mission of King William County Public Schools is to "provide rigorous instruction in a challenging atmosphere to meet the educational needs of all students by supporting the efforts of the professional team and encouraging community involvement." The 21st century vision for King William County Schools is outlined in its comprehensive six-year plan, Moving Into the 21st Century: Critical Thinking, Communicating, Collaborating, Creativity. Based upon the research of what works in schools and school divisions and best instructional practices, six principle goals have been developed to guide student academic growth and achievement.

District Goal 1: King William County Public Schools will provide support for all students to achieve above state and national averages as measured by administered assessments.

District Goal 2: All students will graduate from high school with plans for post-secondary study or workforce training.

District Goal 3: All students in King William County Public Schools will be reading on grade level by the time they reach middle school.

District Goal 4: King William County Schools will increase partnerships between parents, teachers, students and administrators to enhance effective communication and participation.

District Goal 5: King William County Public Schools will provide staff development to meet the learning needs of all students as measured by a 2% increase in the annual Standard of Learning (SOL) pass rate.

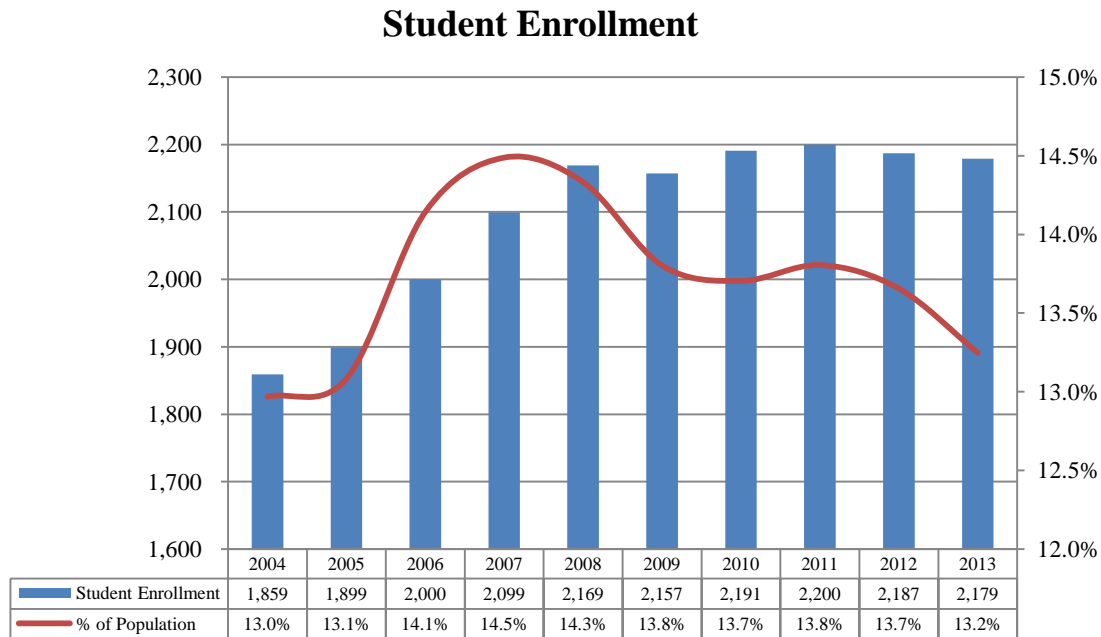
District Goal 6: King William County Public Schools will increase student achievement in all Annual Measurable Objective (AMO) groups using inquiry-based learning through integration of math, science and technology (STEM) as evidenced by performance levels on benchmark and state-level testing by June 2015.

The division was one of thirty-six out of one-hundred thirty-two divisions that had all schools meet state accreditation benchmarks and one of eighteen out of one-hundred thirty-two that met the federal AMO benchmark. The school division's one-time graduation rate is ninety-three percent.

The elected School Board is comprised of five members who represent four magisterial districts and one at-large district. The School Board members serve a term of four years, with the chairman and vice chairman of the board selected annually by the members.

The School Board appoints a superintendent to administer the policies of the school board. The school system is comprised of a high school, a middle school, an elementary school, and a primary school.

The following chart shows student enrollment from 2004 to 2013. Student enrollment as compared to the total population of King William County has been declining since 2007, but an upward trend is projected in future years.



Source: Statistical Table 13

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In January, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in March and the proposed operating and capital budgets in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. Prior to April, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the General Fund is provided in this report in Schedules 20 and 21.

The *Code of Virginia* requires the appointed Superintendent of the KWCPS to submit a budget to the County Board of Supervisors with approval of the School Board. The Superintendent submits a budget plan to the School Board for review in February and the School Board discusses the budget plan in a series of work sessions and public hearings. In February, the School Board adopts its requested budget and forwards it to the County for inclusion in the County Administrator's proposed budget plan. The County Board of Supervisors reviews the School Board's budget during the month of March, and determines the level of funding for the Schools by the end of the month. If the requested level of funding is less than requested, the budget is reworked by the KWCPS staff in coordination with the School Board to develop and adopt a revised budget. The approved budget is the basis for operating KWCPS in the next fiscal year.

Factors Affecting Financial Condition

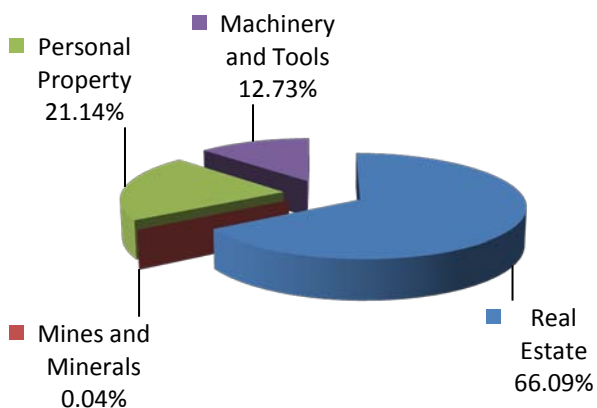
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which King William County operates.

Local economy

King William County's housing economy has been significantly impacted by the turmoil in the national housing market in comparison to the unprecedented growth that has characterized the region in past years. After witnessing double-digit annual increases in home values, the local real estate housing market today continues to be impacted by the challenging economic environment.

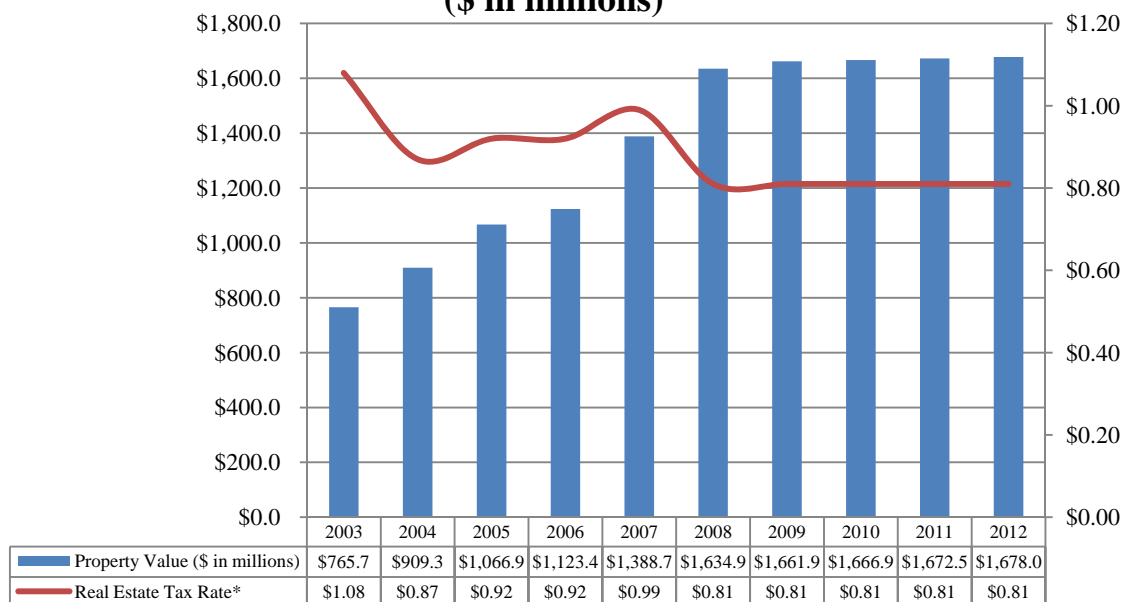
The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2010, effective January 1, 2011. It reflected a similar taxable real property values from the 2008 reassessment, with a three-year average of \$1,654.6 million from 2008 to 2010 and \$1,672.5 million in 2011 to the current. Property values are slightly up to \$1,678 million in 2013 and are expected to show slow growth in the coming year. In 2013 the general property taxes of the County were derived from real estate (including mobile homes), personal property (including airplanes), machinery and tools, and mines and minerals.

Due to a change in school taxing methodology with the town of West Point, the real property tax rate was slightly lowered from 2012, to 79 cents per \$100 of assessed value in calendar year 2013. The following graph shows varying property values and corresponding tax rates for the last ten years.



Source: Commissioner of Revenue Reports

Taxable Residential and Commercial Property Value (\$ in millions)



Source: Statistical Table 6

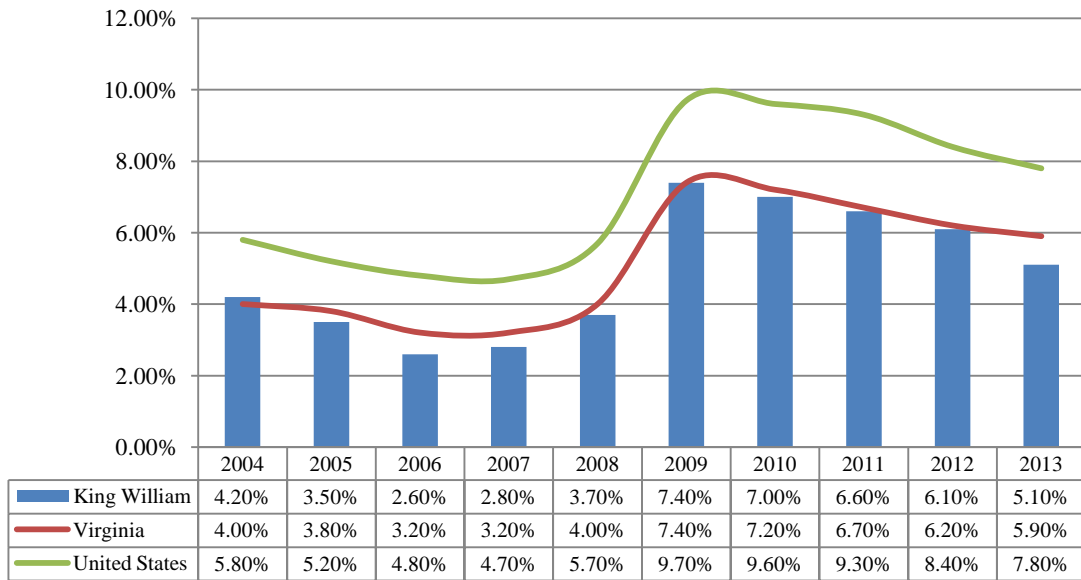
* Per \$100 of assessed value

Machinery and tools tax rate was adjusted down \$0.20 in calendar year 2013, to help promote a more business friendly environment for current County employers. The collection rate for property tax levies, within the fiscal year of the levy, continued to decrease in fiscal year 2013 to 82.09% from 85.01% in fiscal year 2012.

Several key economic indicators show that the County's economy has showed signs of improvement from the recent downturn. Community development fees in 2013 were up 11.1% from 2012. New residential construction permits continued to improve during 2013. Sales tax collections continue to experience year-over-year increases, up 3.9% in 2013 and are partly the result of an increase in taxable sales over the prior year with improvement in the key areas of building materials and farm supplies. Median home sale prices have also shown improvement in 2013, as have the number of home sales and higher volume of active listings. Finally, the number of new business licenses issued grew in 2013.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. As of 2011, 73.8% of the County's total population was employed (11,816 out of 16,014). According to 2011 data obtained from the U.S. Census Bureau and the Virginia Employment Commission, approximately 66.8% of the County's employed workers commute to work outside the County. About 28% of these commuters are traveling to Hanover, Henrico, or Richmond. The County's unemployment rate is 5.1% as of June 2013. This figure is below last year's rate of 6.1% and Virginia's unemployment rate of 5.9% and well below the National unemployment rate of 7.8%. This reflects slight job growth, as the economy continues its slow recovery from the recent economic downturn of 2009 through 2011.

Unemployment Rates

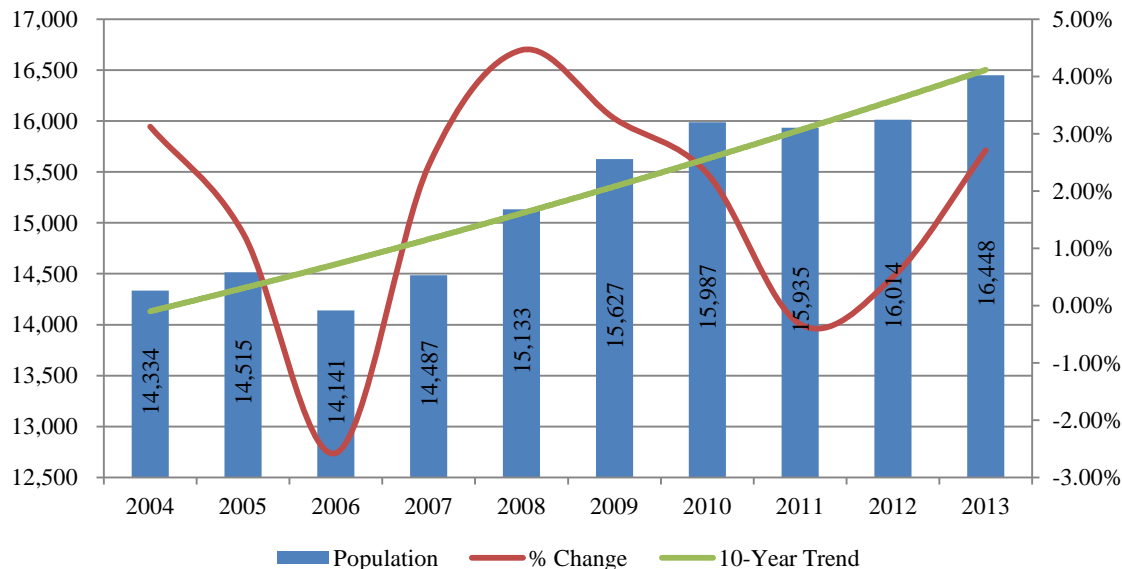


Source: U.S. Bureau of Labor Statistics - October, 2013 (not seasonally adjusted)

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 14.7%, with an average annual growth rate of about 1.7%, though there is a high degree of fluctuation in the rate from year to year. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.

Population Growth



Source: Statistical Table 13

The primary goal of the County's economic development efforts is to assist existing businesses as they grow and expand within the County. The majority of businesses in King William County are small, with 91.3% having fewer than 20 employees. In fiscal year 2013, there were 6 new startup firms in the County.

Below is the additional highlight of economic development benefits since 2012:

- Nestle Purina Kitty Litter Plant announced a \$4 million expansion in 2013, and has approved site plans and building permits issued and the work is progressing

The County's commitment to maintaining the rural character of King William is captured in the Comprehensive Plan where the "industrial and commercial zoned" acreage amounts to slightly more than 1.5% of total County acreage.

Fund Structure Revisions

Fiscal year 2013 marked the first year of revisions to the County's fund structure. These changes arose from discussions during the fiscal year 2014 Budget and the need to capture more information about restricted fees, utility profits and losses, and grant tracking. Fiscal year 2014 will have more changes to current fund structure, and changes have appeared to fiscal year 2013 financial statements (Exhibit 3).

Long-term financial planning

County policies balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capabilities of the County to provide for those needs. The six-year Capital Improvement Program (CIP) submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay.

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2014-2019 capital budget for new County and School projects totals \$30.1 million. These projects include:

- ☐ \$28.4 million for school system projects
 - ☐ \$23.0 million for new school and auditorium in fiscal year 2018
- ☐ \$1.7 million for the county government

The current CIP defers expenditures where possible and recommends funding consistent with the Board of Supervisors' financial policies. The fiscal year 2014 Capital Improvement Fund budget totals \$792,000 (cash funding) for the plan, which included a vehicle replacement program, bus replacements, roof and road repairs at County facilities, and HVAC and security system improvement at schools.

The Planning Commission of King William County is currently revising the Comprehensive Plan to ensure adequate planning as the County continues to grow. The plan will acknowledge the importance of balancing agriculture, urban development, and conservation uses.

Relevant financial policies

The Board of Supervisors discussed a fund balance management policy for the County's General Fund during the fiscal year 2014 Budget process. The policy would set the minimum level of unassigned fund balance required for the General Fund and define "rainy day" withdrawal criteria which would provide for enhanced financial planning and stability.

Investments of available funds are made according to a formal Investment Policy that seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget.

Implementation of New Accounting Requirements

In fiscal year 2013 the County implemented GASB Statements No. 60 through No. 64, as applicable. In fiscal year 2014, the County will implement GASB Statements No. 65, No. 66, and No. 67, as applicable. GASB Statement No. 68, No. 69, and No. 70 will be implemented in fiscal year 2015. Additional information relative to the Statements is contained in Note 14 to the Financial Statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

This report was prepared by the staff of the Finance Department. Their hard work, dedication, and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County Treasurer, the Commissioner of the Revenue, and the many other County departments and agencies that contributed to the preparation of this report.

The Comprehensive Annual Financial Report reflects the commitment of the Board of Supervisors and County administration to the citizens of King William County and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,



Trenton L. Funkhouser
County Administrator



Troy Bingham
Finance Services Manager

COUNTY OF KING WILLIAM, VIRGINIA

Directory of Principal Officials
June 30, 2013

Board of Supervisors

Travis J. Moskalski, Chairman

Stephen K. Greenwood
C. T. Redd, III

Terry S. Stone
Otto O. Williams

County Administrator

Trenton L. Funkhouser

School Board

Leigh Hubbard, Chair
Steven M. Tupponce, Vice Chair

Bryan K. Major

Lindsay M. Robinson

Kathy H. Morrison

Superintendent of Schools

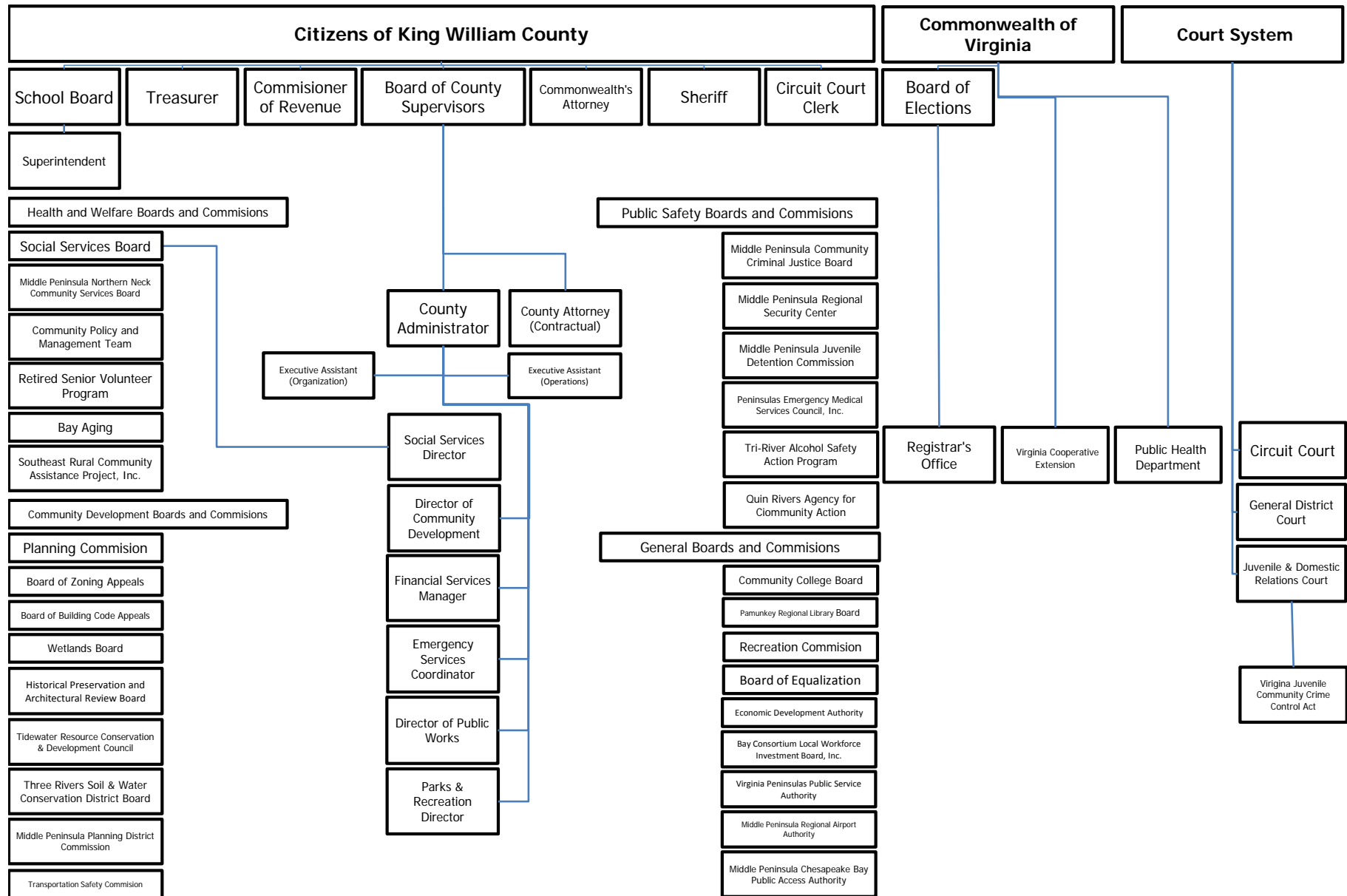
Dr. Mark R. Jones

Other Officials

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

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

County of King William Organization Chart FY13





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

2013 County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2013
www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

Supplemental Schedules

Financial Section



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, the County restated net position to record developer donated capital assets and associated developer credits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-17 and 61-62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
January 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2013. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2013 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$30.3 million at June 30, 2013, which represents an increase of \$3.9 million, or 14.7%, from June 30, 2012. Of this amount, \$5.8 million is classified as unrestricted net position and may be used to meet the government's ongoing obligations to citizen's and creditors.
- The total cost of the County's programs or governmental activities, was \$22.8 million, an increase of \$1.4 million, or 6.7% from the prior year's cost of \$21.4 million. Total revenues for governmental activities increased 10.0% to \$25.0 million from the prior year.
- Net position of the County's governmental activities increased by \$2.2 million from the prior year, as compared to an increase of \$1.3 million in fiscal year 2012.
- At June 30, 2013, the County has \$28.5 million (\$28.1 million in unpaid principal balance and \$409 thousand in premium and deferrals) of long-term debt outstanding. This includes \$11.2 million of general obligation bonds, \$10.9 million of revenue bonds, \$3.5 million of capital leases related to assets on the books, and \$2.2 million of state literary fund loans
- The School Board component unit has positive net position of \$17.7 million at June 30, 2013, which represents an increase of \$1.7 million, or 10.9% from the prior year. Revenues, including the County contribution, totaled \$24.5 million, an increase of 2.4% from the prior year, and expenses totaled \$22.8 million, a decrease of 0.7% from the prior year. The decrease in revenue is due primarily to a decrease in Commonwealth and Federal decreases of \$249 thousand that were not fully replaced by the County or by other local revenues.
- As of June 30, 2013, the County governmental funds reported combined fund balances of \$8.9 million, an increase of \$3.3 million from the prior year. The County's General fund had a total fund balance of \$6.8 million at June 30, 2013. Of the General Fund fund balance, \$1.9 million, or 28.1% is restricted fund balance for debt service, \$2.0 million, or 30.8% is committed for fund balance, \$2.6 million, or 38.5% is unassigned fund balance, and the remaining is non-spendable fund balance.
- General fund revenues were \$1.4 million over the amended budget. Expenditure savings of \$1.3 million were recognized by County Departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance.

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2012 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.

- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

This management discussion and analysis, which is preceded by the Independent Auditor's Report, is intended to serve as an introduction to the Financial Section of the CAFR. It is followed by three additional parts – the basic financial statements, required supplementary information, and the combining and individual fund statements and schedule.

The Independent Auditor's Report reflects the results of the external audit. The auditor expresses an opinion on whether the financial statements have been presented in conformity with Generally Accepted Accounting Principles (GAAP).

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements and the fund financial statements present different views of the County. These two types of statements are discussed in more detail in the following sections.

The required supplementary information includes this discussion and analysis, the Schedule of Funding Progress for the Virginia Retirement System, and the Other Postemployment Benefits Program (OPEB) (Exhibit 9).

Finally, the combining and individual fund statements and schedules are included, which present individual statements for major funds other than the General Fund and combining statements for non-major governmental funds, fiduciary funds, and the component unit as well as other supporting schedules.

Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how it has changed during the fiscal year. These statements provide both short-term and long-term information about the County's overall financial status.

The Statement of Net Position (Exhibit 1) presents information on all of the County's assets and liabilities, including governmental activities and School Board activities. Net position is the residual amount remaining after liabilities are deducted from the balance of assets, and provides a measure of the County's financial health, or financial condition. Over time, changes in the net position may serve as an indicator of whether the County's financial condition is improving or declining. Other non-financial factors will also need to be considered, such as changes in the County's property tax base and the condition of the County's facilities.

The Statement of Activities (Exhibit 2) presents information using the accrual basis of accounting, and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in this statement, regardless of when cash is received or paid. The Statement of Activities presents expenses before revenues to emphasize that the government's revenues are generated for the express purpose of providing services.

In the government-wide financial statements, the County's activities are divided into three categories:

- **Governmental activities:** Most of the County's basic services are reported here, including general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants.
- **Component unit:** The County has one component unit for which it is financially accountable, the King William County Public Schools (School Board). A primary government is accountable for an organization if the organization is fiscally dependent and the organization is capable of imposing financial benefits or burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funding for its operation. The School Board is a legally separate entity and is discretely presented in this annual financial report. Additional information on the component unit can be found in Note 1 of the Notes to Financial Statements section of this report.

Fund Financial Statements

These statements focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenues and expenses for particular purposes. The County currently has two kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in governmental funds, which focus on (1) in flows and out flows of cash and other financial assets that can be readily converted to cash and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The County has two major funds, the General Fund and the Capital Projects Fund. The General Fund is the main operating account of the County and therefore, the largest of the governmental funds. The Capital Projects Fund is used to account for major capital projects, primarily construction related. It provides control over resources that have been segregated for specific capital projects.
- **Fiduciary Funds** – Fiduciary funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's fiduciary funds consist of special welfare funds fund, and Virginia Juvenile Community Crime Control Act (VJCCCA) agency funds. The funds are used to account for monies received, held, and disbursed on behalf of special welfare children, and other local governments.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

King William County Summary of Net Position (\$ in millions)						
Table 1	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2013	2012*	2013	2012	2013	2012*
Assets:						
Current and other assets	\$ 22.4	\$ 18.8	\$ 4.8	\$ 3.8	\$ 27.2	\$ 22.6
Capital assets	32.9	33.1	16.2	15.2	49.1	48.3
Total assets	55.3	51.9	21.0	19.0	76.3	70.9
Liabilities:						
Current liabilities	13.8	13.6	2.9	2.7	16.7	16.3
Long-term liabilities	28.9	27.9	0.4	0.3	29.3	28.2
Total liabilities	42.7	41.5	3.3	3.0	46.0	44.5
Net position:						
Net investment in capital assets	4.3	5.3	16.2	15.2	20.5	20.5
Restricted	4.0	0.1	-	-	4.0	0.1
Unrestricted	4.3	5.0	1.5	0.8	5.8	5.8
Total net position	\$ 12.6	\$ 10.4	\$ 17.7	\$ 16.0	\$ 30.3	\$ 26.4
Table 1 may differ from Exhibit 1 due to rounding.						
*Restated from prior year.						

The Reporting Entity: The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement No. 61, *Financial Reporting Entity, Omnibus*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

The total reporting entity, which includes the School Board component unit, had positive net position of \$30.3 million at June 30, 2013. Net position increased from the prior year by \$3.9 million, which reflects current year expenditures exceeding revenues by this amount.

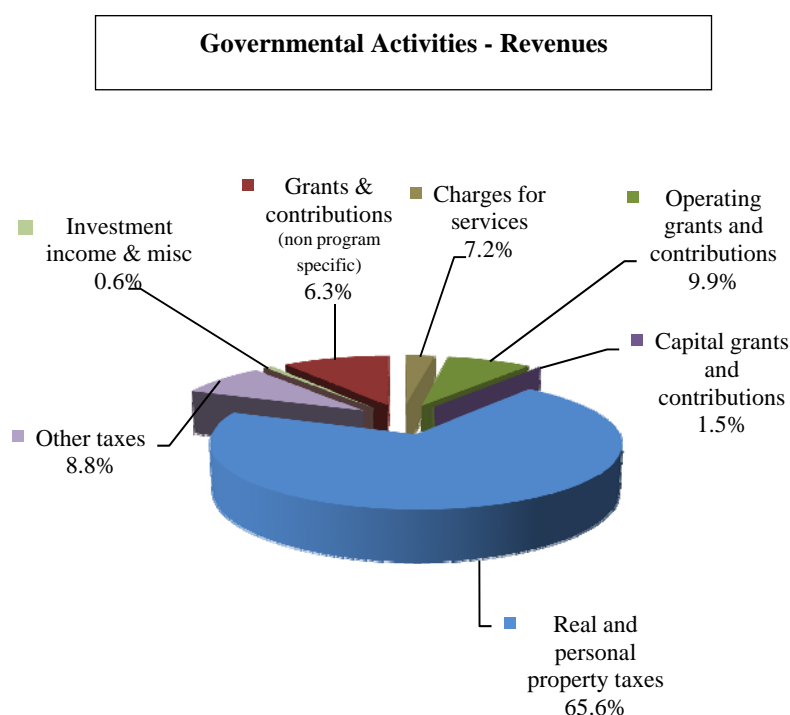
The Primary Government: The primary government had net position of \$12.6 million at June 30, 2013, which reflects an increase of \$2.2 million from the prior year. The largest portion of net position, \$4.3 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$8.3 million, and is mainly the result of the primary government issuing debt in past years to finance assets capitalized on the books of other entities. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2013 totaled \$28.5 million (which includes \$.7 million in premium). Refer to Note 7 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position increased by \$2.2 million compared to an increase of \$1.3 million in fiscal year 2012.

Revenues from governmental activities for fiscal year 2013 totaled \$25.0 million, an increase of \$2.3 million from fiscal year 2012. Taxes comprise the largest source of revenues, totaling \$18.2 million, of which general property taxes account for \$16.4 million, or 65.6%, of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$4.7 million, or 18.6% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$1.6 million, or 6.3% of revenues.

Real and personal property tax revenue increased by \$929 thousand, primarily attributable to the 2013 change in the "split tax" levy with the town of West Point.

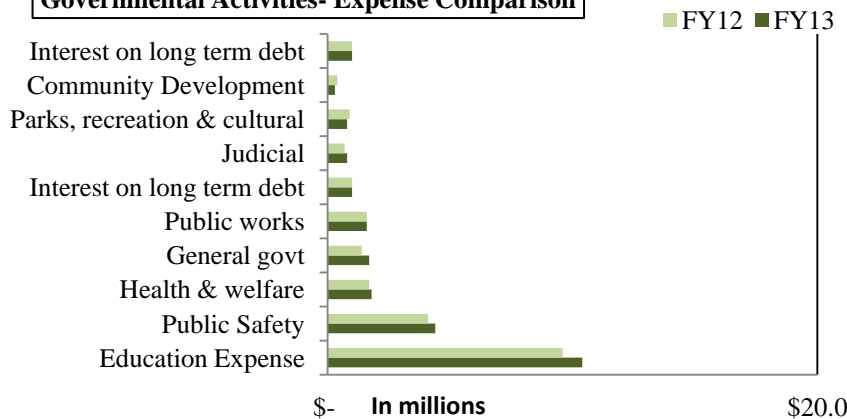


Local sales and use tax revenue, and recordation taxes remained the same as the prior year. Business license tax revenue increased \$67 thousand or 24.5% due to growth in the local economy from the prior year. Charges for services and grants and contributions saw increases of \$0.9 million and \$0.4 million, respectively.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2013 and 2012.

Table 2 King William County Change in Net Position (\$ in millions)						
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$1.8	\$0.9	\$0.6	\$0.7	\$2.4	\$1.6
Operating grants and contributions	2.5	2.5	12.6	12.9	15.1	15.4
Capital grants and contributions	0.4	-	-	-	0.4	-
General revenues:						
Real and personal property taxes	16.4	15.4	11.2	10.3	27.6	25.7
Other taxes	1.8	1.8	-	-	1.8	1.8
Other	0.5	0.5	0.1	0.1	0.6	0.6
Grants and contributions (non program specific)	1.6	1.6	-	-	1.6	1.6
Total revenues	25.0	22.7	24.5	24.0	49.5	46.7
Expenses						
General government	1.7	1.4	-	-	1.7	1.4
Judicial	0.8	0.7	-	-	0.8	0.7
Public safety	4.4	4.1	-	-	4.4	4.1
Public works	1.6	1.6	-	-	1.6	1.6
Health and welfare	1.8	1.7	-	-	1.8	1.7
Education	10.4	9.6	22.8	23.0	33.2	32.6
Parks, recreation and cultural	0.8	0.9	-	-	0.8	0.9
Community development	0.3	0.4	-	-	0.3	0.4
Interest on long-term debt	1.0	1.0	-	-	1.0	1
Total expenses	22.8	21.4	22.8	23.0	45.6	44.4
Change in net position	2.2	1.3	1.7	1.0	3.9	2.3
Beginning net position, restated	10.4	9.1	16.0	15.0	26.4	24.1
Ending net position	\$12.6	\$10.4	\$17.7	\$16.0	\$30.3	\$26.4
Table 2 may differ from Exhibit 2 due to rounding.						

Governmental Activities- Expense Comparison



Total expenses for governmental activities for this fiscal year were \$22.8 million, an increase of 6.7% from \$21.4 million in fiscal year 2012. The increase of \$1.4 million is primarily due to increase in expenses for Education of \$0.8 million, Public Safety of \$0.3 million, and General Government of \$0.3 million. These increases are attributed to the following:

- Increase in education expenses was primarily due to continued restoration of staff and restarting of stalled project at the schools after the 2008 budget cuts due to the recession.
- Increase in Public Safety expenses was primarily due to increased cost of additional aid for an ailing volunteer fire department trying to stay open.
- Increase in General Government expenses was primarily due to construction of groundwater monitor well nest for the Virginia Department of Environmental Quality and general inflation for services and materials for the year.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$10.4 million, or 45.7%, of total expenses. Public safety expenses, which total \$4.4 million or 19.1%, represent the second largest expense category for governmental activities.

Governmental Activities- Functional Expenses For the Fiscal Year Ended June 30, 2013

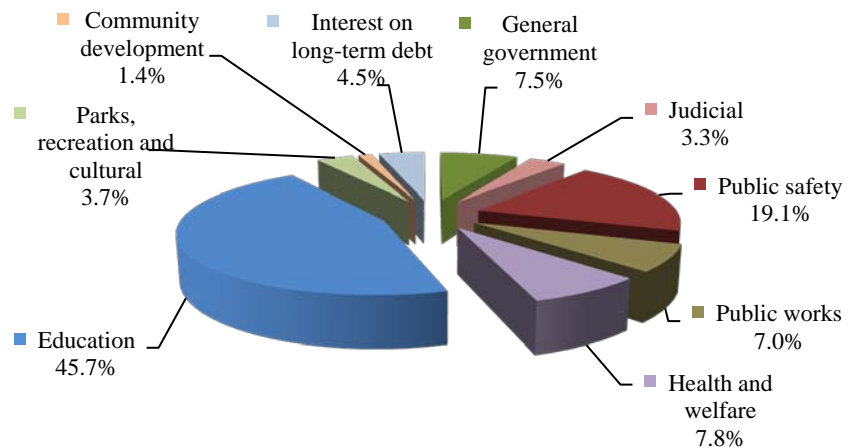


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the government services, thereby lessening the burden on the County's taxpayers. The County generates charges for services primarily from fees for certain court services, public safety fees, community development services, and parks and recreation activities. The County obtains grants primarily for public safety, health and welfare, and judicial administration. Net costs reflect the cost for which tax revenues support the services provided by the County government.

Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2013 and 2012 (\$ in millions)					
	Total Cost of Services		Net Cost of Services		
	2013	2012	2013	2012	
General government	\$ 1.7	\$ 1.4	\$ 1.5	\$ 1.2	
Judicial	0.8	0.7	0.4	0.3	
Public safety	4.4	4.1	2.8	2.9	
Public works	1.6	1.6	1.1	1.5	
Health and welfare	1.8	1.7	0.7	0.6	
Education	10.4	9.6	9.8	9.5	
Parks, recreation and cultural	0.8	0.9	0.7	0.7	
Community development	0.3	0.4	0.2	0.3	
Interest on long-term debt and other	1.0	1.0	1.0	1.0	
Total	\$ 22.8	\$ 21.4	\$ 18.2	\$ 18.0	

Table 3 may differ from Exhibit 2 due to rounding

After recognizing the effect of revenue from these fees, grants, and contributions of \$4.6 million, the net cost of governmental activities was \$18.2 million, compared to a total cost of \$22.8 million.

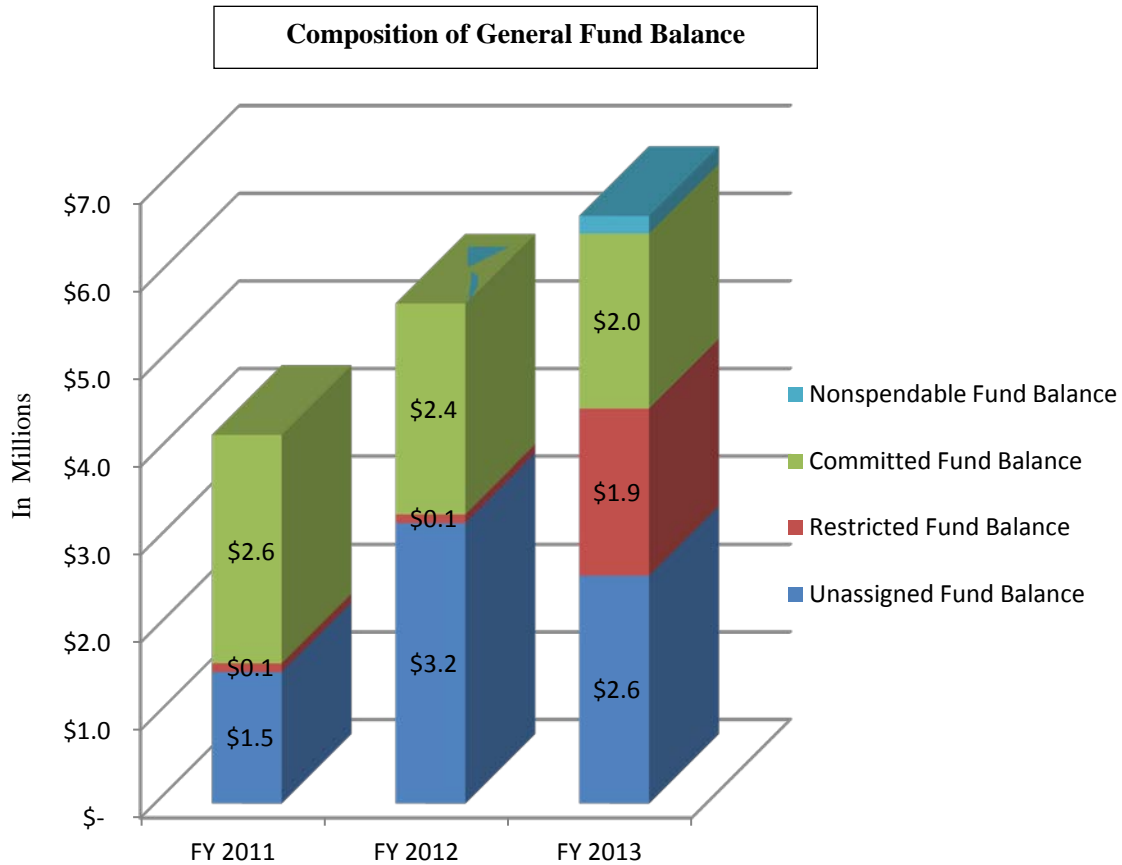
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds: As of June 30, 2013, the County's governmental funds reported a combined ending fund balance of \$8.9 million (Exhibit 3), an increase of \$3.3 million as compared with the prior year. This increase is primarily due to capital lease proceeds that were not spent at the end of the fiscal year. The Capital Projects Fund reported a total fund balance of \$2.1 million, an increase of \$2.2 million from the prior year.

Other significant outlays in fiscal year 2013 included the following:

- The General Fund contributed \$8.8 million in operating funds to finance the Schools operations.
- The Capital Project Fund incurred \$1.8 million in capital outlay primarily for the public safety radio system projects.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$2.6 million (Exhibit 3). This represents 10.5% of general operating revenues budgeted for the coming year in the General Fund. This ten percent is identified as the minimum amount needed to safeguard the County's financial stability. At this level, when combined with committed and nonspendable fund balances, provides the County with sufficient funds to operate approximately two months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last three fiscal years.



GENERAL FUND BUDGETARY HIGHLIGHTS

Table 4 provides a comparison of original budget, final amended budget, and actual revenues and expenditures in the General Fund.

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2013 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 17.3	\$ 17.3	\$ 18.6
Other	0.8	0.8	1.0
Intergovernmental	4.0	4.0	4.0
Total revenues	<u>22.1</u>	<u>22.1</u>	<u>23.6</u>
<u>Expenditures</u>			
Expenditures	<u>26.3</u>	<u>23.7</u>	<u>22.5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4.2)</u>	<u>(1.6)</u>	<u>1.1</u>
<u>Other financing sources (uses)</u>			
Transfers in	3.3	0.5	0.5
Transfers out	-	(0.5)	(0.5)
Total other financing sources (uses)	<u>3.3</u>	<u>-</u>	<u>-</u>
Change in fund balance	\$ <u>(0.9)</u>	\$ <u>(1.6)</u>	\$ <u>1.1</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

During the year, budget amendments approved by the Board of Supervisors could be classified in the following key categories:

- Amendments for operating and capital projects that were incomplete in the prior fiscal year and subsequently re-appropriated in the new fiscal year.
- Amendments for supplemental appropriation for new projects and/or change orders for prior approved projects.
- Amendments for transfers and adjustments to support revised priorities and account code restructuring.

Final amended budget revenues remained constant from the original budget, but actual revenues were \$1.5 million over the amended budget due mainly to increased general property taxes collected from the town of West Point for 2013 with a change in taxation methodology. Actual expenditures for the General Fund totaled \$22.5 million or \$1.2 million less than the amended budget. Savings are due to County departmental efforts to control spending and County staff looking at contracts and regional partners for additional savings.

CAPITAL ASSETS AND LONG-TERM DEBT

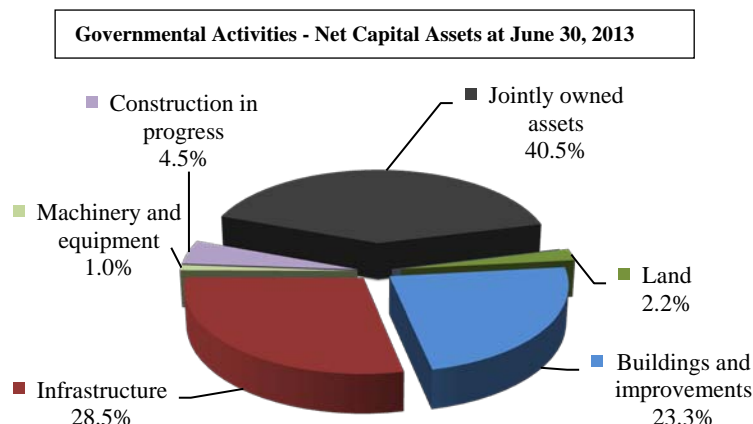
Capital Assets

The County's capital assets include items such as public safety equipment, buildings, parks and recreation facilities, libraries, and public works vehicles, and equipment.

Table 5						
King William County						
Capital Assets						
(\$ in millions)						
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2013	2012	2013	2012	2013	2012
Land	\$ 0.7	\$ 0.7	\$ 0.1	\$ 0.1	\$ 0.8	\$ 0.8
Buildings and improvements	10.7	10.4	5.3	5.3	16.0	15.7
Equipment	2.1	2.2	3.4	2.9	5.5	5.1
Jointly owned assets	16.8	18.5	21.8	20.2	38.6	38.7
Land improvements	-	-	.1	-	.1	-
Infrastructure	13.2	12.9	0.3	0.3	13.5	13.2
Construction In progress	1.5	-	-	-	1.5	-
Total Capital Assets	45.0	44.7	31.0	28.8	\$76.0	\$73.5
Less: Accumulated depreciation/ amortization	(12.1)	(11.6)	(14.8)	(13.6)	(26.9)	(25.2)
Net Capital Assets	\$32.9	\$33.1	\$16.2	\$15.2	\$49.1	\$48.3
<i>Table 5 may differ from Note 6 due to rounding.</i>						

As of June 30, 2013, the total reporting entity had net capital assets of \$49.1 million in capital assets, an increase of \$0.8 million from the prior year. This increase is due primarily to additions to construction in progress, offset by depreciation expense of \$1.7 million for the reporting entity.

For governmental activities, the County's investment in non-depreciable assets totaled \$2.2 million, while depreciable assets totaled \$30.7 million (net of depreciation). Total net capital assets for governmental activities decreased by \$0.2 million, or 0.9% from the prior year to \$32.9 million. The decrease is due to depreciation expense for governmental activities exceeding additions of capital assets in the current year.



During fiscal year, the following additions were made to capital assets:

- The School Board component unit paid off \$ 1.6 million in debt on jointly owned assets which resulted in transfer from the capital assets governmental activities to capital assets of the school board. The School Board also added new buses for \$0.4 million in machinery and equipment.
- Governmental activity additions include \$1.5 million in additions to construction in progress for the public safety radio hardware project and \$0.5 million in improvements and infrastructure for the water utility system.

More information on the capital assets can be found in Note 6 in the Notes to Financial Statements Section of this report.

Long-term Obligations

Table 6 provides an overview of the long term obligations for the primary government.

Table 6				Summary of Changes in Long-Term Obligations (\$ in millions)			
		July 1, 2012		Net Increase (Decrease)		June 30, 2013	
Governmental Activities:							
General obligation bonds	\$	12.3	\$	(1.1)	\$	11.2	
(less deferred amount on refunding)							
Revenue bonds		11.2		(0.3)		10.9	
(less deferred amount on refunding)							
State literary fund loans		2.7		(0.5)		2.2	
Capital leases		0.6		2.9		3.5	
County's premium on bonds		0.7		-		0.7	
Subtotal		<u>27.5</u>		<u>1.0</u>		<u>28.5</u>	
Compensated absences		<u>0.2</u>		<u>0.1</u>		<u>0.3</u>	
Total long-term obligations	\$	<u>27.7</u>	\$	<u>1.1</u>	\$	<u>28.8</u>	

Table 6 may differ from Note 7 due to rounding.

As of June 30, 2013, the County's governmental activities had long-term obligations totaling \$28.8 million, of which \$28.5 million represents indebtedness related to capital leases, long term commitments, and issuances of bonds on behalf of the County and the School Board component unit. This represents an increase of \$1.1 million, or 4.0% in long-term obligations from the prior year. The increase is due primarily to the following activities during the fiscal year:

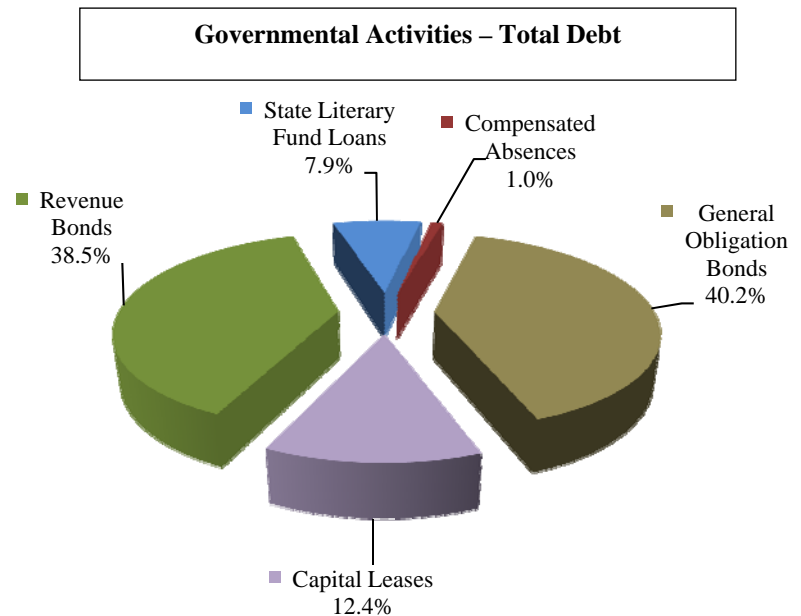
- On December 6, 2012, the County entered into a capital lease agreement in the amount of \$3 million for the acquisition and installation of emergency 911 communications equipment and facilities and improvements to the County's water utility system.
- The County retired \$1.9 million (including premium and deferred amounts) of principal related to capital leases, revenue bonds, state literary fund loans, and general obligation bonds.
- Compensated absences increased by \$0.1 from the prior year, as employee balances increased at the County and schools.

More information on the County's long-term obligations is presented in Note 7, Notes to Financial Statements Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for the King William County in June 2013 was 5.1%, down 1.0% from June 2012. This compares favorably to the State's average rate of 5.6% and the National average rate of 7.7%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,448, an increase of 2.7% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report.
- The enrollment in public schools decreased in fiscal year 2013 from 2,187 to 2,179. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$38,882 as of 2011, compared to \$47,126 for the Commonwealth of Virginia, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.



Fiscal Year 2014 Budget and Rates

- For fiscal year 2014, the adopted budget for the General Fund is \$24.8 million, an increase of 5.7% from fiscal year 2013. Revenues are comprised primarily of general property taxes at 76.6%, other local taxes at 9.0%, permits, privilege fees, regulatory licenses, and fines at 0.6%, State assistance at 11.6%, use of money at 0.3%, and other revenues at 1.9%.
- In fiscal year 2014, the County's contribution to the School Board component unit is \$10.3 million which includes the County's contribution to the School Board's operating fund of \$7.9 million and \$2.4 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 41.5% of the General Fund appropriations. The percentage of General Fund appropriations supporting Schools is 0.3% more than fiscal year 2013.
- Public safety accounts for 16.6% of appropriations in fiscal year 2014, the second largest component of budgeted expenditures.
- The tax rate for real property decreased \$0.02 to \$0.79 per \$100 of assessed value for the portion of the County not in the town of West Point and increased \$0.52 to \$0.79 per \$100 of assessed value for the portion of the County in the town of West Point for fiscal year 2014. The town of West Point did receive payments of \$3.2 million for their schools, to defray the tax increase consistent with Virginia Code §22.1-114. Detail on the tax rates is provided in Table 6, Statistical Section of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of King William County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Financial Services Manager, King William County, 180 Horse Landing Road, PO Box 215, King William, VA 23086 telephone (804) 769-4929, or visit the County's website at www.kingwilliamcounty.us.

BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 1

Page 1

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Current Assets		
Deposits and investments	\$ 3,250,439	\$ 4,279,111
Receivables (net of allowances for uncollectibles)		
Property taxes, including penalties	8,649,362	-
Accounts receivable	285,206	23,698
Due from other governments	1,023,969	501,562
Prepaid items	177,025	20,459
Land held for sale	4,015,297	-
Restricted cash	4,940,793	-
Total current assets	22,342,091	4,824,830
Financing costs, net of accumulated amortization	135,027	-
Capital assets, net of accumulated depreciation and amortization		
Land	723,098	76,340
Buildings and improvements	10,654,887	5,310,684
Equipment	2,074,303	3,370,551
Jointly owned assets	16,861,757	21,795,067
Land improvements	-	106,268
Infrastructure	13,215,178	294,167
Intangibles	9,800	-
Construction in progress	1,464,520	-
Less: accumulated depreciation and amortization	(12,136,031)	(14,781,999)
Total capital assets	32,867,512	16,171,078
Total assets	55,344,630	20,995,908

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government Governmental Activities	Component Unit School Board
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 697,157	\$ 411,022
Accrued liabilities	9,349	2,059,648
Contingency - land held for sale	4,015,297	-
Due to other governments	129,542	-
Deposits	15,800	-
Unearned revenue	8,434,529	89,770
Insurance and benefit claim	-	300,000
Accrued interest payable	513,742	-
Total current liabilities	13,815,416	2,860,440
Noncurrent Liabilities		
Due within one year:		
Bonds payable	1,333,395	-
Literary loans	434,200	-
Capital leases	315,805	-
Compensated absences	190,404	137,465
Due in more than one year:		
Bonds payable, net	21,469,889	-
Literary loans	1,802,432	-
Capital leases	3,213,130	-
Compensated absences	95,202	68,732
Other postemployment benefits	103,845	241,302
Total noncurrent liabilities	28,958,302	447,499
Total liabilities	42,773,718	3,307,939
NET POSITION		
Net investment in capital assets	4,298,661	16,171,078
Restricted:		
Debt service	1,905,275	-
Capital projects	2,119,358	-
Unrestricted	4,247,618	1,516,891
Total net position	\$ 12,570,912	\$ 17,687,969

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government administration	\$ 1,720,020	\$ 20,000	\$ 196,912	\$ -	
Judicial administration	758,278	26,855	374,720	-	
Public safety	4,363,690	697,301	852,544	26,842	
Public works	1,591,495	141,297	9,342	335,875	
Health and welfare	1,769,339	-	1,028,244	-	
Education	10,430,356	642,225	-	-	
Parks, recreation and cultural	848,196	109,886	21,668	5,800	
Community development	325,122	167,649	-	-	
Interest	1,037,029	-	-	-	
Total governmental activities	\$ 22,843,525	\$ 1,805,213	\$ 2,483,430	\$ 368,517	

Component Unit:

School Board - education	\$ 22,828,441	\$ 579,753	\$ 12,673,858	\$ 10,945
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General Revenues:

General property taxes
 Grants and contributions not restricted to specific programs
 Local sales and use
 Consumer utility
 Business license taxes
 Motor vehicle license taxes
 Recordation and wills
 Other
 Revenue from use of money and property
 Miscellaneous

Total general revenues

Change in net position

Net position, beginning, as restated

Net position, ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Primary Government	Component Unit
Governmental Activities	School Board
\$ (1,503,108)	\$ -
(356,703)	-
(2,787,003)	-
(1,104,981)	-
(741,095)	-
(9,788,131)	-
(710,842)	-
(157,473)	-
(1,037,029)	-
(18,186,365)	-
-	(9,563,885)
16,393,302	-
1,571,449	11,232,245
776,602	-
230,314	-
342,712	-
369,895	-
171,486	-
318,584	-
98,719	2,606
56,674	65,068
20,329,737	11,299,919
2,143,372	1,736,034
10,427,540	15,951,935
<u>\$ 12,570,912</u>	<u>\$ 17,687,969</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 3,233,256	\$ 17,183	\$ -	\$ 3,250,439
Receivables, net of allowances for uncollectibles:				
Property taxes, including penalties	8,649,362	-	-	8,649,362
Accounts receivable	285,206	-	-	285,206
Due from other governments	980,448	43,521	-	1,023,969
Prepaid items	177,025	-	-	177,025
Land held for sale	4,015,297	-	-	4,015,297
Restricted cash	1,905,275	3,034,999	519	4,940,793
Total assets	\$ 19,245,869	\$ 3,095,703	\$ 519	\$ 22,342,091
LIABILITIES				
Accounts payable	\$ 166,138	\$ 531,019	\$ -	\$ 697,157
Accrued liabilities	9,349	-	-	9,349
Contingency - land held for sale	4,015,297	-	-	4,015,297
Due to other governments	129,542	-	-	129,542
Deposits	15,800	-	-	15,800
Deferred revenue	8,121,244	445,845	-	8,567,089
Total liabilities	12,457,370	976,864	-	13,434,234
FUND BALANCES				
Nonspendable:				
Prepaid items	177,025	-	-	177,025
Restricted:				
Debt service	1,905,275	-	-	1,905,275
Capital projects	-	2,118,839	519	2,119,358
Committed:				
School operations and capital projects	1,833,640	-	-	1,833,640
Courthouse security	124,396	-	-	124,396
Courthouse maintenance	38,662	-	-	38,662
Regional animal shelter	9,680	-	-	9,680
Asset forfeiture- Sheriff	7,463	-	-	7,463
Asset forfeiture- Commonwealth Attorney	537	-	-	537
Four-for-life programs	11,201	-	-	11,201
Transportation	5,896	-	-	5,896
Recreation programs	13,353	-	-	13,353
EMS billings	38,297	-	-	38,297
Project lifesaver	4,034	-	-	4,034
D.A.R.E. program	202	-	-	202
Donation to Sheriff's department	4,034	-	-	4,034
Unassigned	2,614,804	-	-	2,614,804
Total fund balances	6,788,499	2,118,839	519	8,907,857
Total liabilities and fund balances	\$ 19,245,869	\$ 3,095,703	\$ 519	\$ 22,342,091

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

	Governmental Funds
Total fund balances - total governmental funds	\$ 8,907,857
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 45,003,543
Less: accumulated depreciation and amortization	(12,136,031)
Net capital assets	32,867,512
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	
Property taxes	1,402,877
Developer agreements (long-term credits)	(1,270,317)
	132,560
Long-term debt issuance costs are deferred and amortized in the Statement of Activities but the effect of issuance costs are recorded in the governmental funds in the current period.	135,027
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds, net	(22,803,284)
Literary loans	(2,236,632)
Capital leases	(3,528,935)
Compensated absences	(285,606)
Interest payable	(513,742)
Other postemployment benefits	(103,845)
	(29,472,044)
Net position of governmental activities	\$ 12,570,912

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	General Capital Projects	School Capital Projects	Total Governmental Funds
Revenues:				
General property taxes	\$ 16,344,544	\$ -	\$ -	\$ 16,344,544
Other local taxes	2,209,593	-	-	2,209,593
Permits, privilege fees, proffers and regulatory licenses	174,247	-	-	174,247
Fines and forfeitures	72,930	-	-	72,930
Revenue from use of money and property	98,214	504	1	98,719
Charges for services	366,409	-	-	366,409
Miscellaneous	44,367	830,229	-	874,596
Recovered costs	267,889	105,816	-	373,705
Intergovernmental	4,030,409	24,470	-	4,054,879
Total revenues	23,608,602	961,019	1	24,569,622
Expenditures:				
Current:				
General government administration	1,390,170	-	-	1,390,170
Judicial administration	597,145	-	-	597,145
Public safety	4,226,609	-	-	4,226,609
Public works	1,498,140	-	-	1,498,140
Health and welfare	1,774,541	-	-	1,774,541
Education	8,807,812	-	-	8,807,812
Parks, recreation and cultural	810,258	-	-	810,258
Community development	322,642	-	-	322,642
Capital outlays	-	1,755,312	-	1,755,312
Debt service:				
Principal	1,865,545	-	-	1,865,545
Interest and fiscal charges	1,187,707	-	-	1,187,707
Total expenditures	22,480,569	1,755,312	-	24,235,881
Revenues over (under) expenditures	1,128,033	(794,293)	1	333,741
Other financing sources (uses):				
Issuance of capital lease	-	3,000,000	-	3,000,000
Transfers in	469,235	496,439	-	965,674
Transfers out	(496,439)	(469,235)	-	(965,674)
Other financing sources (uses), net	(27,204)	3,027,204	-	3,000,000
Net change in fund balances	1,100,829	2,232,911	1	3,333,741
Fund balance (deficit), beginning	5,687,670	(114,072)	518	5,574,116
Fund balance, ending	\$ 6,788,499	\$ 2,118,839	\$ 519	\$ 8,907,857

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	3,333,741
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period. Details supporting this adjustment are as follows:		
Expenditures for capital assets	\$	1,742,609
Less: depreciation and amortization expense		(1,169,164)
Excess of capital outlays over depreciation and amortization		573,445
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position:		
Donated capital assets		342,642
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,201,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of these items consist of the change in:		
Deferred taxes		48,758
Deferred developer agreements		25,875
		74,633
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Principal repayments:		
General obligation and revenue bonds		1,321,637
Capital leases		109,708
State literary loans		434,200
Issuance of capital lease		(3,000,000)
Capitalized financing costs		56,646
Landfill obligation		63,498
		(1,014,311)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in:		
Interest payable		51,425
Compensated absences		(39,955)
Other postemployment benefits		(19,855)
Deferred amount on refunding		(16,321)
Amortization of premium on bonds payable		58,928
		34,222
Change in net position of governmental activities	\$	2,143,372

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 15,248,890	\$ 15,249,890	\$ 16,344,544	\$ 1,094,654
Other local taxes	2,028,350	2,028,650	2,209,593	180,943
Permits, privilege fees and regulatory licenses	111,100	110,100	174,247	64,147
Fines and forfeitures	81,000	81,000	72,930	(8,070)
Revenue from use of money and property	72,800	72,800	98,214	25,414
Charges for services	380,395	380,395	366,409	(13,986)
Miscellaneous	600	600	44,367	43,767
Recovered costs	197,985	197,985	267,889	69,904
Intergovernmental	4,009,795	4,041,229	4,030,409	(10,820)
Total revenues	22,130,915	22,162,649	23,608,602	1,445,953
Expenditures:				
Current:				
General government administration	1,754,909	1,582,080	1,390,170	(191,910)
Judicial administration	585,380	604,903	597,145	(7,758)
Public safety	7,446,750	4,461,859	4,226,609	(235,250)
Public works	1,610,910	1,920,910	1,498,140	(422,770)
Health and welfare	2,034,541	2,119,497	1,774,541	(344,956)
Education	8,574,807	8,749,543	8,807,812	58,269
Parks, recreation and cultural	828,040	810,258	810,258	-
Community development	444,425	450,725	322,642	(128,083)
Debt service:				
Principal - County	227,200	257,200	256,869	(331)
Principal - School Board	1,608,676	1,608,676	1,608,676	-
Interest and fiscal charges - County	363,710	366,260	365,290	(970)
Interest and fiscal charges - School Board	822,417	822,417	822,417	-
Total expenditures	26,301,765	23,754,328	22,480,569	(1,273,759)
Revenues over (under) expenditures	(4,170,850)	(1,591,679)	1,128,033	2,719,712
Other financing sources (uses):				
Transfers in	3,326,250	489,965	469,235	(20,730)
Transfers out	-	(496,439)	(496,439)	-
Total other financing sources (uses), net	3,326,250	(6,474)	(27,204)	(20,730)
Change in fund balance	(844,600)	(1,598,153)	1,100,829	2,698,982
Fund balance, beginning	844,600	1,598,153	5,687,670	4,089,517
Fund balance, ending	\$ -	\$ -	\$ 6,788,499	\$ 6,788,499

See Notes to Financial Statements.

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 36,843
Due from other governments	<hr/> 620
Total assets	<hr/> \$ 37,463 <hr/>
LIABILITIES	
Amounts held for social services clients	\$ 5,982
Due to other governments	<hr/> 31,481
Total liabilities	<hr/> \$ 37,463 <hr/>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

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

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

Financial Statement Presentation

Management's Discussion and Analysis

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

Government-wide Financial Statements

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

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

Statement of Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Statement of Activities

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

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

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

Budgetary Comparison Schedules

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

A. Financial Reporting Entity

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit

The County has no blended component units to be included for the fiscal year ended June 30, 2013.

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2013. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

School Textbook Fund accounts for centralized school textbook operation.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2013 was approximately \$55,000.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

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

Middle Peninsula Regional Airport Authority

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

1. Governmental Funds

The County reports the following major governmental funds:

a. General Fund

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

b. Capital Projects Funds

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

2. Fiduciary Funds (Agency Funds)

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

E. Budgets and Budgetary Accounting

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

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

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

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

G. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$150,000 at June 30, 2013 and is comprised solely of property taxes.

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

H. Prepaid Items

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

I. Restricted Cash

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

L. Long-Term Obligations

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

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

M. Fund Equity

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

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

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

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

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

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

N. Use of Estimates

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

O. Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

Note 2. Deposits and Investments

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

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

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

Investment Policy

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

The goal of the County is to obtain the highest possible yield on available financial assets invested consistent with state law, while observing the primary goal of preservation of principal and providing necessary liquidity to meet cash flow needs.

As of June 30, 2013, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

Permitted Investment	Portfolio Limit	Issuer Limit
U.S. Treasury Obligations	70%	-
U.S. Government and Agency Securities and instruments of Government Sponsored Corporations	70%	-
Bankers' Acceptances	40%	40%
Repurchase Agreements over 30 days	25%	25%
Repurchase Agreements under 30 days	100%	25%
Certificates of Deposit – Commercial Banks	100%	100%
Certificates of Deposit – Savings and Loan Associations	\$100,000	\$100,000
Commercial Paper	35%	5%
LGIP	100%	-
State Arbitrage Investment Funds	100% of Arbitrage Funds	-
Savings Account (Passbook)	100%	-
MasterNote-Industrial Development Funds	\$100,000 Limit	-
Automated Government Money Trust	50%	50%

Credit Risk

As of June 30, 2013, as required by state statute, the policy requires that commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

As of June 30, 2013, 100% was invested in LGIP with a "AAAm" credit rating, as rated by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2013, all investments were in the LGIP.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Interest Rate Risk

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

The County's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

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

The County's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's Rating Scale.

	Fair Quality Rating AAAm
Local Government Investment Pool	\$ 26,303

Note 3. Receivables and Deferred Revenues

Receivables at June 30, 2013 for the County, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Property taxes	\$ 8,799,526
Trade and other accounts	285,206
Gross receivables	9,084,732
Less allowance for uncollectible accounts	150,164
Net receivables	\$ 8,934,568

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$150,164 as of June 30, 2013.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenue (Continued)

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

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 1,402,877	\$ -
Advance collection of 2013-2014 taxes	-	125,967
2013-2014 property tax receivable	-	6,416,490
Personal Property Tax Relief Act – state reimbursement	-	34,260
Developer agreements – current	-	141,650
Developer agreements – long-term	-	1,270,317
Developer proffers	-	445,845
	<u>\$ 1,402,877</u>	<u>\$ 8,434,529</u>

Note 4. Due To/From Other Governments

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

	Primary Government	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 12,264
Public assistance	23,324	-
Comprehensive services	24,171	-
Shared costs	107,639	-
Communications tax	28,107	-
Sales and use tax	609,472	-
Other	79,392	-
Federal government:		
School funds	-	489,298
Public assistance	36,977	-
Other	38,601	-
Other governments:		
County of King and Queen	44,896	-
Town of West Point	17,700	-
School Board – component unit	13,690	-
Total	<u>\$ 1,023,969</u>	<u>\$ 501,562</u>

At June 30, 2013, the County has payables from the Primary Government to other governments as follows:

Other governments:	
Town of West Point	<u>\$ 129,542</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Land Held for Sale and Subsequent Event

The County and the City of Newport News (City) entered into a project involving the development of a reservoir. As part of this project, the City paid \$4,015,297 between 2008 and 2009 for the purchase of various parcels of land which are deeded to the County. In 2009, the City approved a resolution to abandon this project. The parcels of land which have been purchased by the City are included as land held for sale at June 30, 2013. A contingent liability equal to the land held for sale balance has been recorded in the financial statements.

Subsequent to year end, the land was transferred by the County to the City of Newport News.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

Primary Government - Governmental Activities

	Beginning Balance, as Restated	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 723,098	\$ -	\$ -	\$ 723,098
Construction in progress	-	1,464,520	-	1,464,520
Total capital assets, not being depreciated or amortized	723,098	1,464,520	-	2,187,618
Capital assets, being depreciated or amortized:				
Buildings and improvements	10,426,364	228,523	-	10,654,887
Equipment	2,172,638	82,208	(180,543)	2,074,303
Intangibles	9,800	-	-	9,800
Infrastructure*	12,905,178	310,000	-	13,215,178
Jointly owned assets	18,470,433	-	(1,608,676)	16,861,757
Total capital assets being depreciated or amortized	43,984,413	620,731	(1,789,219)	42,815,925
Less accumulated depreciation or amortization for:				
Buildings and improvements	(2,726,740)	(254,338)	-	(2,981,078)
Equipment	(1,825,074)	(108,873)	180,543	(1,753,404)
Intangibles	(6,860)	(980)	-	(7,840)
Infrastructure*	(3,465,175)	(383,429)	-	(3,848,604)
Jointly owned assets	(3,531,237)	(421,544)	407,676	(3,545,105)
Total accumulated depreciation or amortization	(11,555,086)	(1,169,164)	588,219	(12,136,031)
Total capital assets being depreciated or amortized, net	32,429,327	(548,433)	(1,201,000)	30,679,894
Governmental activities capital assets, net	\$ 33,152,425	\$ 916,087	\$ (1,201,000)	\$ 32,867,512

* See footnote 13 for discussion of the restatement.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

Governmental activities:	
General government administration	\$ 304,083
Judicial administration	177,814
Public safety	52,838
Public works	162,362
Health and welfare	6,217
Education	421,544
Parks, recreation and cultural	42,006
Community development	2,300
Total depreciation and amortization expense – governmental activities	\$ 1,169,164

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 42,423	\$ 33,917	\$ -	\$ 76,340
Total capital assets, not being depreciated or amortized	42,423	33,917	-	76,340
Capital assets, being depreciated or amortized:				
Buildings and improvements	5,310,684	-	-	5,310,684
Equipment	2,949,800	429,001	(8,250)	3,370,551
Infrastructure	294,167	-	-	294,167
Land improvements	20,955	85,313	-	106,268
Jointly owned assets	20,186,391	1,608,676	-	21,795,067
Total capital assets being depreciated or amortized	28,761,997	2,122,990	(8,250)	30,876,737
Less accumulated depreciation or amortization for:				
Buildings and improvements	(4,206,062)	(17,372)	-	(4,223,434)
Equipment	(2,351,933)	(129,494)	-	(2,481,427)
Infrastructure	(213,456)	(99,383)	-	(312,839)
Land improvements	(5,763)	(2,305)	-	(8,068)
Jointly owned assets	(6,803,678)	(952,553)	-	(7,756,231)
Total accumulated depreciation or amortization	(13,580,892)	(1,201,107)	-	(14,781,999)
Total capital assets being depreciated or amortized, net	15,181,105	921,883	(8,250)	16,094,738
Governmental activities capital assets, net	\$ 15,223,528	\$ 955,800	\$ (8,250)	\$ 16,171,078

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2013, the County transferred assets with costs of \$1,608,676 and accumulated depreciation of \$407,676 to the Component Unit - School Board.

Component Unit – School Board:

Depreciation expense	\$ 793,431
Accumulated depreciation on joint-tenancy asset transfer	407,676

Total depreciation and amortization – School Board	\$ 1,201,107
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Note 7. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the County for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 12,534,601	\$ -	\$ (1,089,476)	\$ 11,445,125	\$ 1,088,179
Revenue bonds	11,181,616	-	(232,161)	10,949,455	245,216
State Literary Fund loans	2,670,832	-	(434,200)	2,236,632	434,200
Capital leases	638,643	3,000,000	(109,708)	3,528,935	315,805
Premium on bonds payable	734,012	-	(58,928)	675,084	-
Deferred amount on refunding	(282,701)	-	16,321	(266,380)	-
	27,477,003	3,000,000	(1,908,152)	28,568,851	2,083,400
Compensated absences	245,651	290,000	(250,045)	285,606	190,404
Governmental activities long-term liabilities	\$ 27,722,654	\$ 3,290,000	\$ (2,158,197)	\$ 28,854,457	\$ 2,273,804

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

Year Ending June 30,	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 315,805	\$ 92,465	\$ 245,216	\$ 426,560
2015	308,130	76,307	258,411	415,344
2016	315,000	66,457	456,751	403,467
2017	320,000	56,110	470,244	385,456
2018	330,000	45,463	493,733	366,595
2019-2023	1,175,000	144,448	2,295,000	1,560,820
2024-2028	765,000	30,061	4,377,400	971,286
2029-2033	-	-	2,017,700	255,162
2034-2037	-	-	335,000	34,375
	\$ 3,528,935	\$ 511,311	\$ 10,949,455	\$ 4,819,065

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Year Ending June 30,	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2014	\$ 1,088,179	\$ 536,773	\$ 434,200	\$ 67,099
2015	1,093,287	481,998	434,200	54,073
2016	1,093,662	426,996	434,200	41,047
2017	1,099,318	371,403	434,032	28,021
2018	1,105,269	315,076	250,000	15,000
2019-2023	5,480,410	764,114	250,000	7,500
2024-2027	485,000	11,685	-	-
	<u>\$ 11,445,125</u>	<u>\$ 2,908,045</u>	<u>\$ 2,236,632</u>	<u>\$ 212,740</u>

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

Details of Long-Term Obligations

Revenue Bonds:

\$1,100,000 revenue bond, issued July 1998, due in annual maturities of \$70,216 to \$83,733 through July 2018, interest at 4.55%	\$ 384,355
\$1,050,000 EDA lease revenue bond, issued December 2005, due in annual maturities of \$35,000 to \$70,000 through August 2030, interest at 4% to 5.125%	865,000
\$1,490,000 EDA lease revenue bond, issued July 2006, due in annual maturities of \$30,000 to \$90,000 through August 2036, interest ranging from 4.125% to 5%	1,330,000
\$1,460,000 VRA refunding bond, issued December 2006, due in annual maturities of \$55,000 to \$110,000 through October 2029, interest ranging from 4.6% to 5%	1,300,000
\$2,055,000 EDA lease revenue bond, issued August 2007, due in annual maturities of \$55,000 to \$140,000 through August 2032, interest ranging from 4.5% to 5%	1,850,000
\$5,220,100 IDA lease revenue refunding bond, issued September 2011, due in annual maturities beginning January 2016 of \$190,000 to \$632,700 through January 2029, interest at 3%	<u>5,220,100</u>
Total revenue bonds	<u>10,949,455</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

General Obligation Bonds:

\$6,513,732 issued November 2002, due in annual maturities of \$318,179 to \$371,613 through July 2022, plus interest payable semi-annually at 4.6% to 5.1%	\$ 3,440,125
\$715,000 issued November 1998, due in annual maturities of \$35,000 through July 2018, plus interest payable semi-annually at 4.6% to 5.1%	210,000
\$6,750,000 issued November 2002, due in annual maturities of \$335,000 through July 2022, plus interest payable semi-annually ranging from 4.6% to 5.1%	3,350,000
\$7,055,000 issued November 2003, due in annual maturities of \$350,000 to \$355,000 through July 2023, plus interest payable semi-annually ranging from 4.6% to 5.35%	3,860,000
\$605,000 issued November 2004, due in annual maturities of \$30,000 through July 2024, plus interest payable semi-annually at 4.1% to 5.1%	360,000
\$270,000 issued July 2010, due in annual maturities of \$15,000 to \$20,000 through June 2027, interest free	<u>225,000</u>
Total general obligation bonds	<u>11,445,125</u>

State Literary Fund Loans:

\$5,000,000 issued December 1998, due in annual maturities of \$250,000 through December 2018, interest at 3%	1,500,000
\$3,131,232 issued August 1996, due in annual maturities of \$184,032 to \$184,200 through September 2016, interest at 3%	<u>736,632</u>
Total State Literary Fund loans	<u>2,236,632</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

Capital Leases:

\$1,395,000 capital lease agreement, due in annual installments through August 2017, interest at 6.0%. This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices, and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. The total cost of assets acquired under this obligation was \$1,395,000. \$ 490,000

\$90,643 capital lease agreement, due in annual installments through August 2014, interest at 2.62%. This lease was obtained to provide financing for two 2011 Ford Crown Victorias and one 2011 Chevrolet Tahoe which are used by the police department. The total cost of assets acquired under this obligation was \$77,526. 38,935

\$3,000,000 capital lease agreement, due in annual installments through January 2026, interest at 1.952%. This lease was obtained to provide financing for the acquisition and installation of emergency 911 communications equipment and facilities and improvements to the County's water utility system. The assets were not completed as of year end. The total cost of these assets in construction in progress at year end was \$1,464,520. 3,000,000

Total capital leases 3,528,935

Premiums on bonds payable 675,084

Deferred amount on refunding of 2002, 2006, and 2011 revenue refunding bond (266,380)

Total long-term obligations \$ 28,568,851

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the year ended June 30, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 172,397	\$ 166,332	\$ 132,532	\$ 206,197	\$ 137,465

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2 as described below.

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward retirement. All or part of the 5% member contribution may be assumed by the County and School Board. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, the County and School Board were required to begin making the employees pay the 5% member contribution. This could be phased in over a period up to five years and the County and School Board are required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The County elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. The School Board elected to phase in the increase and provided a 1% salary increase to all employees on July 1, 2012. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2013, the contribution rate for the County was 11.39%, for the School Board's professional employees, 11.66%, and for the School Board's non-professional employees, 7.64%, exclusive of the employee's share, of annual covered payroll.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

B. Funding Policy (Continued)

For the years ended June 30, 2013, 2012, and 2011, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$1,663,010, \$1,236,807, and \$962,094, respectively, and were equal to 100% of the required contribution for professional employees for each year.

C. Annual Pension Cost (APC)

For fiscal year 2013, the County and the School Board's non-professional employees' annual pension costs of \$727,599 were equal to the County's required and actual contributions.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2013	\$ 562,470	100%	\$ -
June 30, 2012	445,990	100%	-
June 30, 2011	466,620	100%	-
School Board Nonprofessional:			
June 30, 2013	\$ 165,129	100%	\$ -
June 30, 2012	158,031	100%	-
June 30, 2011	154,219	100%	-

The fiscal year 2013 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a COLA of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's Plan was 79.96% funded. The actuarial accrued liability (AAL) for benefits was \$12,388,497, and the actuarial value of assets was \$9,906,116, resulting in a UAAL of \$2,482,381. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,367,986, and ratio of the UAAL to the covered payroll was 73.71%.

As of June 30, 2012, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 88.58% funded. The actuarial accrued liability for benefits was \$2,077,808, and the actuarial value of assets was \$1,840,485, resulting in a UAAL of \$237,323. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,251,537, and ratio of the UAAL to the covered payroll was 18.96%.

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

Note 9. Other Postemployment Benefits

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

A. Plan Provisions

In addition to providing the pension benefits described in Note 10, the County and School Board provide other postemployment benefits (OPEB) for employees who are eligible for retirement benefits. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and School Board and can be amended through its personnel manuals.

B. Funding Policy

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

C. Plan Description

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

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

The plans do not issue stand-alone financial reports.

D. Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, 2013 was calculated as follows:

	County	School Board
Annual required contribution (ARC)	\$ 26,900	\$ 97,100
Interest on net OPEB obligation	3,360	7,179
Adjustment to annual required contribution	(2,905)	(7,584)
Annual OPEB cost	27,355	96,695
Estimated contributions made	(7,500)	(60,500)
Increase in net OPEB obligation	19,855	36,195
Net OPEB obligation, beginning of year	83,990	205,107
Net OPEB obligation, end of year	\$ 103,845	\$ 241,302

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

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

Trend Information

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>		<u>Net OPEB Obligation</u>
County:					
June 30, 2013	\$	27,355	27.41%	\$	103,845
June 30, 2012		25,661	20.26%		83,990
June 30, 2011		24,229	12.79%		63,529
School Board:					
June 30, 2013	\$	96,695	62.57%	\$	241,302
June 30, 2012		124,344	45.44%		205,107
June 30, 2011		116,263	54.79%		137,263

E. Actuarial Methods and Assumptions

Valuation Methods

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

Employees Included in the Calculations

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

E. Actuarial Methods and Assumptions (Continued)

Actuarial Assumptions

In the January 2012 County actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on discount rates of 4.0%, investment rate of return of 4.0%, payroll growth rate of 3.75%, and a health care trend assumption of 7.2% graded to 4.8% over 83 years using the Getzen Trend Model, for an unfunded liability, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$203,500. The remaining amortization period at January 1, 2012 was 30 years.

In the June 2013 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 3.5%, investment rate of return of 3.5%, payroll growth rate of 3.0%, and a health care trend assumption of 7.0% graded to 4.8% over 70 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$916,000. The remaining amortization period at June 30, 2013 was 30 years.

F. Funding Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit – School Board:						
June 30, 2013	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2013, 2012, and 2011, the School Board paid \$108,529, \$65,342, and \$64,642, respectively, for employees toward these benefits, which was equal to the required contributions.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended, to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was 1.11%, .60%, and 1.04%, for the School Board's employees for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2012 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 29 years.

C. Funded Status and Funding Progress

As of the actuarial valuation performed at June 30, 2012, the Plan for the School Board's employees was 0.00% funded. The AAL was \$29,192, and the actuarial value of assets was \$-0-, with a resulting UAAL of \$29,192.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management

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

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

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

Health Insurance – School Board

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

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

Based on the requirements of GASB Statement No. 10, the School Board records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2013 and 2012:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2013	\$ 161,077	\$ 2,030,190	\$ 1,891,267	\$ 300,000
June 30, 2012	161,077	1,854,756	1,854,756	161,077

Federal and State Assisted Programs

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments, Contingencies and Subsequent Events

Operating Leases

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

Subsequent Events

On September 26, 2013, the County refunded the Economic Development Authority of King William County's Public Facility Lease Revenue Bond, Series 2006, originally issued on July 13, 2006, for the purpose of achieving overall debt service savings. The bond was issued in a principal amount of \$1,375,000 with a final maturity of 17 years from the date of issuance.

Legal review of certain proposed revenue appropriations of the fiscal year 2014 budget determined a lack of clear enabling authority in the *Code of Virginia* for the historical "split levy" method of taxation used by the County due to the presence of an independent school division in the town of West Point. The "split levy" used a separate County school fund and General fund tax rates to segregate revenues and effectively charge town residents for non-school purposes. A uniform tax levy was applied for fiscal year 2014 and in accordance with provisions of 22.1-114 of the *Code of Virginia*, a cash payment for town school services was paid to the town. Legislation to authorize a "split levy" will be considered by the Virginia General Assembly during its 2014 session and if approved, such legislation will be used for the fiscal year 2015 budget. As part of the development of this proposed legislation, the County approved an agreement with the town of West Point that requires annual consideration by the Board of County Supervisors of a payment to the town of West Point of up to \$150,000 in recognition of services provided by the town of West Point to the county property owners in the town.

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. Per the agreement, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2013, approximately \$1,411,967 in connection credits are still available and are recorded on the Statement of Net Position.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Restatement of Net Position

The following table shows the change to beginning net position from the amount previously reported:

		Primary Government Governmental Activities
Net position, June 30, 2012, as previously reported	\$	6,540,641
Effect of capitalizing donated water and wastewater infrastructure which was not recorded, as well as debt financed water and wastewater infrastructure which was expensed in prior fiscal years, net of accumulated depreciation		
Governmental capital assets	\$	7,486,192
Less: accumulated depreciation		<u>(2,303,101)</u>
Net capital assets		5,183,091
Effect of recording connection fee credits available to developers that donated water and wastewater infrastructure, not recorded in previous fiscal years		<u>(1,296,192)</u>
Net position, June 30, 2012, as restated	\$	<u><u>10,427,540</u></u>

Note 14. Pending GASB Statements

At June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements (Continued)

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2012	\$ 9,906,116	\$ 12,388,497	\$ 2,482,381	79.96%	\$ 3,367,986	73.71%
June 30, 2011	9,813,281	12,271,043	2,457,762	79.97%	3,380,593	72.70%
June 30, 2010	9,498,858	11,459,933	1,961,075	82.89%	3,383,541	57.96%
B. Component Unit - School Board non-professional:						
June 30, 2012	\$ 1,840,485	\$ 2,077,808	\$ 237,323	88.58%	\$ 1,251,537	18.96%
June 30, 2011	1,670,279	1,847,154	176,875	90.42%	1,224,187	14.45%
June 30, 2010	1,497,487	1,648,499	151,012	90.84%	1,226,709	12.31%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Component Unit - School Board non-professional:						
June 30, 2012	\$ -	\$ 29,192	\$ 29,192	0.00%	\$ 1,251,537	2.33%
June 30, 2011	-	26,357	26,357	0.00%	1,224,187	2.15%
June 30, 2010	-	22,105	22,105	0.00%	1,226,709	1.80%

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

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

2013	\$ 108,529	100.00%	\$ -
2012	65,342	100.00%	-
2011	64,642	100.00%	-

COUNTY OF KING WILLIAM, VIRGINIA AND COMPONENT UNIT

Exhibit 9

Page 2

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
January 1, 2012	\$ -	\$ 203,500	\$ 203,500	0.00%	\$ 3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit - School Board:						
June 30, 2013	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2013	\$ 26,900	27.88%
2012	25,400	20.47%
2011	24,000	12.92%
B. Component Unit - School Board:		
2013	\$ 97,100	62.31%
2012	123,600	45.71%
2011	115,900	54.96%

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENT OF NET POSITION -
AGENCY FUNDS
June 30, 2013**

	Agency Funds		
	Special Welfare	VJCCCA	Totals
ASSETS			
Cash and cash equivalents	\$ 5,982	\$ 30,861	\$ 36,843
Due from other governments	-	620	620
Total assets	\$ 5,982	\$ 31,481	\$ 37,463
LIABILITIES			
Amounts held for social services clients	\$ 5,982	\$ -	\$ 5,982
Due to other governments	-	31,481	31,481
Total liabilities	\$ 5,982	\$ 31,481	\$ 37,463

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>SPECIAL WELFARE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 1,083	\$ 7,486	\$ 2,587	\$ 5,982
LIABILITIES				
Amounts held for social services clients	\$ 1,083	\$ 7,486	\$ 2,587	\$ 5,982
<u>VJCCCA FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 26,658	\$ 150,956	\$ 146,753	\$ 30,861
Due from other governments	5,933	620	5,933	620
Total assets	\$ 32,591	\$ 151,576	\$ 152,686	\$ 31,481
LIABILITIES				
Due to other governments	\$ 32,591	\$ 151,576	\$ 152,686	\$ 31,481
Total liabilities	\$ 32,591	\$ 151,576	\$ 152,686	\$ 31,481

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

Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 27,741	\$ 158,442	\$ 149,340	\$ 36,843
Due from other governments	5,933	620	5,933	620
Total assets	\$ 33,674	\$ 159,062	\$ 155,273	\$ 37,463
LIABILITIES				
Amounts held for social services clients	\$ 1,083	\$ 7,486	\$ 2,587	\$ 5,982
Due to other governments	32,591	151,576	152,686	31,481
Total liabilities	\$ 33,674	\$ 159,062	\$ 155,273	\$ 37,463

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2013

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 2,014,721	\$ 220,538	\$ 644,301	\$ 2,879,560
Accounts receivable	23,698	-	-	23,698
Prepaid items	20,459	-	-	20,459
Due from other government units	501,562	-	-	501,562
Total assets	\$ 2,560,440	\$ 220,538	\$ 644,301	\$ 3,425,279
LIABILITIES				
Accounts payable	\$ 411,022	\$ -	\$ -	\$ 411,022
Accrued liabilities	2,059,648	-	-	2,059,648
Deferred revenue	89,770	-	-	89,770
Total liabilities	2,560,440	-	-	2,560,440
FUND BALANCES				
Nonspendable:				
Prepaid items	20,459	-	-	20,459
Assigned:				
Cafeteria	-	220,538	-	220,538
Textbook	-	-	644,301	644,301
Unassigned	(20,459)	-	-	(20,459)
Total fund balances	-	220,538	644,301	864,839
Total liabilities and fund balances	\$ 2,560,440	\$ 220,538	\$ 644,301	\$ 3,425,279
Total fund balances - School Board				\$ 864,839
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not current financial resources, and therefore, not reported in the governmental funds.				
Governmental capital assets		\$ 30,953,077		
Less: accumulated depreciation and amortization		(14,781,999)		
Net capital assets				16,171,078
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,099,551
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences		(206,197)		
Other postemployment benefits		(241,302)		
				(447,499)
Net position of component unit				\$ 17,687,969

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
Revenues:				
Revenue from use of money and property	\$ 2,505	\$ 101	\$ -	\$ 2,606
Charges for services	97,098	451,640	-	548,738
Miscellaneous revenue	57,734	7,334	-	65,068
Recovered costs	31,015	-	-	31,015
Intergovernmental:				
Appropriation from primary government	10,587,944	-	644,301	11,232,245
Commonwealth	11,155,874	17,071	-	11,172,945
Federal	999,752	501,161	-	1,500,913
Total revenues	22,931,922	977,307	644,301	24,553,530
Expenditures:				
Current:				
Education	22,931,922	986,916	-	23,918,838
Excess of revenues over expenditures	-	(9,609)	644,301	634,692
Changes in fund balances	-	(9,609)	644,301	634,692
Fund Balances, beginning	-	230,147	-	230,147
Fund Balances, ending	\$ -	\$ 220,538	\$ 644,301	\$ 864,839
Net change in fund balances - total governmental funds				\$ 634,692
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.				
Expenditures for capital assets			\$ 537,286	
Less: depreciation and amortization expense			(793,431)	
Excess of depreciation and amortization over capital outlays				(256,145)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.				
Loss on disposal of capital assets			(8,250)	
Donated capital assets			10,945	
				2,695
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Change in other postemployment benefits			(36,195)	
Change in compensated absences			(33,800)	
				(69,995)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.				
Total revenues			2,743,772	
Total expenses			(2,519,985)	
				223,787
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit				1,201,000
Change in net position of governmental activities				\$ 1,736,034

COUNTY OF KING WILLIAM, VIRGINIA

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

Year Ended June 30, 2013

	School Operating Fund			Variance with
	Original	Final	Actual	Final
	Budget	Budget		Budget
				Over (under)
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 2,505	\$ 2,505
Charges for services	49,000	49,000	97,098	48,098
Miscellaneous revenue	-	-	57,734	57,734
Recovered costs	31,000	31,000	31,015	15
Intergovernmental:				
Appropriation from primary government	10,999,240	11,173,976	10,587,944	(586,032)
Commonwealth	11,234,860	11,234,860	11,155,874	(78,986)
Federal	815,560	815,560	999,752	184,192
Total revenues	23,129,660	23,304,396	22,931,922	(372,474)
Expenditures:				
Education:				
Instruction	15,160,670	15,160,670	14,735,559	(425,111)
Administration, attendance and health	1,317,220	1,317,220	1,309,851	(7,369)
Pupil transportation	1,478,840	1,877,576	1,898,217	20,641
Operation and maintenance	2,001,760	2,077,760	1,956,347	(121,413)
School food service costs	13,100	13,100	11,919	(1,181)
Technology	722,510	722,510	588,936	(133,574)
Reimbursement to primary government				
for debt service	2,435,560	2,435,560	2,431,093	(4,467)
Total expenditures	23,129,660	23,604,396	22,931,922	(672,474)
Excess (deficiency) of revenues				
over (under) expenditures	-	(300,000)	-	300,000
Changes in fund balances	-	(300,000)	-	300,000
Fund Balances, beginning	-	300,000	-	300,000
Fund Balances, ending	\$ -	\$ -	\$ -	\$ -

Exhibit 14

School Cafeteria Fund				School Textbook Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)
\$ 100	\$ 100	\$ 101	\$ 1	\$ -	\$ -	\$ -	\$ -
479,000	479,000	451,640	(27,360)	-	-	-	-
8,000	8,000	7,334	(666)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	644,301	644,301
17,700	17,700	17,071	(629)	-	-	-	-
475,000	475,000	501,161	26,161	-	-	-	-
979,800	979,800	977,307	(2,493)	-	-	644,301	644,301
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
979,800	979,800	986,916	7,116	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
979,800	979,800	986,916	7,116	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(9,609)	(9,609)	-	-	644,301	644,301
-	-	(9,609)	(9,609)	-	-	644,301	644,301
-	-	230,147	230,147	-	-	-	-
\$ -	\$ -	\$ 220,538	\$ 220,538	\$ -	\$ -	\$ 644,301	\$ 644,301

**COMBINING STATEMENT OF NET POSITION - SCHOOL BOARD
FIDUCIARY FUNDS
June 30, 2013**

	Agency Funds			Totals
	School Activity Fund	Regional CTE Center	Regional Alternative Education Program	
ASSETS				
Cash and cash equivalents	\$ 257,819	\$ 25,274	\$ 89,820	\$ 372,913
Accounts receivable	-	-	27,778	27,778
Total assets	\$ 257,819	\$ 25,274	\$ 117,598	\$ 400,691
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 99,606	\$ 99,606
Accrued liabilities	-	-	14,815	14,815
Held in trust	257,819	25,274	3,177	286,270
Total liabilities	\$ 257,819	\$ 25,274	\$ 117,598	\$ 400,691

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>SCHOOL ACTIVITY FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 245,884	\$ 617,076	\$ 605,141	\$ 257,819
LIABILITIES				
Held in trust	\$ 245,884	\$ 617,076	\$ 605,141	\$ 257,819
<u>REGIONAL CTE CENTER</u>				
ASSETS				
Cash and cash equivalents	\$ 25,274	\$ -	\$ -	\$ 25,274
Total assets	\$ 25,274	\$ -	\$ -	\$ 25,274
LIABILITIES				
Held in trust	\$ 25,274	\$ -	\$ -	\$ 25,274
Total liabilities	\$ 25,274	\$ -	\$ -	\$ 25,274
<u>REGIONAL ALTERNATIVE EDUCATION PROGRAM</u>				
ASSETS				
Cash and cash equivalents	\$ 101,184	\$ 408,098	\$ 419,462	\$ 89,820
Accounts receivable	-	27,778	-	27,778
Total assets	\$ 101,184	\$ 435,876	\$ 419,462	\$ 117,598
LIABILITIES				
Accounts payable	\$ 54,352	\$ 45,254	\$ -	\$ 99,606
Accrued liabilities	11,976	2,839	-	14,815
Held in trust	34,856	-	31,679	3,177
Total liabilities	\$ 101,184	\$ 48,093	\$ 31,679	\$ 117,598

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 372,342	\$ 1,025,174	\$ 1,024,603	\$ 372,913
Accounts receivable	-	27,778	-	27,778
Total assets	\$ 372,342	\$ 1,052,952	\$ 1,024,603	\$ 400,691
LIABILITIES				
Accounts payable	\$ 54,352	\$ 45,254	\$ -	\$ 99,606
Accrued liabilities	11,976	2,839	-	14,815
Held in trust	306,014	617,076	636,820	286,270
Total liabilities	\$ 372,342	\$ 665,169	\$ 636,820	\$ 400,691

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
June 30, 2013

	Self- Insurance
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,399,551
	<hr/>
Total assets	1,399,551
	<hr/>
LIABILITIES	
Current liabilities:	
Insurance and benefit claims	300,000
	<hr/>
Total liabilities	300,000
	<hr/>
NET POSITION	
Unrestricted	1,099,551
	<hr/>
Total net position	\$ 1,099,551
	<hr/>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2013

	Self- Insurance
Operating revenues:	
Charges for services	\$ 2,742,749
Total operating revenues	2,742,749
Operating expenses:	
Administrative charges	116,608
Risk financing and benefit payments	2,030,190
Reinsurance premium	373,187
Total operating expenses	2,519,985
Operating income	222,764
Nonoperating revenue:	
Interest revenue	1,023
Total nonoperating revenue	1,023
Change in net position	223,787
Net position, beginning	875,764
Net position, ending	\$ 1,099,551

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2013

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 2,742,749
Claims and benefits paid	(1,891,267)
Payments to suppliers for goods and services	(489,795)
	<hr/>
Net cash provided by operating activities	361,687
	<hr/>
Cash Flows From Investing Activities:	
Interest received on investment securities	1,023
	<hr/>
Net increase in cash and cash equivalents	362,710
Cash and Cash Equivalents:	
Beginning	1,036,841
	<hr/>
Ending	\$ 1,399,551
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 222,764
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in liabilities:	
Increases in insurance and benefit claims	138,923
	<hr/>
Net cash provided by operating activities	\$ 361,687
	<hr/> <hr/>

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 11,234,065	\$ 11,234,065	\$ 12,024,985	\$ 790,920
Real and personal public service corporation property	331,295	331,295	332,059	764
Personal property	2,259,800	2,259,800	2,430,376	170,576
Machinery and tools	1,178,730	1,178,730	1,192,084	13,354
Penalties	145,000	146,000	186,487	40,487
Interest	100,000	100,000	178,553	78,553
Total general property taxes	15,248,890	15,249,890	16,344,544	1,094,654
Other local taxes:				
Consumer utility	223,000	223,000	230,314	7,314
Business licenses	299,420	299,420	342,712	43,292
Motor vehicle license taxes	362,000	362,000	369,895	7,895
Bank stock	51,000	51,000	66,478	15,478
Recordation and wills	135,000	135,000	171,486	36,486
Meals	226,000	226,000	252,106	26,106
Local sales and use	731,930	732,230	776,602	44,372
Total other local taxes	2,028,350	2,028,650	2,209,593	180,943
Permits, privilege fees and regulatory licenses:				
Animal licenses	13,000	13,000	7,606	(5,394)
Building permits	40,000	40,000	67,106	27,106
Other permits and licenses	58,100	57,100	99,535	42,435
Total permits, privilege fees and regulatory licenses	111,100	110,100	174,247	64,147
Fines and forfeitures	81,000	81,000	72,930	(8,070)
Revenue from use of money and property:				
Revenue from use of money	30,000	30,000	52,026	22,026
Revenue from use of property	42,800	42,800	46,188	3,388
Total revenue from use of money and property	72,800	72,800	98,214	25,414

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Planning and community development	\$ 825	\$ 825	\$ 1,008	\$ 183
Law enforcement and traffic control	200	200	299	99
Court costs	9,680	9,680	18,479	8,799
Commonwealth attorney's fees	670	670	1,357	687
Sanitation and waste removal	144,900	144,900	141,297	(3,603)
Parks and recreation	94,860	94,860	109,886	15,026
Animal shelter	19,260	19,260	12,371	(6,889)
EMS billings	110,000	110,000	81,712	(28,288)
Total charges for services	380,395	380,395	366,409	(13,986)
Miscellaneous	600	600	44,367	43,767
Recovered costs:				
JDRC Recovery	3,800	3,800	3,718	(82)
High school resources officer	55,720	55,720	54,762	(958)
Other recovered costs	138,465	138,465	209,409	70,944
Total recovered costs	197,985	197,985	267,889	69,904
Total revenue from local sources	18,121,120	18,121,420	19,578,193	1,456,773
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling tax	8,000	8,000	4,733	(3,267)
Communications sales and use	375,000	375,000	336,914	(38,086)
Recordation tax	-	-	61,246	61,246
Motor vehicles carriers' tax	16,500	16,500	18,547	2,047
Motor vehicle rental tax	1,800	1,800	2,522	722
State budget reduction	(71,700)	(71,700)	(57,186)	14,514
Personal property tax relief	1,204,130	1,204,130	1,204,131	1
Miscellaneous	300	300	542	242
Total non-categorical aid	1,534,030	1,534,030	1,571,449	37,419

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 151,200	\$ 151,200	\$ 151,358	\$ 158
Sheriff	660,250	660,250	674,117	13,867
Commissioner of the revenue	84,580	84,580	85,422	842
Treasurer	65,040	65,040	73,625	8,585
Registrar/Electoral Board	40,320	40,320	37,865	(2,455)
Clerk of circuit court	156,290	156,290	171,803	15,513
Total shared costs	1,157,680	1,157,680	1,194,190	36,510
Other categorical aid:				
Welfare administration assistance	265,475	265,475	275,308	9,833
Victim witness assistance grant	51,560	51,560	51,559	(1)
Emergency services - four for life	15,000	15,000	17,103	2,103
Litter control grant	6,475	6,475	9,342	2,867
Fire program	28,990	28,990	37,019	8,029
Radiological emergency preparedness	10,000	10,000	10,000	-
Wireless E-911 grant	40,000	40,000	49,754	9,754
Miscellaneous public safety grants	570	570	2,732	2,162
Comprehensive services	361,590	361,590	255,360	(106,230)
Miscellaneous	5,000	5,000	21,668	16,668
Total other categorical aid	784,660	784,660	729,845	(54,815)
Total categorical aid	1,942,340	1,942,340	1,924,035	(18,305)
Total revenue from the Commonwealth	3,476,370	3,476,370	3,495,484	19,114
Revenue from the federal government:				
Categorical aid:				
Welfare and administration assistance	533,425	533,425	497,576	(35,849)
Public safety	-	31,434	37,349	5,915
Total categorical aid	533,425	564,859	534,925	(29,934)
Total revenue from the federal government	533,425	564,859	534,925	(29,934)
Total intergovernmental	4,009,795	4,041,229	4,030,409	(10,820)
Total General Fund	\$ 22,130,915	\$ 22,162,649	\$ 23,608,602	\$ 1,445,953

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 504	\$ 504
Miscellaneous:				
Developer proffers	-	-	817,922	817,922
Miscellaneous	-	-	12,307	12,307
Total miscellaneous	-	-	830,229	830,229
Recovered costs:				
King and Queen share - regional animal shelter	37,613	37,613	19,051	(18,562)
Town of West Point share - radio system	-	347,059	86,765	(260,294)
Total recovered costs	37,613	384,672	105,816	(278,856)
Total revenue from local sources	37,613	384,672	936,549	551,877
Revenue from the federal government:				
Categorical aid:				
Public safety	-	74,150	24,470	(49,680)
Total revenue from the federal government	-	74,150	24,470	(49,680)
Total General Capital Projects Fund	\$ 37,613	\$ 458,822	\$ 961,019	\$ 502,197
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 1	\$ 1
Total School Capital Projects Fund	\$ -	\$ -	\$ 1	\$ 1
Grand Total Revenues - Primary Government	\$ 22,168,528	\$ 22,621,471	\$ 24,569,622	\$ 1,948,151
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 455	\$ 455
Revenue from use of property	-	-	2,050	2,050
Total revenue from use of money and property	-	-	2,505	2,505
Charges for services	49,000	49,000	97,098	48,098
Miscellaneous revenue	-	-	57,734	57,734
Recovered costs:				
E-rate	31,000	31,000	27,015	(3,985)
Other recovered costs	-	-	4,000	4,000
Total recovered costs	31,000	31,000	31,015	15
Total revenue from local sources	80,000	80,000	188,352	108,352

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenue:				
Appropriation from primary government	\$ 10,999,240	\$ 11,173,976	\$ 11,168,020	\$ (5,956)
Return of funds to primary government	-	-	(580,076)	(580,076)
Total intergovernmental revenue	10,999,240	11,173,976	10,587,944	(586,032)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	1,955,460	1,955,460	2,062,260	106,800
Basic school aid	6,322,070	6,322,070	6,223,883	(98,187)
K-3 initiative	256,500	256,500	251,909	(4,591)
Special education	702,560	702,560	694,560	(8,000)
Textbook payment	131,060	131,060	129,569	(1,491)
Fringe benefits - SS/teacher retirement	1,010,750	1,010,750	1,108,723	97,973
Technology	154,000	154,000	552	(153,448)
Other state funds	702,460	702,460	684,418	(18,042)
Total revenue from the Commonwealth	11,234,860	11,234,860	11,155,874	(78,986)
Revenue from the federal government:				
Categorical aid:				
Title I	205,000	205,000	211,109	6,109
Special education - preschool	14,000	14,000	13,804	(196)
Title VI-B flow through	426,220	426,220	470,476	44,256
Title VII - Indian education	14,340	14,340	12,410	(1,930)
Vocational education	26,000	26,000	25,560	(440)
Title II - Eisenhower	65,000	65,000	3,116	(61,884)
Title II - Technology	-	-	100	100
Air force - ROTC	65,000	65,000	65,883	883
ARRA - Education Jobs Fund	-	-	196,434	196,434
Other	-	-	860	860
Total revenue from the federal government	815,560	815,560	999,752	184,192
Total intergovernmental	23,049,660	23,224,396	22,743,570	(480,826)
Total School Operating Fund	\$ 23,129,660	\$ 23,304,396	\$ 22,931,922	\$ (372,474)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 100	\$ 100	\$ 101	\$ 1
Charges for service	479,000	479,000	451,640	(27,360)
Miscellaneous	8,000	8,000	7,334	(666)
Total revenue from local sources	487,100	487,100	459,075	(28,025)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	17,700	17,700	17,071	(629)
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	475,000	475,000	501,161	26,161
Total intergovernmental	492,700	492,700	518,232	25,532
Total School Cafeteria Fund	\$ 979,800	\$ 979,800	\$ 977,307	\$ (2,493)
School Textbook Fund:				
Intergovernmental revenue:				
Appropriation from primary government	\$ -	\$ -	\$ 644,301	\$ 644,301
Total School Textbook Fund	\$ -	\$ -	\$ 644,301	\$ 644,301
Grand Total Revenues - Component Unit - School Board	\$ 24,109,460	\$ 24,284,196	\$ 24,553,530	\$ 269,334

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 116,360	\$ 107,180	\$ 105,406	\$ (1,774)
General and financial administration:				
County administrator	744,495	580,846	556,703	(24,143)
Legal services	84,500	84,500	71,821	(12,679)
Independent auditor	50,000	50,000	37,055	(12,945)
Commissioner of the revenue	237,480	237,480	231,230	(6,250)
Assessor	100,000	100,000	690	(99,310)
Treasurer	236,510	236,510	236,407	(103)
Total general and financial	1,452,985	1,289,336	1,133,906	(155,430)
Board of elections:				
Electoral board and officials	79,948	79,948	51,317	(28,631)
Registrar	105,616	105,616	99,541	(6,075)
Total board of elections	185,564	185,564	150,858	(34,706)
Total general government administration	1,754,909	1,582,080	1,390,170	(191,910)
Judicial administration:				
Courts:				
Circuit court	25,080	25,080	23,064	(2,016)
General district court	11,835	11,835	8,738	(3,097)
Special magistrates	850	850	38	(812)
Juvenile and domestic relations court	26,330	26,434	26,434	-
Clerk of the circuit court	234,729	244,771	244,771	-
Department of court services	73,161	80,645	78,812	(1,833)
Total courts	371,985	389,615	381,857	(7,758)
Commonwealth attorney	213,395	215,288	215,288	-
Total judicial administration	585,380	604,903	597,145	(7,758)
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,646,105	1,640,885	1,625,576	(15,309)
Emergency 911 system	3,459,065	379,365	379,365	-
Other law enforcement and traffice control	850	850	579	(271)
Total law enforcement and traffic control	5,106,020	2,021,100	2,005,520	(15,580)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 399,320	\$ 577,659	\$ 547,107	\$ (30,552)
Ambulance and rescue squads	161,125	168,125	125,725	(42,400)
Forest fire extinction	9,000	-	-	-
Total fire and rescue services	569,445	745,784	672,832	(72,952)
Correction and detention:				
Regional security center	1,080,575	992,210	897,998	(94,212)
Juvenile detention homes	82,600	82,600	65,783	(16,817)
Juvenile and district court services unit	11,800	12,911	12,911	-
Total correction and detection	1,174,975	1,087,721	976,692	(111,029)
Inspections:				
Building inspections	143,435	143,435	135,881	(7,554)
Fire marshall	2,300	2,300	1,556	(744)
Total inspections	145,735	145,735	137,437	(8,298)
Other protection:				
Animal control	130,465	130,465	104,951	(25,514)
Regional animal shelter	231,380	239,088	239,187	99
Medical examiner	-	60	60	-
Emergency services coordinator	88,730	91,906	89,930	(1,976)
Total other protection	450,575	461,519	434,128	(27,391)
Total public safety	7,446,750	4,461,859	4,226,609	(235,250)
Public works:				
Sanitation and waste removal:				
Central garage utility system	217,325	527,325	188,959	(338,366)
Refuse collection	499,270	499,270	499,262	(8)
Refuse disposal	305,360	305,360	256,371	(48,989)
Litter control	21,785	21,785	21,233	(552)
Total sanitation and waste removal	1,043,740	1,353,740	965,825	(387,915)
Maintenance of general buildings and grounds	567,170	567,170	532,315	(34,855)
Total public works	1,610,910	1,920,910	1,498,140	(422,770)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Health and social services:				
Health:				
Local health department and other health	\$ 353,271	\$ 415,560	\$ 191,783	\$ (223,777)
Total health	353,271	415,560	191,783	(223,777)
Mental health and mental retardation:				
Community Services Board	48,860	48,860	48,860	-
Welfare:				
Public assistance and welfare administration	1,039,640	1,062,307	1,043,222	(19,085)
Comprehensive services	592,770	592,770	490,676	(102,094)
Total welfare	1,632,410	1,655,077	1,533,898	(121,179)
Total health and welfare	2,034,541	2,119,497	1,774,541	(344,956)
Education:				
Contributions to community colleges	6,660	6,660	6,660	-
Contribution to component unit - School Board	10,999,240	11,173,976	11,812,321	638,345
Reimbursement from component unit for debt service	(2,431,093)	(2,431,093)	(2,431,093)	-
Return of funds from component unit	-	-	(580,076)	(580,076)
Total education	8,574,807	8,749,543	8,807,812	58,269
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	323,180	278,167	278,167	-
Recreation programs and events	94,860	122,091	122,091	-
Museums and spring fest celebration	10,000	10,000	10,000	-
Total parks and recreation	428,040	410,258	410,258	-
Cultural:				
Regional library	400,000	400,000	400,000	-
Total parks, recreation and cultural	828,040	810,258	810,258	-
Community development:				
Planning and community development:				
Planning	301,130	307,430	234,215	(73,215)
MP regional airport	30,000	30,000	30,000	-
Board of zoning appeals	8,275	8,275	7,782	(493)
Mt. Olive improvement project	16,000	16,000	3,884	(12,116)
Economic development	43,000	43,000	10,078	(32,922)
Total planning and community development	398,405	404,705	285,959	(118,746)
Environmental management:				
Soil and water conservation district	11,030	11,030	11,030	-
Cooperative extension program:				
VPI extension program	34,990	34,990	25,653	(9,337)
Total community development	444,425	450,725	322,642	(128,083)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Debt service:				
Principal - County	\$ 227,200	\$ 257,200	\$ 256,869	\$ (331)
Principal - School Board	1,608,676	1,608,676	1,608,676	-
Interest and fiscal charges - County	363,710	366,260	365,290	(970)
Interest and fiscal charges - School Board	822,417	822,417	822,417	-
Total debt service	3,022,003	3,054,553	3,053,252	(1,301)
Total General Fund	\$ 26,301,765	\$ 23,754,328	\$ 22,480,569	\$ (1,273,759)
General Capital Projects Fund:				
Capital projects	\$ 37,613	\$ 1,598,262	\$ 1,755,312	\$ 157,050
Total General Capital Projects Fund	\$ 37,613	\$ 1,598,262	\$ 1,755,312	\$ 157,050
Grand Total Expenditures - Primary Government	\$ 26,339,378	\$ 25,352,590	\$ 24,235,881	\$ (1,116,709)
Component Unit:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 15,160,670	\$ 15,160,670	\$ 14,735,559	\$ (425,111)
Administration, attendance and health	1,317,220	1,317,220	1,309,851	(7,369)
Pupil transportation services	1,478,840	1,877,576	1,898,217	20,641
Operation and maintenance services	2,001,760	2,077,760	1,956,347	(121,413)
School food service costs	13,100	13,100	11,919	(1,181)
Technology	722,510	722,510	588,936	(133,574)
Reimbursement to primary government for debt service	2,435,560	2,435,560	2,431,093	(4,467)
Total School Operating Fund	\$ 23,129,660	\$ 23,604,396	\$ 22,931,922	\$ (672,474)
School Cafeteria Fund:				
Education:				
School food services	\$ 979,800	\$ 979,800	\$ 986,916	\$ 7,116
Total School Cafeteria Fund	\$ 979,800	\$ 979,800	\$ 986,916	\$ 7,116
Total Expenditures - Component Unit - School Board	\$ 24,109,460	\$ 24,584,196	\$ 23,918,838	\$ (665,358)

2013 County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2013
www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

Statistical Section

COUNTY OF KING WILLIAM, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	2004	2005	2006
Primary government:			
Governmental activities:			
Investment in capital assets	\$ (662,613)	\$ 930,177	\$ (659,035)
Reserved for permanent fund	1,921,039	-	43,036
Restricted	-	-	-
Unrestricted	882,101	254,796	(783,037)
Total governmental activities net assets	\$ 2,140,527	\$ 1,184,973	\$ (1,399,036)
Total governmental activities net position			

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" now refers to this measurement as "net position."

Table 1

June 30,						
2007	2008	2009	2010	2011	2012	2013
\$ 68,259	\$ 265,030	\$ (312,223)	\$ (513,010)	\$ 1,669,963	\$ 1,461,113	\$ 4,298,661
-	-	-	-	-	-	-
-	-	-	-	64,245	62,572	4,024,633
(869,156)	594,739	2,373,837	3,806,931	3,502,991	5,016,956	4,247,618
\$ (800,897)	\$ 859,769	\$ 2,061,614	\$ 3,293,921	\$ 5,237,199	\$ 6,540,641	
						<u>\$ 12,570,912</u>

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
General government administration	\$ 1,266,888	\$ 1,271,109	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984
Judicial administration	360,726	597,394	546,844	703,379	709,576
Public safety	3,068,285	3,371,458	3,876,633	2,902,265	3,607,687
Public works	1,257,118	1,291,848	1,365,801	1,634,409	1,663,886
Health and welfare	1,302,442	1,520,575	1,633,408	1,647,634	1,756,619
Education	8,592,689	6,480,149	8,735,293	7,914,185	7,904,725
Parks, recreation and cultural	630,563	675,125	768,139	795,222	808,883
Community development	475,418	509,256	588,039	632,854	628,507
Interest	1,625,043	1,565,132	1,650,115	1,683,999	1,726,966
Total governmental activities	18,579,172	17,282,046	20,583,514	19,501,459	20,460,833
Program revenue:					
Governmental activities:					
Charges for services:					
General government administration	550	908	-	-	-
Judicial administration	92,464	110,884	76,748	70,068	89,529
Public safety	6,998	163,256	149,436	141,582	155,621
Public works	215,880	135,539	144,706	242,938	283,945
Education	-	-	-	-	-
Parks, recreation and cultural	60,308	65,390	63,657	62,935	90,002
Community development	114,453	326,978	280,923	366,445	429,266
Operating grants and contributions:					
General government administration	231,496	196,230	212,953	228,053	258,221
Judicial administration	223,772	303,716	395,244	373,098	357,510
Public safety	766,975	788,198	843,276	855,926	883,349
Public works	5,697	5,545	8,325	6,886	8,390
Health and welfare	839,269	1,061,677	1,068,504	1,068,868	1,133,758
Parks, recreation and cultural	5,698	-	-	5,000	5,639
Community development	40,786	8,000	-	-	-
Capital grants and contributions:					
Public safety	105,548	-	-	-	-
Public works	-	-	-	-	-
Education	126,292	125,456	126,002	171,793	128,496
Parks, recreation and cultural	-	-	-	-	-
Community development	121,237	251,377	383,705	497,796	120,173
Total governmental activities revenues	2,957,423	3,543,154	3,753,479	4,091,388	3,943,899
Total primary government net expense	(15,621,749)	(13,738,892)	(16,830,035)	(15,410,071)	(16,516,934)
General revenues and other changes in net position/assets:					
Governmental activities:					
General property taxes	9,236,755	10,121,543	11,133,059	12,411,669	14,880,517
Grants and contributions not restricted to specific programs	1,192,490	1,184,450	1,323,143	1,331,018	1,323,126
Local sales and use	-	-	-	-	-
Consumer utility	353,768	367,020	392,552	316,991	226,398
Business licenses	236,897	243,080	343,348	307,841	353,398
Motor vehicle license taxes	254,397	264,436	274,860	268,331	283,490
Emergency telephone tax	173,796	171,262	191,211	94,613	-
Taxes on recordation and wills	-	-	-	-	-
Communication sales tax	-	-	-	-	388,000
Other local taxes	179,069	327,245	399,023	614,552	370,588
Revenues from uses of money and property	118,920	91,029	105,636	271,379	331,025
Miscellaneous	18,133	13,273	83,195	391,817	21,058
Total general revenues	11,764,225	12,783,338	14,246,027	16,008,211	18,177,600
Change in net position/assets	\$ (3,857,524)	\$ (955,554)	\$ (2,584,008)	\$ 598,140	\$ 1,660,666

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

Table 2

June 30,					
	2009	2010	2011	2012	2013
\$	1,577,182	\$ 1,764,919	\$ 1,379,801	\$ 1,390,914	\$ 1,720,020
	723,263	704,861	719,715	731,145	758,278
	4,049,433	3,861,928	4,206,900	4,069,441	4,363,690
	1,702,038	1,546,058	1,693,960	1,636,299	1,591,495
	1,950,087	2,001,233	1,837,002	1,726,465	1,769,339
	8,541,759	8,109,049	8,679,113	9,555,915	10,430,356
	856,020	805,377	836,773	852,555	848,196
	602,788	728,707	537,673	415,658	325,122
	1,470,892	1,505,477	1,031,300	1,024,553	1,037,029
	21,473,462	21,027,609	20,922,237	21,402,945	22,843,525
	-	-	-	19,500	20,000
	94,142	90,863	15,765	16,767	26,855
	129,696	94,812	394,742	389,101	697,301
	118,984	130,839	168,958	161,269	141,297
	-	-	-	-	642,225
	103,290	86,706	131,642	119,114	109,886
	193,292	174,608	177,126	150,911	167,649
	250,522	229,637	190,203	203,673	196,912
	387,240	341,892	372,117	363,618	374,720
	1,007,777	835,995	784,085	801,490	852,544
	8,169	6,629	7,644	6,473	9,342
	1,301,243	1,386,233	1,321,454	1,119,045	1,028,244
	5,000	5,319	5,000	9,550	21,668
	-	-	49,205	-	-
	-	25,550	-	-	26,842
	-	-	-	-	335,875
	130,926	-	-	-	-
	-	-	-	-	5,800
	24,779	212,500	-	-	-
	3,755,060	3,621,583	3,617,941	3,360,511	4,657,160
	(17,718,402)	(17,406,026)	(17,304,296)	(18,042,434)	(18,186,365)
	15,855,934	15,559,634	15,744,965	15,464,547	16,393,302
	1,242,316	1,262,902	1,598,315	1,567,627	1,571,449
	-	-	722,243	747,327	776,602
	216,877	224,395	226,901	227,669	230,314
	376,767	278,531	299,881	275,242	342,712
	290,584	299,404	357,659	370,133	369,895
	-	-	-	-	-
	-	156,970	138,994	151,615	171,486
	373,713	375,273	-	-	-
	332,040	389,986	278,516	313,264	318,584
	117,071	76,982	67,703	89,375	98,719
	114,945	14,256	21,906	139,077	56,674
	18,920,247	18,638,333	19,457,083	19,345,876	20,329,737
\$	1,201,845	\$ 1,232,307	\$ 2,152,787	\$ 1,303,442	\$ 2,143,372

COUNTY OF KING WILLIAM, VIRGINIA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2004	2005	2006	2007
General Fund:				
Reserved:				
Textbooks	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	755,670	-	43,036	-
Unreserved, undesignated	677,017	102,245	(1,410,084)	(1,573,398)
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	1,432,687	102,245	(1,367,048)	(1,573,398)
All Other Governmental Funds:				
Reserved:				
General capital projects	1,874,124	1,128,317	1,793,405	1,484,039
School capital projects	46,915	314,144	195,912	363,158
Nonspendable	-	-	-	-
Restricted:				
General capital projects	-	-	-	-
School capital projects	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	1,921,039	1,442,461	1,989,317	1,847,197
Total fund balances	\$ 3,353,726	\$ 1,544,706	\$ 622,269	\$ 273,799

Note:

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

Table 3

[illegible]

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
General property taxes	\$ 9,215,984	\$ 10,080,458	\$ 11,046,031	\$ 12,335,200
Other local taxes	1,197,927	1,373,043	1,600,994	1,602,328
Permits, privilege fees, proffers and regulatory licenses	273,876	493,216	429,832	507,487
Fines and forfeitures	66,670	105,668	68,228	61,357
Revenue from use of money and property	118,920	91,029	105,636	271,379
Charges for services	150,106	204,071	217,410	315,124
Miscellaneous	18,133	13,271	83,197	391,816
Recovered costs	11,951	69,702	391,314	399,878
Intergovernmental:				
Commonwealth	2,849,923	3,012,019	3,351,886	3,420,574
Federal	809,337	912,630	1,009,266	1,117,864
Total revenues	14,712,827	16,355,107	18,303,794	20,423,007
Expenditures:				
General government administration	1,213,050	1,213,608	1,355,995	1,481,314
Judicial administration	357,920	379,921	483,269	545,276
Public safety	2,861,292	3,499,385	4,077,047	3,288,323
Public works	1,152,167	1,218,343	1,258,884	1,519,831
Health and welfare	1,303,245	1,518,078	1,632,905	1,641,189
Education	5,820,776	5,013,809	5,748,257	5,830,758
Parks, recreation and cultural	625,579	666,640	755,898	783,565
Community development	480,815	509,256	584,745	1,051,637
Capital outlays	6,890,404	983,746	574,226	2,273,439
Debt service:				
Principal	1,526,077	2,050,590	2,103,893	2,107,408
Interest and fiscal charges	1,594,867	1,761,426	1,701,112	1,772,121
Total expenditures	23,826,192	18,814,802	20,276,231	22,294,861
Excess (deficiency) of revenues over (under) expenditures	(9,113,365)	(2,459,695)	(1,972,437)	(1,871,854)
Other financing sources (uses):				
Operating transfers in	200,000	163,832	375,001	-
Operating transfers out	(200,000)	(163,832)	(375,001)	-
Payment to refunded bond escrow agent	(7,517,961)	-	-	(1,511,962)
Long-term debt issued	7,055,000	605,000	1,050,000	2,950,000
Premium on debt issued	469,900	45,675	-	85,346
Total other financing sources, net	6,939	650,675	1,050,000	1,523,384
Net change in fund balance	\$ (9,106,426)	\$ (1,809,020)	\$ (922,437)	\$ (348,470)
Debt service as a percentage of noncapital expenditures	18.43%	21.38%	19.31%	19.38%

Table 4

June 30,											
2008		2009		2010		2011		2012		2013	
\$	14,645,208	\$	15,598,733	\$	15,393,779	\$	15,750,252	\$	15,481,278	\$	16,344,544
	1,621,874		1,589,981		1,724,559		2,024,194		2,085,250		2,209,593
	582,677		322,076		261,567		186,198		160,620		174,247
	80,343		82,334		79,556		79,454		66,657		72,930
	331,025		117,071		76,982		67,703		89,375		98,719
	385,344		234,994		236,705		455,554		421,357		366,409
	21,057		114,945		14,256		21,906		139,077		874,596
	178,107		241,834		152,078		167,027		208,028		373,705
	3,556,576		3,719,698		3,532,727		3,637,470		3,421,903		3,495,484
	662,086		638,274		773,930		690,553		649,573		559,395
	22,064,297		22,659,940		22,246,139		23,080,311		22,723,118		24,569,622
	1,606,483		1,547,498		1,732,673		1,372,400		1,346,130		1,390,170
	548,832		595,412		538,227		570,469		556,528		597,145
	3,702,708		4,194,591		4,026,891		4,100,800		4,171,459		4,226,609
	1,796,594		1,530,499		1,564,364		1,574,143		1,517,016		1,498,140
	1,754,245		1,933,241		2,005,090		1,915,180		1,708,920		1,774,541
	5,924,555		6,181,401		6,198,939		6,897,886		7,856,937		8,807,812
	806,175		858,490		748,180		801,103		809,495		810,258
	625,676		606,026		729,608		545,236		420,350		322,642
	2,275,620		1,060,899		43,034		288,710		1,131		1,755,312
	2,145,961		2,073,919		2,052,456		2,088,978		1,926,423		1,865,545
	1,818,578		1,637,624		1,513,975		1,139,851		1,159,869		1,187,707
	23,005,427		22,219,600		21,153,437		21,294,756		21,474,258		24,235,881
	(941,130)		440,340		1,092,702		1,785,555		1,248,860		333,741
	-		-		-		-		-		965,674
	-		-		-		-		-		(965,674)
	-		-		-		-		(5,141,719)		-
	2,055,000		-		-		270,000		5,310,743		3,000,000
	-		-		-		-		-		-
	2,055,000		-		-		270,000		169,024		3,000,000
\$	1,113,870	\$	440,340	\$	1,092,702	\$	2,055,555	\$	1,417,884	\$	3,333,741
	19.12%		17.54%		16.89%		15.50%		14.53%		13.57%

COUNTY OF KING WILLIAM, VIRGINIA

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property	Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes
2004	\$ 9,215,984	\$ -	\$ 353,768	\$ 236,897	\$ 254,397
2005	10,080,458	-	367,020	243,080	264,436
2006	11,046,031	-	392,552	343,348	274,860
2007	12,335,200	-	316,991	307,841	268,331
2008	14,645,208	-	226,398	353,398	283,490
2009	15,598,733	-	216,877	376,767	290,584
2010	15,393,779	-	224,395	278,531	299,404
2011	15,750,252	722,243	226,901	299,881	357,659
2012	15,481,278	747,327	227,669	275,242	370,133
2013	16,344,544	776,602	230,314	342,712	369,895

Notes:

- (1) Prior to fiscal year 2011, local sales and use tax receipts were accounted for in a separate agency fund. In that fiscal year, the agency fund was blended into the General Fund.
- (2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes.

Table 5

Taxes on Recordation and Wills		Emergency Telephone	Communications (2)	Other Local	Total				
\$	122,868	\$	173,796	\$	-	\$	56,201	\$	10,413,911
	268,045		171,262		-		59,200		11,453,501
	333,505		191,211		-		65,518		12,647,025
	368,069		94,613		176,376		70,107		13,937,528
	297,711		-		388,000		72,877		16,267,082
	202,938		-		373,713		129,102		17,188,714
	156,970		-		375,273		389,986		17,118,338
	138,994		-		-		278,516		17,774,446
	151,615		-		-		313,264		17,566,528
	171,486		-		-		318,584		18,554,137

COUNTY OF KING WILLIAM, VIRGINIA

ASSESSED AND ESTIMATED VALUE OF PROPERTY

Last Ten Calendar Years

(Unaudited)

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools
2003	\$ 765,744,726	\$ 1.08	\$ 83,436,554	\$ 3.55	\$ 148,076,370
2004	909,258,951	0.87	84,621,184	3.65	148,254,803
2005	1,066,913,767	0.92	95,011,903	3.65	135,948,296
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861

Notes:

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

Table 6

Direct Tax Rate	Public Service (2)	Total Direct Tax	Total
\$ 2.30	\$ 33,431,805	\$ 6.93	\$ 1,030,689,455
2.30	30,502,008	6.82	1,172,636,946
2.30	39,061,299	6.87	1,336,935,265
2.30	30,792,861	6.87	1,395,622,550
2.50	32,529,671	7.14	1,684,519,040
2.45	44,709,244	6.91	1,948,080,592
2.45	40,248,359	6.91	1,951,759,141
2.45	42,974,549	6.91	1,959,156,921
2.45	44,005,450	6.91	1,940,889,318
2.45	44,230,704	6.91	1,951,239,703

COUNTY OF KING WILLIAM, VIRGINIA

Table 7

PROPERTY TAX RATES (1)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service		Total County Direct Tax Rate
				Real Estate	Personal Property	
2003-04	\$ 1.08/0.23	\$ 3.55/0.34	\$ 2.30/0.80	\$ 1.08/0.23	\$ 3.30/0.34	\$ 6.93
2004-05	0.87/0.23	3.65/0.34	2.30/0.80	0.87/0.23	3.65/0.34	6.82
2005-06	0.92/0.23	3.65/0.34	2.30/0.80	0.87/0.23	3.65/0.34	6.87
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	0.92/0.25	3.65/0.34	6.87
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	0.99/0.29	3.65/0.50	7.14
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.90

Notes:

(1) Per \$100 of assessed value.

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

(3) The tax rate for calendar year 2012 real estate taxes was \$0.81 and \$0.27, respectfully. The tax rate for calendar year 2013 real estate taxes was \$0.79 and \$0.79, respectfully.

COUNTY OF KING WILLIAM, VIRGINIA

Table 8

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	Fiscal Year June 30,					
		2013			2004		
		Taxable Assessed Valuation*	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation*
RockTenn Container Plant LLC	Paper Mill	\$ 39,901,700	1	2.16%	\$ 80,850,400	1	12.77%
Nestle Purina Pet Care	Cat Litter	9,652,700	2	0.52%	13,322,400	2	2.11%
Siegel Family LP	Land-Owner	4,957,400	3	0.27%	6,338,800	4	1.00%
Old Town LLC	Developer	4,707,400	4	0.26%	2,912,000	7	0.46%
West Point Square LLC	Developer	4,663,942	5	0.25%	-	-	-
Central Garage II LLC	Developer	4,404,309	6	0.24%	-	-	-
Romancoke LLC	Land-Owner	4,198,700	7	0.23%	-	-	-
The Lafferty Foundation	Land-Owner	2,875,300	8	0.16%	3,463,000	6	0.55%
Widespread Properties LLC	Developer	2,351,170	9	0.13%	-	-	-
Central Garage LLC	Developer	2,148,060	10	0.12%	7,461,000	3	1.18%
John N. Mills, et al		-		-	4,283,000	5	0.68%
Charles S. Hunter III		-		-	2,846,400	7	0.45%
J. Harvey Martin		-		-	2,396,000	9	0.38%
Elis G. Olsson		-		-	1,913,400	10	0.30%
Total		\$ 79,860,681		4.33%	\$ 125,786,400		19.88%

*Excludes Land Use Values

Source: Virginia Employment Commission, Top 50 Employers (1st Quarter of 2013 and 2nd Quarter of 2004)

COUNTY OF KING WILLIAM, VIRGINIA

Table 9

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Tax Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years Amount ⁽¹⁾⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
2004	\$ 10,103,620	\$ -	\$ 10,103,620	\$ 9,932,651	98.31%	\$ 170,969	\$ 10,103,620	100.00%
2005	11,102,130	-	11,102,130	10,736,144	96.70%	316,868	11,053,012	99.56%
2006	12,167,928	-	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%
2007	13,430,788	-	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%
2008	15,898,709	-	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%
2009	17,087,723	-	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2013	17,640,156	(1,421,423)	16,218,733	14,573,056	89.85% ⁽³⁾	697,384	15,270,439	94.15%

Notes:

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions, but includes past due vehicle licensing taxes that were subsequently collected.

(3) Due to town of West Point tax settlement, Real Estate Taxes for town residents that were due June 25, 2013 were moved to August 5, 2013.

Source: King William County Commissioner of Revenue and Treasurer

COUNTY OF KING WILLIAM, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	State Literary Loans	Capital Leases	Revenue Bonds
2004	\$ 20,914,869	\$ 6,895,253	\$ 1,095,000	\$ 8,528,757
2005	20,316,893	6,329,688	1,040,000	8,301,711
2006	19,077,720	5,764,123	980,000	9,112,556
2007	17,852,301	5,198,558	920,000	10,381,132
2008	16,635,583	4,633,069	855,000	12,137,378
2009	15,507,512	4,073,432	785,000	11,821,167
2010	14,438,031	3,539,232	790,736	11,442,351
2011	13,622,081	3,105,032	668,380	11,110,879
2012	12,534,601	2,670,832	638,643	11,181,616
2013	11,445,125	2,236,632	3,528,935	10,949,455

Note:

(1) See demographic statistics on Table 13.

Table 10

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 37,433,879	8.44%	\$ 2,496
35,988,292	7.57%	2,499
34,934,399	7.62%	2,470
34,351,991	6.98%	2,371
34,261,030	6.55%	2,264
32,187,111	5.73%	2,060
30,210,350	5.13%	1,890
28,506,372	4.60%	1,789
27,025,692	-	1,688
28,160,147	-	1,712

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Debt Payable From Revenue Bonds
2003-04	14,334	\$ 1,030,689,455	\$ 36,338,879	\$ 8,528,757
2004-05	14,515	1,172,636,946	34,948,292	8,301,711
2005-06	14,141	1,336,935,265	33,954,339	9,112,556
2006-07	14,487	1,395,622,550	33,431,991	10,381,132
2007-08	15,133	1,684,519,040	33,406,030	12,137,378
2008-09	15,627	1,948,080,592	31,402,111	11,821,167
2009-10	15,987	1,951,759,141	29,419,614	11,442,351
2010-11	15,935	1,959,156,921	27,837,992	11,110,879
2011-12	16,014	1,940,889,318	26,387,049	11,181,616
2012-13	16,448	1,951,239,703	24,631,212	10,949,455

Notes:

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

(2) Amounts taken from Table 6.

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

Table 11

Net Bonded Debt (3)		Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
\$	27,810,122	\$ 2.70%	\$ 1,940
	26,646,581	2.27%	1,836
	24,841,783	1.86%	1,757
	23,050,859	1.65%	1,591
	21,268,652	1.26%	1,405
	19,580,944	1.01%	1,253
	17,977,263	0.92%	1,124
	16,727,113	0.85%	1,050
	15,205,433	0.78%	950
	13,681,757	0.70%	832

COUNTY OF KING WILLIAM, VIRGINIA

Table 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2013

(Unaudited)

		Debt Outstanding
County of King William	100%	\$ 24,631,212

The County of King William has no overlapping debt.

COUNTY OF KING WILLIAM, VIRGINIA

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2003-04	14,334	\$ 30,926	\$ 443,299,000	1,859	4.20%
2004-05	14,515	32,771	475,672,000	1,899	3.50%
2005-06	14,141	32,404	458,224,964	2,000	2.60%
2006-07	14,487	33,969	492,108,903	2,099	2.80%
2007-08	15,133	34,574	523,208,342	2,169	3.70%
2008-09	15,627	35,925	561,399,975	2,157	7.40%
2009-10	15,987	36,802	588,353,574	2,191	7.00%
2010-11	15,935 ⁽²⁾	38,882 ⁽³⁾	619,584,670	2,200	6.60%
2011-12	16,014 ⁽²⁾	-	-	2,187	6.10%
2012-13	16,448 ⁽²⁾	-	-	2,179	5.10%

Sources:

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

(2) Weldon Cooper Estimates for Virginia and its Counties and Cities, provisional estimate for FY 2013

(3) www.governing.com/gov-data/economy-finance/personal-income-per-capita-county-map.html

(4) Superintendent's Annual Report, Virginia Department of Education

(5) Virginia Employment Commission

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	Fiscal Year June 30,					
	2013			2004		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Alliance Group -RockTenn	250 to 499	1	10.87%	-	-	-
King William County School Board	250 to 499	2	10.87%	250 to 499	2	5.01%
Nestle Purina Petcare Company	100 to 249	3	5.07%	50 to 99	7	1.00%
Town of West Point School Board	100 to 249	4	5.07%	100 to 249	3	2.34%
County of King William	100 to 249	5	5.07%	100 to 249	5	2.34%
Food Lion	100 to 249	6	5.07%	100 to 249	6	2.34%
Virginia Log Company	50 to 99	7	2.16%	50 to 99	9	0.92%
Riverside Regional Medical Center	50 to 99	8	2.16%	50 to 99	10	0.92%
McDonald's	50 to 99	9	2.16%	-	-	-
Augusta Lumber Company	50 to 99	10	2.16%	-	-	-
Smurfit - Stone Container Corp.	-	-	-	500 to 999	1	10.03%
On Site Resource	-	-	-	100 to 249	4	2.34%
Citizen's & Farmers Bank	-	-	-	50 to 99	8	1.00%

Source: Virginia Employment Commission.

COUNTY OF KING WILLIAM, VIRGINIA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government administration	15.2	17.3	18.9	17.5
Judicial administration	3.0	3.0	5.0	5.0
Public safety:				
Sheriff's department	29.0	30.4	30.3	31.0
E911/Dispatch	-	-	-	-
Emergency services	-	-	1.0	1.0
Community connection program	2.0	2.0	2.6	2.5
Building inspections	5.0	5.0	6.0	5.0
Animal control	2.0	2.0	2.0	2.0
Public works:				
General maintenance	5.0	7.0	6.5	7.0
Water utility	-	-	-	-
Litter control	0.4	0.2	0.7	0.6
Health and welfare:				
Department of social services	11.5	12.0	12.0	12.0
Culture and recreation:				
Parks and recreation	2.0	2.0	4.0	4.0
Community development:				
Planning	5.0	5.0	5.0	4.0
Totals	80.1	85.9	94.0	91.6

Source: Finance Department's payroll records for full and part-time employees

Table 15

June 30,					
2008	2009	2010	2011	2012	2013
18.5	17.5	17.5	17.1	12.0	23.8
5.0	4.0	4.0	4.0	4.0	4.0
32.0	32.0	32.0	32.0	29.0	20.2
-	-	-	-	-	11.0
1.0	1.0	1.0	1.0	1.0	1.0
2.5	3.0	3.0	3.0	3.0	2.8
5.0	4.0	4.0	4.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0	2.2
7.5	8.5	8.5	8.5	4.0	4.0
-	-	-	-	-	1.0
0.6	0.6	0.6	0.6	0.6	-
11.0	13.3	13.3	13.3	13.7	13.6
4.0	3.0	3.0	3.0	3.0	13.0
4.0	5.0	5.0	5.0	4.0	4.0
93.1	93.9	93.9	93.5	78.3	102.6

COUNTY OF KING WILLIAM, VIRGINIA

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Last Ten Fiscal Years

(Unaudited)

Function/Activity		Fiscal Year			
		2004	2005	2006	2007
Sheriff	Physical arrests	511	701	809	744
	Traffic violations	844	998	750	683
Fire/EMS Protection	Number of stations	4	4	3	3
	Number of EMS calls answered	235	235	235	496
	Number of Fire calls answered	-	-	-	-
	Number of inspections conducted	25	25	25	25
Community Development	Residential building permits	1,441	1,943	1,734	1,713
Parks and Recreation	Program participants	4,397	8,562	8,287	9,460
Water/Sewer	Service connections	25	87	124	157
	Average daily consumption in gallons	23,622	46,300	66,518	96,712

Source: Finance Department

Note:

(1) In fiscal year 2013, EMS and Fire calls began to be tracked separately.

Table 16

June 30,					
2008	2009	2010	2011	2012	2013
688	779	855	873	825	576
1,050	884	715	618	539	617
3	3	3	3	3	3
210	1,863	1,819	2,359	1,575	1,659
-	-	-	-	-	394
25	31	31	31	31	31
1,316	808	546	507	492	431
13,637	14,377	8,938	10,256	5,807	3,964
291	312	328	340	413	223
87,100	96,712	82,419	103,948	56,744	59,129

COUNTY OF KING WILLIAM, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
General government:					
General government administration:					
Administration buildings	1	1	1	1	1
Public safety:					
Police protection:					
Number of stations	1	1	1	1	1
Patrol units	24	23	25	25	27
Building inspections:					
Vehicles	4	5	4	4	4
Animal control:					
Vehicles	1	1	2	2	2
Emergency services:					
Vehicles	-	-	-	-	3
Public works:					
General maintenance:					
Trucks/vehicles	6	6	7	8	8
Landfill:					
Vehicles	1	1	1	1	1
Sites (Including transfer sites)	4	4	4	4	4
Health and welfare:					
Department of Social Services:					
Vehicles	-	1	2	2	3
Culture and recreation:					
Community Centers	1	1	1	1	1
Parks	1	1	1	1	1
Park acreage	51	51	51	51	51
Baseball/softball fields	4	4	4	4	4
T-ball fields	2	3	3	3	3
Soccer fields	2	2	2	2	2
Basketball courts	2	2	2	2	2
Water system:					
Miles of water mains	1	1	1	1	10
Number of fire hydrants	8	8	8	8	55
Sewer system:					
Miles of sewer mains	4	4	4	4	13
Component Unit - School Board:					
Education:					
Number of Elementary Schools	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1
Number of school buses	39	40	40	40	42

Source: Finance Department

Table 17

June 30, 2008	2009	2010	2011	2012	2013
1	1	1	2	2	2
1	1	1	1	1	1
26	26	26	29	29	23
4	4	4	2	2	1
2	2	2	2	3	3
3	3	2	2	2	1
8	8	10	6	10	4
1	1	1	1	-	-
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
51	51	51	51	51	51
4	3	3	3	3	3
3	3	3	3	3	3
2	1	1	1	1	1
2	2	2	2	2	2
11	11	11	11	11	16
55	63	67	67	67	91
13	13	13	13	13	18
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
45	47	44	44	44	46

2013 County of King William, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2013
www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards
Notes to Schedule of Expenditures of Federal Awards

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Report of Independent Auditors on Compliance with
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Summary Schedule of Prior Audit Findings

Compliance Section

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ 130,593
<u>Virginia Department of Agriculture and Consumer Services:</u>			
Child Nutrition Cluster:			
Commodity Distributions	Not Provided	10.555	61,905
<u>Virginia Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	40623	10.553	121,321
National School Lunch Program	40623	10.555	317,935
			<hr/> 439,256
Total Department of Agriculture			<hr/> 631,754
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Motor Vehicles:</u>			
Alcohol Impaired Driving Countermeasures Incentive Grants	Not provided	20.601	<hr/> 6,152
Total Department of Transportation			<hr/> 6,152
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	13,770
Temporary Assistance to Needy Families	Not Provided	93.558	92,605
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	459
Low-Income Home Energy Assistance	Not Provided	93.568	7,222
CCDF Cluster:			
Child Care and Development Block Grant	Not Provided	93.575	(125)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	15,518
Chafee Education and Training Vouchers Program (ETV)	Not Provided	93.599	800
Child Welfare Services - State Grants	Not Provided	93.645	405
Foster Care - Title IV-E	Not Provided	93.658	42,786
Adoption Assistance	Not Provided	93.659	54,931
Social Services Block Grant	Not Provided	93.667	56,130
Chafee Foster Care Independent Living	Not Provided	93.674	1,090
State Children's Insurance Program	Not Provided	93.767	3,030
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	<hr/> 78,362
Total Department of Health and Human Services			<hr/> 366,983

COUNTY OF KING WILLIAM, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	\$ 65,883
Total Department of Defense			65,883
DEPARTMENT OF EDUCATION:			
<u>Direct payments:</u>			
<u>Department of Education:</u>			
Title VII - Indian Education		84.060	12,410
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	42901	84.010	195,142
Special Education Cluster:			
Special Education - Grants to States	43071	84.027	470,476
Special Education - Preschool Grants	62521	84.173	13,804
School Improvement Grant	42892	84.377	15,967
Vocational Education - Basic Grants to States	61095	84.048	25,560
Education Technology State Grants	61600	84.318	57,598
ARRA - Education Jobs Fund	62700	84.410	196,434
Title III English Language Acquisition State Grants	Not provided	84.365	860
Improving Teacher Quality State Grants	61480	84.367	3,116
			978,957
Total Department of Education			991,367
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
<u>Federal Emergency Management Agency:</u>			
Staffing for Adequate Fire and Emergency Response		97.083	31,433
<u>Pass-through payments:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	Not Provided	97.042	24,234
Total Department of Homeland Security			55,667
Total Federal Awards Expended			\$ 2,117,806

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on an accrual basis of accounting consistent with the basis of accounting used by the County. The schedule includes all known federal funds expended by the County for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$61,905 at the time received were consumed during the year ended June 30, 2013. These commodities were included in the determination of federal awards expended during the year ended June 30, 2013.

Note 3. Relationship to the Basic Financial Statements

For fiscal year 2013, the County recognized amounts in the Schedule of Expenditures of Federal Awards (SEFA) that are shown in the basic financial statements as deferred revenue due to the timing of expenditure reimbursement submissions. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current year, \$57,498 of current year expenditures related to the Education Technology State Grants (CFDA #84.318) were included in the SEFA.

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

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

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01 to be a material weakness and item 2013-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-03 to 2013-08.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
January 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (County) 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 the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the School Board did not comply with the requirements regarding CFDA 84.027, Special Education – Grants to States and CFDA 84.173, Special Education – Preschool Grants, as described in finding numbers 2013-09 and 2013-10 for Allowable Costs. Compliance with these requirements is necessary, in our opinion, for the School Board to meet the requirements applicable to this program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-09 and 2013-10. Our opinion on the major federal program is qualified with respect to these matters.

The School Board's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The School Board's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that were not identified.

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

We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-09 and 2013-10 to be material weaknesses. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

PBMares, LLP

Harrisonburg, Virginia
January 15, 2014

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal awards

Internal control over major programs:

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

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

- Qualified for the Special Education Cluster (CFDA 84.027, *Special Education Grants to States* and CFDA 84.173, *Special Education Preschool Grants*) allowable costs and special tests and provisions
- Unmodified for all applicable compliance requirements of the Special Education Cluster and for all other major programs and applicable compliance requirements

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? √ Yes No

Identification of major programs:

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

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Child Nutrition Cluster:

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

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

Auditee qualified as low-risk auditee? Yes √ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2013-01: Material Weakness Due to Material Audit Adjustments

Requirement: The year-end financial statements obtained from the County to be audited should be final and free of material misstatement.

Pertaining specifically to recording capital assets, capital assets should be recorded when monies are expended or when donations are received. Capital asset expenditures are expensed in the fund statements, but then shown as a reconciling item on the entity-wide statements. Capital asset donations are shown as a reconciling item on the entity-wide statements.

Condition: Upon auditing the County's year-end balances, there were instances of material adjustments identified, including entries to restate prior periods; entries to record capital assets net of accumulated depreciation, that were formerly expensed; entries to record donated capital assets that were not capitalized; and entries to record deferred revenue associated with certain agreements pertaining to donated capital assets.

Included in this restatement is the improper recording of a significant capital project that was completed in prior years. As invoices for the project were received and paid, the County expensed the payments, instead of aggregating them and capitalizing and depreciating them as capital assets.

Also included in this restatement is the under-recording of capital assets that were donated to the County in prior years. These assets, although legally owned by the County, were not recorded by the County as assets or depreciated.

Effect: As noted above, the effect of these transactions was to misstate prior year total net position of the County. The necessary restatement above was material to the financial statements, and was needed in order to more accurately represent the County's financial position. Failure to record the items noted above is a departure from Governmental Accounting Standards.

Recommendation: We recommend the County develop a system of policies and procedures to ensure that instances in which staff members are unsure of proper accounting treatment, options are available for research and counsel for proper treatment and recording. Additionally, as it pertains to properly recording capital assets, we recommend the County establish a "project manager" to be responsible for the oversight and aggregation of accounting information relating to significant projects as well as capital asset donations. This will ensure that capital project costs are accumulated and capitalized and donated assets are recognized and capitalized as depreciable property. The responsibilities can be given to an individual already employed by the County, and should be someone with the knowledge of these projects, and with financial or job costing experience. As an example, an engineer, actively employed by the County, could serve in this capacity.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency in Internal Control

2013-02: Significant Deficiency in Lacking Segregation of Duties over School Payroll

Requirement: Duties related to significant accounting processes, including payroll, should be segregated to the fullest extent, to avoid potential fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition: In auditing the internal control over the School Board's payroll system, it was determined that certain employee contracts were not up-to-date for the current school year and instances were found in which an employee was not being paid in accordance with their signed contract. The signed contracts were not in accordance with salary scales due to a lack of review of the contracts for accuracy. It was also determined controls over new employee setup in the system were not segregated from the payroll function during the fiscal year. The same individual was able to access and update the employee master file, as well as input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank.

Effect: The potential effect of this lack of segregation of duties over these functions could allow for the creation of a fictitious employee. Furthermore, the lack of segregation also creates an environment in which there is more potential for human error, which could go undetected, as was the case with the incorrect contracts. Lastly, having only one individual trained in the payroll process could be detrimental to the School Board in the event of an untimely absence, and could potentially cause unwanted delays or processing errors.

Recommendation: We recommend the payroll function be segregated among at least one other employee to provide the necessary checks and balances. At a minimum, the responsibility for reviewing contracts and updating the payroll master file should be a function of Human Resources, and access to make changes should be restricted from those involved in payroll processing. Payroll is a likely area for errors and defalcations to occur due to the inherent nature of the transactions and dollars involved. Better segregation of duties will enhance controls to detect any such errors, fraud and irregularities and provide for much greater safeguarding of assets.

COUNTY OF KING WILLIAM, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings

2013-03: Lack of Compliance with the Virginia Public Procurement Act

Both the County and School Board are required to adhere to the Virginia Public Procurement Act of the *Code of Virginia*. During the audit for fiscal year 2013, we noted both the County and School Board did not comply with the Virginia Public Procurement Act when purchasing certain services. We noted vendors were being used after contracts had expired and the services had not been re-bid, as well as methods that were used to determine the price of each phase and component of a project instead of examining the total project cost, which would have resulted in the need for quotes.

We recommend the County and School Board adhere to the Virginia Public Procurement Act, in an effort to prevent the risk of circumventing controls over purchasing and a procedure be put in place to monitor when contracts end once awarded.

2013-04: Lack of Documented Approval of Budget Amendments and Expenditures in Excess of Budget

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require budget amendments be properly advertised and approved and expenditures to be no more than budgeted appropriations. During the audit for fiscal year 2013, we noted expenditures were in excess of budgeted amounts in the Capital Projects Fund and budget amendments had been made to the original budget that were not approved by the Board of Supervisors.

We recommend the County receive approval for all budget amendments from the Board of Supervisors. We also recommend the County monitor budgets on an on-going basis to ensure expenditures are not in excess of appropriations.

2013-05: Lack of Adherence to Employee Contracts

As noted in finding 2013-02, it was noted during the audit for fiscal year 2013 that certain employees were not paid in accordance with their signed contract with the School Board. These errors were largely due to a lack of review of the creation of contracts and inputs of contracts into the payroll system. Although the employees were being paid in accordance with salary scales, the amounts being paid did not agree to the signed contract amounts, as the contract amounts were not in accordance with the salary scales.

We recommend once contracts are created, they are compared to the salary scales to ensure the contract salary is correct. Once salary contracts are executed, we recommend someone separate from the payroll function enter the contracts in the payroll system. Once the contract is entered, we recommend that someone other than the original person who input the information review the information in the payroll system to ensure the contract salary agrees to the information input into the payroll system.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2013-06: Lack of Tracking of Capital Assets and Knowledge of Procurement Policies

Capital assets purchased by the School Activity Funds and subsequently donated to the School Board should be recorded as donated capital assets. During the audit for fiscal year 2013, it was noted that assets donated by the School Activity Funds are not being tracked by the School Board upon donation. It was also noted that some individuals overseeing the purchase of these assets were not aware a purchasing policy exists and such purchases should follow purchasing guidelines.

We recommend the School Board work with those managing the School Activity Funds to make those individuals aware of the School Board's purchasing policy and ensure all purchases are made in accordance with the policy and the Virginia Public Procurement Act. We also recommend the School Activity Funds communicate with the School Board regarding any capital assets donated during the year.

2013-07: Lack of Segregation of Child Welfare Trust Funds at the Department of Social Services

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require the local Treasurer establish separate accounts for all Child Welfare Trust funds so these trust fund accounts are not commingled with any other funds or accounts of the locality. During the audit of fiscal year 2013, it was determined that separate accounts had not been established for all Child Welfare Trust funds, and these funds were commingled with other locality funds.

We recommend the County and Department of Social Services implement a policy with procedures to be in compliance with the specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to prevent the commingling of such funds.

2013-08: Lack of Termination of Access Privileges at the Department of Social Services

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require terminated employees have their access privileges to all Virginia Department of Social Services systems be removed within three working days of the employment termination. During the audit of fiscal year 2013, one instance was noted where the access privileges were not removed within three working days of the employment termination.

We recommend the Department of Social Services implement procedures to monitor compliance with the specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to remove access privileges of terminated employees in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2013-09: Allowable Costs

Program: Special Education Cluster (CFDA Numbers 84.027 and 84.173) – U.S. Department of Education – Commonwealth of Virginia Department of Education.

Requirements: OMB Circular A-87, Attachment B 11(h) – “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

Condition: Employees did not complete the required semi-annual time certifications.

Effect: Noncompliance with OMB Circular A-87 may result in reduced funding for these programs.

Questioned costs: Undeterminable.

Recommendation: The School Board should require employees to complete and sign certifications of time charged to federal programs after they have worked that time as required by OMB Circular A-87.

2013-10: Special Tests and Provisions

Program: Special Education Cluster (CFDA Numbers 84.027 and 84.173) – U.S. Department of Education – Commonwealth of Virginia Department of Education.

Requirements: Virginia Administrative Code Title 8, Section 20-81-70 – “A reevaluation shall be conducted (34 CFR 300.303(a) and (b)(2)):... c. at least once every three years, unless the parent and local educational agency agree that a reevaluation is unnecessary.”

Condition: Within our sample, it was determined that one student’s triennial evaluation was not completed in a timely manner.

Effect: Noncompliance with Federal Regulations and the Virginia Administrative Code may result in reduced funding for these programs.

Questioned costs: Undeterminable.

Recommendation: The School Board should ensure evaluations of eligible students at least once every three years are performed as required by the Virginia Administrative Code.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2013**

Identifying Number: 2013-01 Material Weakness Due to Material Audit Adjustments

Finding:

Material audit adjustments were made to the original trial balance. The most significant audit adjustments related to the recordation of capital assets.

Corrective Action Taken or Planned:

County staff concurs with the assessment that policies, lack of training, and personnel are all responsible for this understatement of capital assets since 2003. The County has taken positive steps in fiscal year 2013 to address future problems related to financial reporting of the County. It is important to note that County staff identified the finding by reviewing the capital asset listing in fiscal year 2013 prior to the audit. County staff has restructured the budget in fiscal year 2014 to focus on these large capital assets (i.e. utility system, vehicles, and improvements); and County staff is actively identifying policies that need to be addressed by the Board. With all that in place, the County would still need additional staff to “manage” these large capital project budgets, qualified staff to take on policy revisions, and training for current staff around the County to solve these problems completely. County management will recommend additional staff and training requirements in the fiscal year 2015 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

Identifying Number: 2013-02 Significant Deficiency in Lacking Segregation of Duties over School Payroll

Finding:

Some employee contracts were not up-to-date for the current school year and some employees were not being paid in accordance with their signed contract. Also, the payroll clerk at the School Board had the ability to setup new employees, input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank.

Corrective Action Taken or Planned:

Although several employees were not paid in accordance with contract, all employees except for one part-time employee were being paid the correct salary. Several wrong contracts had not been updated to reflect position changes during the year. As of November 2013, generation and review of contracts was transferred to the Human Resources department.

As of August 2013, the payroll clerk could no longer access the employee master file. The entering of new employees into the payroll system and subsequent changes are now entered by the Budget Financial Coordinator. These functions are scheduled to be transferred to the Human Resources department during the 2013-2014 fiscal year. The direct deposit remittance that is faxed to the bank is now signed by the Budget Financial Coordinator instead of the payroll clerk.

COUNTY OF KING WILLIAM, VIRGINIA

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CORRECTIVE ACTION PLAN Year Ended June 30, 2013

Identifying Number: 2013-03 Lack of Compliance with the Virginia Public Procurement Act

Finding:

The Virginia Public Procurement Act of the *Code of Virginia* was not adhered to in certain instances at both the County and the School Board.

Corrective Action Taken or Planned:

County:

County staff concurs with the assessment that public procurement policies were not followed by County departments. The County identified these issues prior to the audit of fiscal year 2013 and started to take steps to mitigate future procurement problems. It is important to note that County staff in September 2013, pursued certification from the Commonwealth as a procurement officer, staff has engaged the commonwealth procurement office for system training on the state procurement system (eVa), and has issued numerous invitations for bid (IFB) and request for proposals (RFP) in fiscal year 2013 and subsequently in fiscal year 2014. With all that in place, the County still recognizes the need for additional staff for procurement, qualified staff to take on County's procurement policy revisions, and training for current staff/volunteers around the County to solve this problem completely. County management will recommend additional staff and training requirements in the fiscal year 2015 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

School Board:

All phases of related projects are now combined when applying procurement policy.

Identifying Number: 2013-04 Lack of Documented Approval of Budget Amendments and Expenditures in Excess of Budget

Finding:

Expenditures were greater than budgeted appropriations in the Capital Projects Fund and amendments were not properly approved, as required by the *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia*.

Corrective Action Taken or Planned:

County staff concurs there was a single large budget entry that was processed without a corresponding resolution of approval from the County Board of Supervisors in fiscal year 2013. The budget adjustment was an actual decrease in budget authority for the County in response to out of balance base budget as depicted in Exhibit 7 (page 26) "Total other financing sources (uses), net" for the original budget showed transfers in of \$3.3 million for capital projects in the General Fund with no subsequent transfer out from another fund that had proceeds to cover the projects. When this was discovered by staff in fiscal year 2013, the unspent budget authority in the General Fund was removed and subsequent Board resolutions were completed by the Board for specific projects in the capital project funds in fiscal year 2013. Due to the fact, the initial decrease was not approved by the Board; the entry was not in compliance with the *Code of Virginia*. All future budget adjustment increases or decreases will be approved by the Board prior to entry in the accounting system. A single spreadsheet showing the budget and expenditures, by department and fund, will be shared with the Board each month to ensure they are made aware of all current spending and authority to spend for all facets of the County operations starting in January 2014.

COUNTY OF KING WILLIAM, VIRGINIA

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2013

Identifying Number: 2013-05 Lack of Adherence to Employee Contracts

Finding:

Certain School Board employees were not being paid in accordance with their most current contract.

Corrective Action Taken or Planned:

Although several employees were not paid in accordance with contract, all employees except for one part-time employee were being paid the correct salary, in accordance with the salary scales. The several wrong contracts had not been updated to reflect position changes during the year. As of November 2013, generation and review of contracts was transferred to the Human Resources department. The finance department will also review the contract amounts.

Identifying Number: 2013-06 Lack of Tracking of Capital Assets and Knowledge of Procurement Policies

Finding:

Capital assets purchased or donated by the School Activity Funds are not currently being recorded. There is also a lack of knowledge of the School Board's purchasing policies in relation to these capital assets.

Corrective Action Taken or Planned:

School Principals have received additional instruction and training in relation to capital asset additions and purchasing policies.

Identifying Number: 2013-07 Lack of Segregation of Child Welfare Trust Funds at the Department of Social Services

Finding:

Separate accounts for all Child Welfare Trust funds had not been established as required by the *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia*.

Corrective Action Taken or Planned:

Social Services Board and County:

County staff concurs with the finding that Social Services was commingling Child Welfare Trust Funds with other funds and monthly reconciliations were not being done by staff to reconcile individual children accounts with the County Treasurer's office. The County identified this issue prior to the audit of fiscal year 2013 and started to take steps to clear the fund. County staff involved the auditors with clarifying liability entries and in January 2014 County staff will transfer all unrelated revenues that have not been spent by the Department of Social Services to the General Fund to clear the fund to children only accounts.

COUNTY OF KING WILLIAM, VIRGINIA

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2013

Identifying Number: 2013-07 Lack of Segregation of Child Welfare Trust Funds at the Department of Social Services (Continued)

Corrective Action Taken or Planned: (Continued)

Future corrective action is to follow State guidelines for the Child Welfare Trust Account/Special Welfare by having County staff/Treasurer follow up on monthly reconciliation of children accounts from Social Services staff, and limiting deposit capability to children related accounts only.

Identifying Number: 2013-08 Lack of Termination of Access Privileges at the Department of Social Services

Finding:

Certain terminated employees continued to have access privileges to the Virginia Department of Social Services system for a period longer than three working days after their termination. The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require these privileges be removed within three working days of the employment termination.

Corrective Action Taken or Planned:

Social Services Board and County:

County staff concurs with the finding that Social Services did not follow State guidelines for removal of employees from the system three days after separation from employment. The employee ID in the system was left active by the Department of Social Services for two months after the employee had separated from employment. The Department of Social Services feels there was extenuating circumstances with this employee and following the State guidelines could have led to missing information in the system on cases that were assigned to the former social worker if the employee ID was deleted.

Future corrective action will be done by County staff to develop a comprehensive post-employment checklist in Human Resources that identifies systems, access, and other employee privileges that their supervisor is responsible for securing after employment and County staff will insure compliance by all County and Social Services staff in the future.

COUNTY OF KING WILLIAM, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2013**

Identifying Number: 2013-09 Allowable Costs

Finding:

OMB Circular A-87 requires time certifications be completed at least semi-annually by all employees expected to work solely on a single Federal award or cost objective. Time certifications were not completed by any employees working under the Special Education Cluster federal award.

Corrective Action Taken or Planned:

Appropriate personnel were not aware of the time certification requirement for the Special Education Cluster. Time certifications for the first half of the current fiscal year were completed by December 19, 2013. Additional certifications will be completed in the spring of 2014.

Identifying Number: 2013-10 Special Tests and Provisions

Finding:

Virginia Administrative Code Title 8, Section 20-81-70 requires the reevaluation of students at least once every three years for students receiving Special Education services. One student's reevaluation was not completed within the three years of the student's prior evaluation.

Corrective Action Taken or Planned:

The need for adherence to established controls has been communicated to appropriate personnel.

COUNTY OF KING WILLIAM, VIRGINIA

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013**

Identifying Number: 12-01

Finding:

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

Corrective Action Taken or Planned:

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

The School Board's accounting manuals and internal control documentation are in process and are expected to be completed by the end of fiscal year 2013-2014.

Identifying Number: 12-02

Finding:

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

Corrective Action Taken or Planned:

Whistleblower and related policies and programs are being prepared for consideration by the Board of Supervisors as part of the fiscal year 2013-2014 budget process.

COUNTY OF KING WILLIAM, VIRGINIA

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013**

Identifying Number: 12-03

Finding:

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

Corrective Action Taken or Planned:

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