



County of King George, Virginia

Comprehensive Annual Financial Report



Year Ended June 30, 2013

COUNTY OF KING GEORGE, VIRGINIA

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2013

PREPARED BY:

Robyn Shugart, Director of Finance

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013

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CEDELL BROOKS, JR.
Shiloh Election District

JOSEPH W. GRZEIKA
James Madison Election District

JOHN P. LoBUGLIO
James Monroe Election District

RUBY A. BRABO
Dahlgren Election District

DALE W. SISSON, JR.
At-Large Election District



COUNTY ADMINISTRATOR
A. TRAVIS QUESENBERRY, P.E.
10459 Courthouse Drive, Suite 200
King George, VA 24485
Telephone: (540)775-9181
FAX: (540)775-5248
Website: www.king-george.va.us

December 9, 2013

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

We are pleased to present the Comprehensive Annual Financial Report of the County of King George, Virginia, (the "County"), for the fiscal year ended June 30, 2013 in compliance with Section 15.2-2511 of the Code of Virginia (1950) as amended. This report was prepared by the County's Department of Finance; therefore, responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with the County. This report is designed to fairly present the financial position and results of operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure necessary to enable the reader to gain a reasonable understanding of the County's financial affairs.

Robinson, Farmer, Cox Associates, LLP, a firm of licensed certified accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2013, were free of material misstatement. See official Independent Auditors' Report under the financial section of this report and the compliance section.

PROFILE OF KING GEORGE COUNTY

King George County, named for King George I of England, was formed in 1720 from Richmond County. It is located in the coastal plains of Virginia, 20 miles east of Fredericksburg and 50 miles northeast of Richmond, VA. The County encompasses a land area of 183 square miles.

King George County government is organized under the Board of Supervisors/County Administrator form of government, which sets overall policies for the administration of the County. They consist of five (5) members representing four (4) Election Districts and one (1) at-large district in the County. The Chairman of the Board is elected by the Board of Supervisors and serves a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the Chief Administrative Officer for the County. The County Administrator serves at the pleasure of the Board of Supervisors, implements the policies established by the Board of Supervisors, and manages the day-to-day affairs of the County. See Organizational Chart.

Funds required to support all services provided by King George County are reflected in this report.

THE REPORTING ENTITY AND ITS SERVICES

King George County and King George Schools operate under consolidated accounting functions which are overseen by the Director of Finance to include: payroll, procurement, budgeting and accounts payable.

The County of King George report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. The County provides a full range of services to its residents. These include general administration, judicial administration, public safety, public works, health and welfare, parks and recreation, education, and community and economic development.

For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as part of the primary government. Therefore, the King George County Service Authority is presented as a blended component unit. It is identified in these statements as Business Type Activities. The King George County Wireless Authority is also presented as a blended component unit.

The School Board is a discretely presented component unit and reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose five (5) member board is elected and is fiscally dependent on the local government. The School Board appoints a superintendent to administer its policies.

Accounting System: Adequacy of internal accounting controls has been considered in developing and maintaining the County’s overall accounting and financial systems. The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Auditors also review the County’s internal controls over financial reporting during the course of the annual audit; however, they do not express an opinion on effectiveness. We are committed to actively pursue implementation of all recommended policy and procedural changes which are deemed to be practical and cost effective.

The County operates a fully automated accounting and financial management information system (Bright). This system is utilized by both County and School Board financial staff.

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. The annual budget serves as the foundation for the County’s financial planning and control. Budgetary control is maintained primarily at the fund level and the department level. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of all funds are included in the annual appropriated budget.

THE REPORTING ENTITY AND ITS SERVICES (CONTINUED)

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2013 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

LOCAL ECONOMY

King George County ranked 3rd among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 40% during the past decade with a total population in 2010 of 23,584. King George has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. The major employer is the Dahlgren Naval Surface Warfare Center (NAVSWC), which provides employment for 5,000 civilian and military personnel and an additional 4,000 contract employees. During the latest BRAC (Base Realignment Committee) recommendation, the Dahlgren Site had a net gain of ten (10%) percent in personnel. The Dahlgren site is home to the Aegis Ballistic Missile Defense, Naval Surface Warfare Center Dahlgren Division, Center for Surface Combat Systems and Aegis Training and Readiness Center, Joint Warfare Analysis Center, and 20th Space Control Squadron-Detachment One. NAVSWC has been instrumental in attracting a variety of high technology software engineering firms to the County. Major industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in the County's economy.

LONG TERM FINANCIAL PLANNING

The County prepares a five-year Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities, including schools. In addition, a 10-year forecast model is updated annually and used as a tool to estimate potential future financial needs and conditions. This includes both the General Fund and the Capital Fund.

Long-term financing options utilized are long term lease revenue bonds, general obligation bond and state literary loans. The County also sets aside a portion of landfill revenues to cash fund smaller projects in the capital budget while also building on the general fund for future emergency needs. The County has also revised the General Fund balance policy to have an unassigned fund balance reserve amount no less than 15% of the total operating budget.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

Smoot Library Expansion: The \$5 million expansion and renovation of the Library was almost completed during FY2013. This project includes the renovation of the existing building and the addition of over 15,000 square feet of additional space. It will include meeting rooms, instructional areas and Wi-Fi for County residents.

Potomac Elementary School Renovation Project: The Potomac Elementary School is in the initial stage of a \$5 million renovation project. This project includes new heating, cooling, ventilation, telephone, intercom, painting, electrical and plumbing improvements, and lighting. It is expected to be completed in late 2014

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

Industrial Park: The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Complex on Route 3 which is served by water, sewer and rail. Current initiatives are in place to recruit businesses to boost the economy in King George. The Economic Development Director's primary focus is on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently three businesses are located in the Industrial Park Of these three businesses; one is a new business to the county, Faddis Concrete Products, Inc., that purchased the former Mid-Atlantic Precast facility. Faddis Concrete Products, Inc, a concrete production company based in Pennsylvania, purchased the facility and machinery and has been making major improvements and modifications to the building. Currently, Faddis Concrete Products has a very small crew of approximately 5-7 individuals working at the site but expects to grow to 70 or more once fully operational.

There are currently thirteen additional lots (either privately owned or owned by the EDA) totaling approximately 100 acres available for development in the industrial park. Economic development staff continues to market these sites to prospects and during 2013 provided information to over 20 potential prospects and site consultants, all looking at potentially expanding or relocating to the Mid-Atlantic area.

Horti-Group/ Fresh Tulips, USA: In late 2011, Horti-Group, a company specializing in construction and management of greenhouses, purchased the 45-acre greenhouse located adjacent to the King George Industrial Park. This greenhouse had been empty since 2008 and its last tenant grew hydroponic tomatoes. In mid-2012, it was announced that Fresh Tulips, USA, a division of B&B Quality Bulbs in the Netherlands, would relocate its tulip company from Stevensburg, VA to King George. Fresh Tulips will continue to operate at Stevensburg until the lease for that 8-acre location expires in 2016. The company will then be consolidated in King George. The new location will allow it to build a larger cooler for more types of bulbs, including lilies and daffodils; grow plants hydroponically year round; and, in about five years, produce about twice as many tulips as it does now in Stevensburg. Currently, Fresh Tulips USA ships about 6 million bouquets a year to distributors in a rectangular area stretching from Boston to Miami and Dallas to Chicago. Clients include such grocery stores as Giant Food, Whole Foods and Kroger. Workers also box and ship special-order bouquets for online retailer ProFlowers.com.

Natural Gas Main Extension: The Board of Supervisors approved the initial engineering phase of extending gas main to the Industrial Park in fiscal year 2012. Once completed, this line will be a 6.5 mile steel pipe that will bring natural gas directly to the King George Industrial Park. Construction is expected to begin in fiscal year 2014 and would take approximately 18 months to complete

The University of Mary Washington-Dahlgren Campus-Center for Education and Research: This facility opened in January 2012 and will work in conjunction with engineering schools in Virginia such as: Old Dominion University, Virginia Polytechnical Institute, Virginia Commonwealth University, University of Virginia and George Mason University. This building consists of a two-story 40,000 sq. ft. facility located on 27 acres that includes 21 classrooms with seating for 12 to 40 or more, a research and computer lab, group study rooms, a 3,200 square foot multi-purpose room with a catering kitchen and seating for more than 300. State of the art instructional technology and wireless access are available throughout the building and it was designed to meet or exceed LEED Silver Certification requirements. The building provides a technology-rich venue for graduate-level science, technology, engineering and mathematics programs to serve the needs of the military and the region's many defense-related contractors.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

King George Gateway: Retail Development Services, LLC, the developer of the King George Gateway Shopping Center, has completed leasing all available square footage in Phase 1 of a four-phase development. All but one tenant is open and all tenants are showing very strong sales numbers. Retail Development Services is now finalizing leases for Phase II, approximately 80,000 square feet of retail space and may begin construction in early 2014.

Other Retail: Construction was completed on a 66,000 square foot, three story Hampton Inn located in the Dahlgren Technology Park and it is now open.

Vehicle Maintenance Facility: A former auto auction facility was purchased for \$1.25 million for the future site of a vehicle maintenance facility. This site will serve both the County and the School Division. Renovation work has commenced and the project is estimated to be completed by the fall of 2014.

Shiloh Park: This project includes construction of multi-purpose fields, playground, walking trail, site improvements, and parking.

OTHER INFORMATION

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

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

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

OTHER INFORMATION (CONTINUED)

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance, Treasurer's Office and the office of the Commissioner of the Revenue. We would like to express our appreciation to all the members of the staff who assisted and contributed to its preparation. We would also like to thank the Board of Supervisors for their continued interest and support in planning and conducting the financial operation of the County in a responsible, timely and progressive manner.

Respectfully submitted,



A. Travis Quesenberry, PE
County Administrator



Robyn E Shugart
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**King George County
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

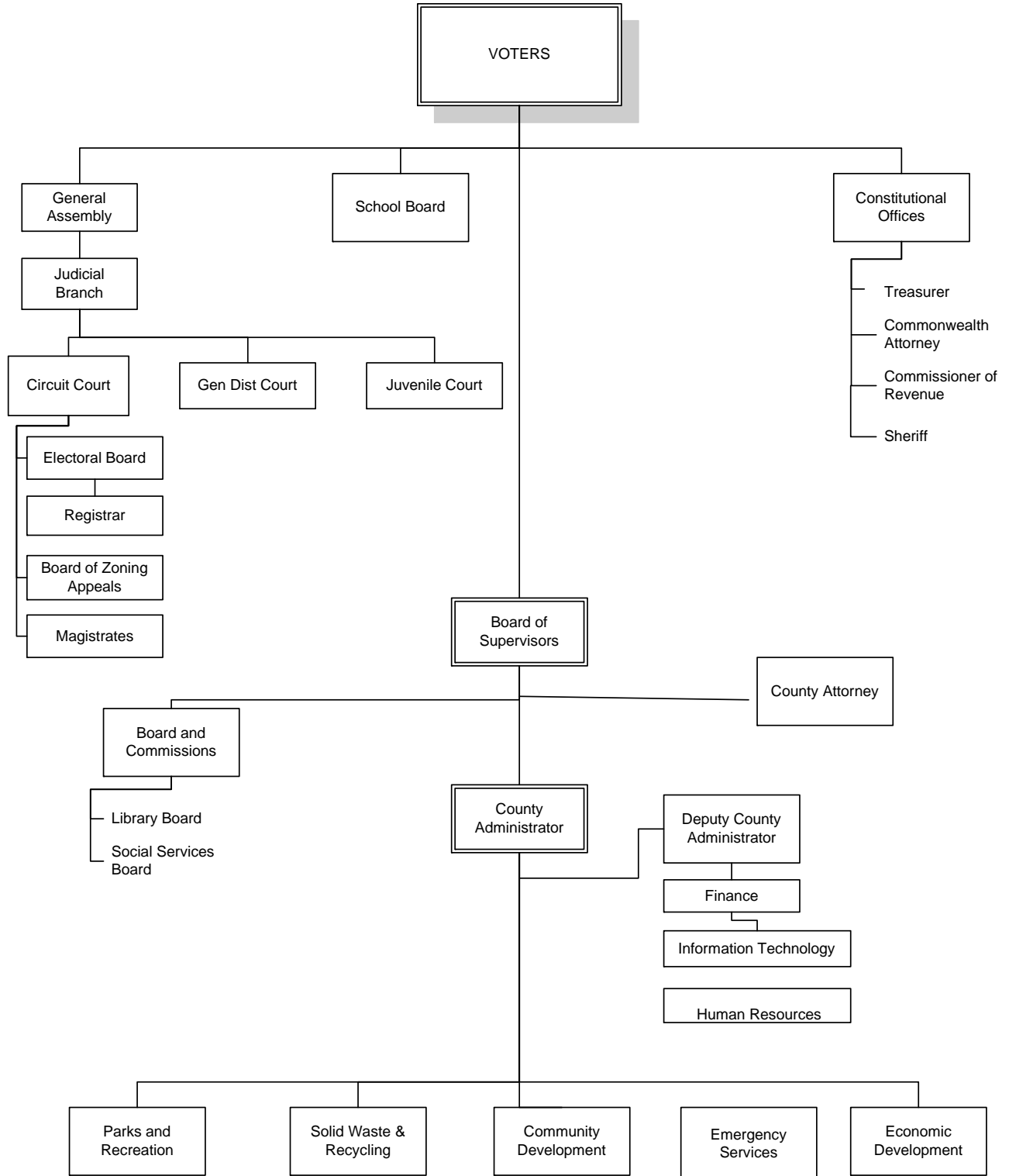
June 30, 2012

Executive Director/CEO

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KING GEORGE COUNTY ORGANIZATIONAL CHART



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COUNTY OF KING GEORGE, VIRGINIA

June 30, 2013

Board of Supervisors

Dale W. Sisson, Jr., Chairman
John P. LoBuglio, Vice-Chairman
Ruby A. Brabo
Cedell Brooks, Jr.
Joseph W. Grzeika

County School Board

John Davis, Chairman
Kristen Tolliver, Vice-Chair
Kenneth Novell
Richard Randall
Michael Rose

Board of Social Services

Helene Kelly, Chairperson
Renee Jenkins, Vice-Chairperson
Cedell Brooks, Jr.
Arlene Jacovelli
Marva Smith

Smoot Memorial Library Board of Trustees

	Tina Sisson, Chairperson	
	Joe McGettigan, Vice-Chairperson	
Evelyn Durling		Michael Gallier
Robert Gates		Linda Kramer
Neil Richard		David Simms
Christine Steppe		Cheryl Stewart

Other Officials

County Attorney	Eric Gregory
Judge of the Circuit Court	J. Martin Bass
Clerk of the Circuit Court.....	Charles V. Mason
Commonwealth Attorney.....	Keri Gusmann
Commissioner of the Revenue.....	Jo Ann Ando
Treasurer.....	Alice L. Moore
Judge of the General District Court.....	Vacant
Judge of the Juvenile & Domestic Relations Courts	David F. Peterson
Clerk of the General and Juvenile & Domestic Relations Courts.....	Nancy L. Tierney
Sheriff.....	Steve Dempsey
Superintendent of Schools.....	Robert Benson
Director of Department of Social Services	David Coman
County Administrator.....	A. Travis Quesenberry

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-14, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Information: (Continued)

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

The 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 December 9, 2013, on our consideration of the County of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of King George, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 9, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors To the Citizens of King George County

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, financial statements and accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of the governmental activities of the County exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2013 by \$55.9 million (net position). This represents a decrease of \$1.7 million compared to the prior fiscal year.
- Of the total net position \$3.1 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$45.8 million, a decrease of \$7 million in comparison with the prior year.
- Approximately thirty-eight percent (38%) of this total amount or \$17.6 million is General Fund unassigned fund balance and available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County.
- The County's net debt decreased by \$3.1 million during the current fiscal year. There were no refunding or new bond issues during the fiscal year.

Overview of the Financial Statements

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

- A. Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.
1. Statement of Net Position - Presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Refer to Exhibit 1 for Statement of Net Position.
 2. Statement of Activities - Presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that causes the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Refer to Exhibit 2 for Statement of Activities.

Overview of the Financial Statements: (Continued)

A. Government-wide financial statements: (Continued)

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

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

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

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

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

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

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

2. Proprietary funds - The County maintains one enterprise fund. Enterprise funds are used to account for the delivery of goods and services to the general public. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

The King George Service Authority is a component unit of the County of King George. The Authority provides water and sewer services to County residents.

3. Fiduciary funds - Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individuals. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

Overview of the Financial Statements: (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55.9 million at the close of fiscal year 2013.

The County's net investment in capital assets such as land, buildings and equipment totals \$17.8 million at June 30, 2013, an increase of \$1.1 million over prior year. The County uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Refer to table below.

**County of King George, Virginia
Schedule of Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 58,713,414	\$ 64,957,691	\$ 4,347,699	\$ 4,299,641	\$ 63,061,113	\$ 69,257,332
Capital assets	79,994,551	77,453,789	35,284,431	36,203,568	115,278,982	113,657,357
Total assets	\$ 138,707,965	\$ 142,411,480	\$ 39,632,130	\$ 40,503,209	\$ 178,340,095	\$ 182,914,689
Deferred outflows of resources -						
Deferred charge on refunding	\$ 3,335,049	\$ 3,482,662	\$ 1,456,181	\$ 1,530,753	\$ 4,791,230	\$ 5,013,415
Long-term liabilities						
outstanding	\$ 70,207,927	\$ 73,302,842	\$ 26,009,813	\$ 26,282,099	\$ 96,217,740	\$ 99,584,941
Current liabilities	9,053,683	8,103,576	956,383	1,167,739	10,010,066	9,271,315
Total liabilities	\$ 79,261,610	\$ 81,406,418	\$ 26,966,196	\$ 27,449,838	\$ 106,227,806	\$ 108,856,256
Deferred inflows of resources -						
Unavailable revenue - property tax	\$ 6,872,636	\$ 6,835,136	\$ -	\$ -	\$ 6,872,636	\$ 6,835,136
Net position:						
Net investment in capital assets	\$ 17,849,891	\$ 16,779,466	\$ 12,158,220	\$ 12,899,785	\$ 30,008,111	\$ 29,679,251
Restricted	3,092,023	3,565,698	-	-	3,092,023	3,565,698
Unrestricted	34,966,854	37,307,424	1,963,895	1,684,339	36,930,749	38,991,763
Total net position	\$ 55,908,768	\$ 57,652,588	\$ 14,122,115	\$ 14,584,124	\$ 70,030,883	\$ 72,236,712

Restricted net position represents resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service, Smoot library endowment, and for a natatorium donation. The County's restricted net position amounts to \$3.1 million or six percent (6%) of total net position.

Government-wide Financial Analysis: (Continued)

Governmental and business-type activities reflect changes in net position of decrease of \$1.7 million and decrease of \$462,009 respectively.

Key elements of the changes in net position are seen in the table below:

**County of King George, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,953,490	\$ 7,839,392	\$ 4,361,207	\$ 4,212,976	\$ 12,314,697	\$ 12,052,368
Operating grants and contributions	4,385,348	4,632,851	-	-	4,385,348	4,632,851
Capital grants and contributions	466,102	138,945	-	-	466,102	138,945
General revenues:						
General property taxes	19,450,543	18,864,987	-	-	19,450,543	18,864,987
Other local taxes	6,375,440	5,953,088	-	-	6,375,440	5,953,088
Use of money and property	209,155	406,925	2,007	2,305	211,162	409,230
C/VA non-categorical aid	2,690,859	2,676,883	-	-	2,690,859	2,676,883
Other general revenues	236,125	321,788	246,860	283,305	482,985	605,093
Total revenues	\$ 41,767,062	\$ 40,834,859	\$ 4,610,074	\$ 4,498,586	\$ 46,377,136	\$ 45,333,445
Expenses:						
General government administration	\$ 2,409,601	\$ 2,608,379	\$ -	\$ -	\$ 2,409,601	\$ 2,608,379
Judicial administration	1,022,358	1,052,619	-	-	1,022,358	1,052,619
Public safety	10,010,928	8,534,911	-	-	10,010,928	8,534,911
Public works	1,419,964	1,550,883	-	-	1,419,964	1,550,883
Health and welfare	4,403,698	4,731,360	-	-	4,403,698	4,731,360
Education	17,550,953	14,860,879	-	-	17,550,953	14,860,879
Parks, recreation, and cultural	1,311,229	1,225,450	-	-	1,311,229	1,225,450
Community development	1,999,446	1,731,600	-	-	1,999,446	1,731,600
Interest and other fiscal charges	3,297,304	2,558,359	-	-	3,297,304	2,558,359
Water and sewer	-	-	5,157,484	5,212,378	5,157,484	5,212,378
Total expenses	\$ 43,425,481	\$ 38,854,440	\$ 5,157,484	\$ 5,212,378	\$ 48,582,965	\$ 44,066,818
Increase (decrease) in net position before transfers	\$ (1,658,419)	\$ 1,980,419	\$ (547,410)	\$ (713,792)	\$ (2,205,829)	\$ 1,266,627
Transfers	(85,401)	(172,595)	85,401	172,595	-	-
Change in net position	\$ (1,743,820)	\$ 1,807,824	\$ (462,009)	\$ (541,197)	\$ (2,205,829)	\$ 1,266,627
Net position, July 1, as restated	57,652,588	55,844,764	14,584,124	15,125,321	72,236,712	70,970,085
Net position, June 30	\$ 55,908,768	\$ 57,652,588	\$ 14,122,115	\$ 14,584,124	\$ 70,030,883	\$ 72,236,712

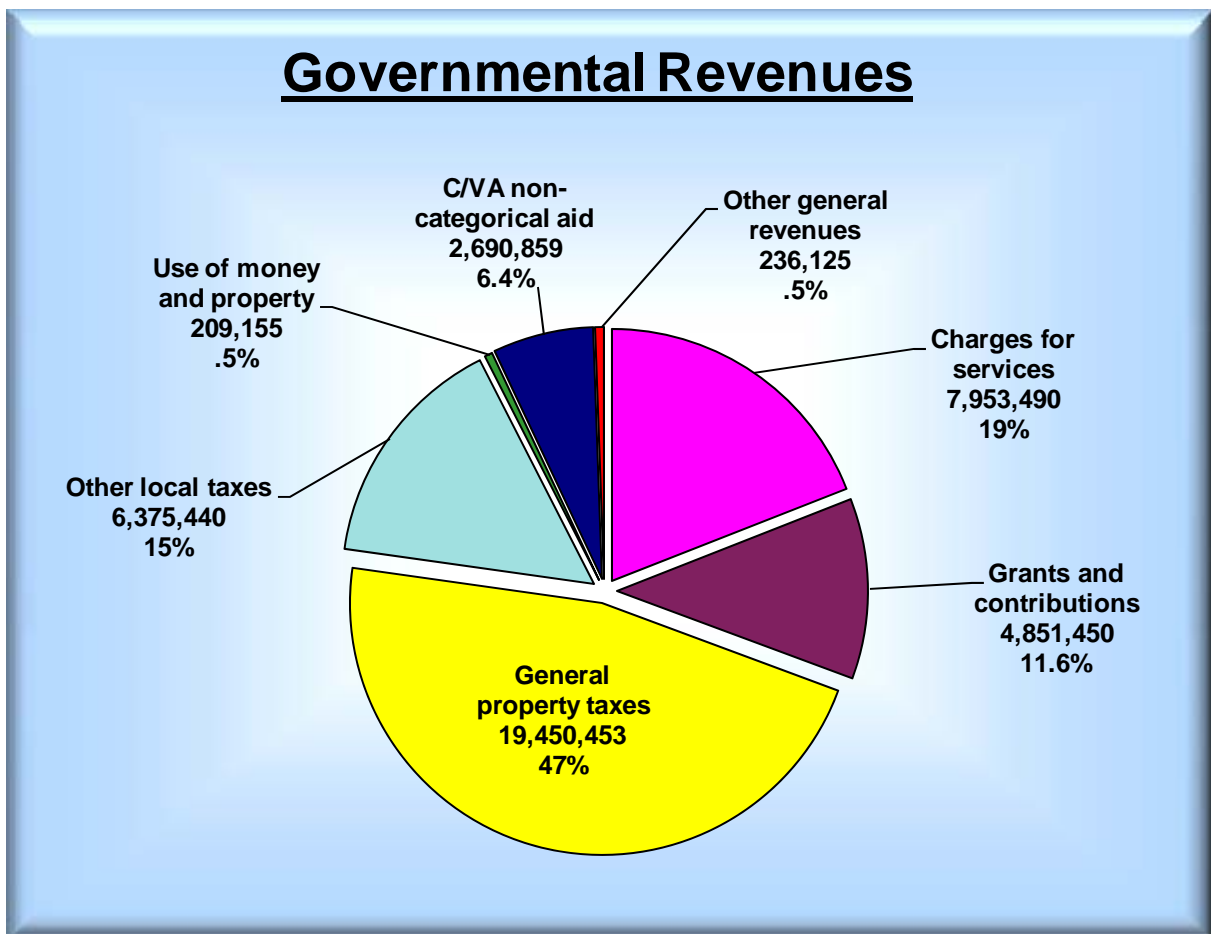
Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$41.8 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$19.5 million
- Charges for services totaled \$8 million (This includes \$6.4 million of landfill revenues)
- Other local taxes totaled \$6.4 million.
- Operating grants and contributions totaled \$4.4 million

The pie chart below provides an overview of revenues by program source.

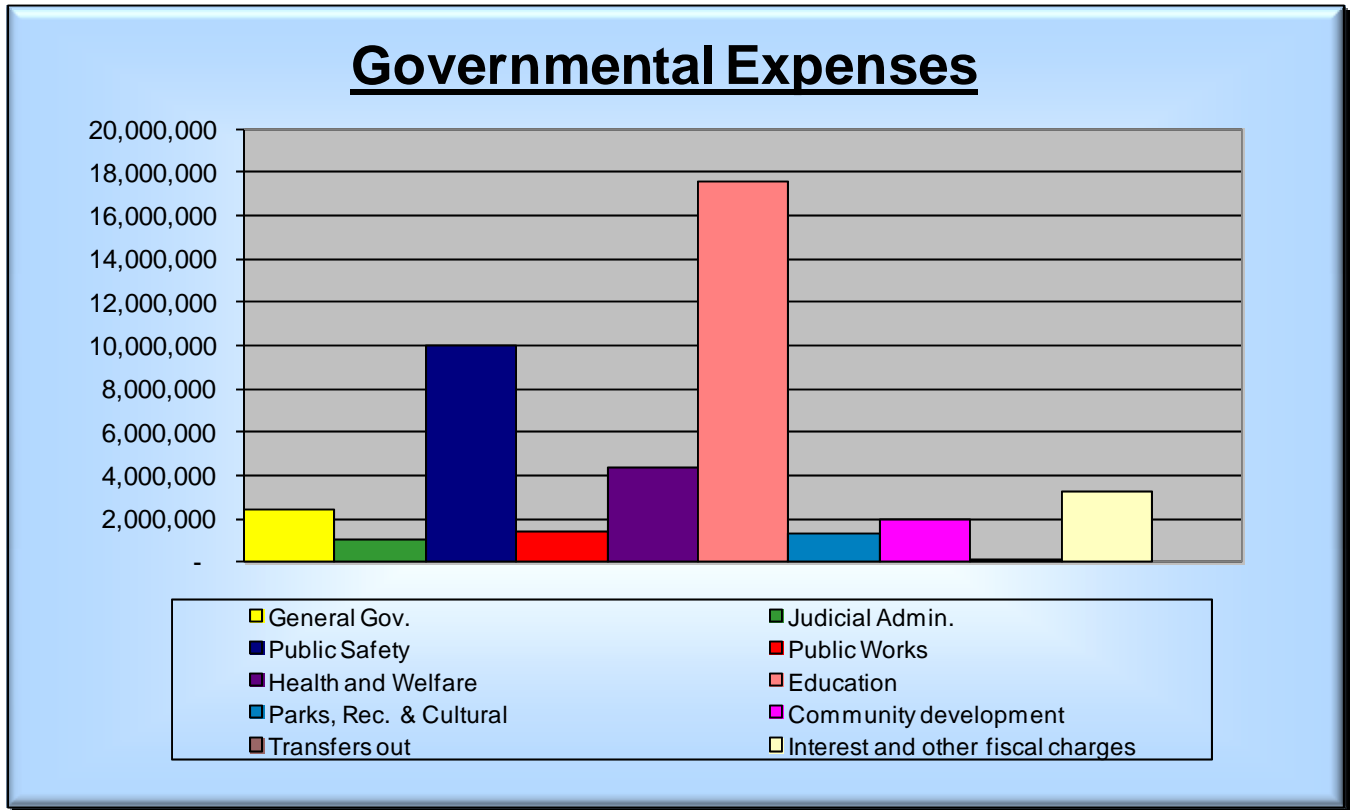


Government-wide Financial Analysis: (Continued)

Expenses for governmental activities totaled \$43.4 million for the fiscal year. Major categories were as follows:

- Education totaled \$17.6 million
- Public Safety totaled \$10.0 million
- Health and Welfare totaled \$4.4 million
- Interest/Other Charges totaled \$3.3 million

The graph below denotes expenses by major categories.



Significant changes noted in revenues and expenditures were:

- General property taxes increased \$585,556 compared to prior year; this increase is due to the opening of new businesses.
- Other local taxes increased by \$422,352. This is a result of sales taxes from new businesses.
- Educational expenditures increased by \$2.7 million; the amount transferred from the County also increased.
- Public Safety expenses increased by \$1,476,017 mainly due to grants received, increase in charges from the Rappahannock Regional Jail, and operational increases within public safety budgets.
- Health and Welfare decreased by \$327,662 mainly due to a decrease in the amount spent on CSA.
- Community Development expenses increased by \$267,846 due a capital project in process in the CIP along with a vehicle purchase.

Government-wide Financial Analysis: (Continued)

Business-type activities - Business-type activities net position decreased by \$462,009 during the current year.

Major reasons are as follows:

- Operating revenues increased by \$111,786 during the year. This is mainly the result of new businesses opening up in the County and an increase in usage rates.
- Operating expense decreased slightly during the year by \$4,172. There were several vacancies in the department that caused the increase in expenses to be minimal.
- Non-operating revenues (expenses) decreased by \$50,424 due to debt schedule structure.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$45.8 million, a decrease of \$7 million in comparison with the prior year. Approximately thirty-four percent (38%) of this amount \$17.6 million constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. The County has a minimum fund balance policy which requires the unassigned fund balance in the general fund be equal to a minimum of 15% of the total operating budget of the County. In accordance with GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$700,000), restricted by an outside source (\$8.2 million), committed (\$9.8 million) and not available for spending and assigned (\$9.4 million) for specific projects. See Note 1 – S for details.

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17.6 million, while the total fund balance was \$20.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents forty percent (43%) of total general fund expenditures, while total general fund balance represents fifty-one percent (50%) of that same amount.

Financial Analysis of the County's Funds: (Continued)

General Fund: The fund balance of the County's general fund decreased by \$4.3 million during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$5.4 million, however only \$4.3 million was used. Some factors which are significant contributors to a lesser amount needed are as follows:

- Sales and Use taxes and Meal taxes ended in excess of budgeted by \$292,393 and \$149,393 respectively as a result of new business and restaurants.
- State and Federal revenues combined came in \$269,397 less than budgeted.
- The total General Fund expenditures were under budget by \$648,107.
- Discretionary spending freeze was implemented by the County Administrator across the board.

Capital Projects Fund: At the end of the current fiscal year the fund balance for the County's capital projects fund was \$24.5 million of which twenty-eight percent (28%) or \$6.8 million is restricted for future capital projects. Of the remaining fund balance \$8.5 million is committed and \$9.2 million is assigned. See Note 1-S for details. The fund balance of the County's capital projects fund decreased by \$2.6 million during the current fiscal year. Some major factors are as follows:

- Construction of a new high school stadium, elementary school renovations and ongoing construction on a Library expansion project totaled \$4.4 million in capital spending.
- An additional \$1 million was spent on parks and recreation capital projects
- Bond proceeds continue to be spent on renovations to the elementary school, the amount spent during the fiscal year total \$800,806
- Landfill fees collected in fiscal year 2013 totaling \$6.4 million were used to fund debt service.

Permanent Fund: At the end of the current fiscal year the fund balance for the County's permanent fund was \$816,645 of which \$700,000 is non-spendable and \$116,645 is committed for library operations. The fund balance of the County's permanent fund decreased by \$26,570 as some funds were spent on library operations during the fiscal year.

Wireless Authority Fund: The Wireless Authority project fund balance was \$217,143 at the end of the current fiscal year. This is a decrease of \$8,617 which resulted from interest on debt service for a construction loan net of funds transferred from the General Fund for operating expenses.

Proprietary funds: The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the King George County Service Authority finances have already been addressed in the discussion of the County's business type activities. Refer to Exhibits 6 – 8.

General Fund Budgetary Highlights

Differences between the original expenditures budget and the final amended budget were \$1.1 million or a sixteen percent (3%) increase in appropriations. Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$245,020 based on an increase in expenditures.
- County's contribution to the School Board increased by \$45,012 based on budget shortfalls and prior year encumbrances carried over in the amount of \$87,578.
- Of these increases, grants came from Federal and State government with the balance supported by transfers from other departments and fund balances.

Actual revenues were less than the amended budget by \$522,040, reference Exhibit 10.

Actual expenditures were \$648,107 less than the amended budget. Major contributors were as follows:

- One factor in reduction in spending is because of the economic challenges that were ahead, the County Administrator maintains a spending freeze with special consideration on discretionary spending for the entire year.
- Public Works and Community Development had remaining funds totaling \$161,868 along with \$85,464 remaining in general government administration.
- Public safety also had a favorable expenditure variance of \$305,500 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2013 totaled \$79.9 million (net of accumulated depreciation). Governmental capital assets increased a total of \$2.5 million. For the same period, business-type activities decreased by \$919,137. Major highlights of governmental capital assets include:

The county finished a high school stadium, currently renovating an elementary school along with a library expansion project that is nearly complete.

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2013 totals \$35.2 million (net of accumulated depreciation). Investment in capital assets decreased \$919,137 This is due to the projects in progress and the completion of projects.

Details supporting changes in capital asset activity including construction in progress can be found in Note 6 of the financial statements.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$73 million and the King George Service Authority has outstanding obligations of \$26 million.

Capital Asset and Debt Administration: (Continued)

Of the County's debt, \$14.3 million comprises debt backed by the full faith and credit of the County and \$51.5 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations decreased during the current fiscal year by a net of \$3.1 million. There were no refunding or new bond issuances during the fiscal year

The King George Service Authority decreased its long-term obligations by \$240,680 during the year. No refundings were done this year.

The County maintains to AA credit rating from Standard and Poor's, an AA- from Fitch as well as Aa2 from Moody's during fiscal year 2013.

More detailed information of the County's long-term obligations can be found in Note 9 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 6.3% at June 30, 2013. The local unemployment rate compares favorably to the June 30, 2013 national rate of 7.0%. The County's favorable employment conditions are supported by the continued growth of jobs over the last nine years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 10,543 in 2013. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenues for the fiscal year ending June 30, 2013 totaled \$34.5, million which is \$800,000 increase over the prior year. Local taxes increased due to sales tax and meals tax from new businesses in the County along with an increase in recordation taxes.

Requests for Information

This financial report is designed to provide a general overview of the County of King George, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 10459 Courthouse Drive, Suite 201, King George, Virginia 22485.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2013

	Primary Government			Component Unit School Board
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 41,928,074	\$ 2,762,735	\$ 44,690,809	\$ 104,838
Receivables (net of allowance for uncollectibles):				
Property taxes	8,207,164	-	8,207,164	-
Accounts receivable	1,791,616	727,709	2,519,325	2,597
Notes receivable	411,481	-	411,481	-
Due from other governments	3,283,056	-	3,283,056	1,378,683
Restricted cash	3,092,023	857,255	3,949,278	-
Due from primary government	-	-	-	2,962,467
Total Current Assets	\$ 58,713,414	\$ 4,347,699	\$ 63,061,113	\$ 4,448,585
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 6,050,806	\$ 2,262,354	\$ 8,313,160	\$ 173,134
Infrastructure	-	32,496,876	32,496,876	-
Buildings and improvements	23,850,597	-	23,850,597	14,768,381
Equipment	3,840,957	155,019	3,995,976	2,177,035
Jointly owned assets	38,532,601	-	38,532,601	11,971,250
Construction in progress	7,719,590	370,182	8,089,772	-
Total capital assets	\$ 79,994,551	\$ 35,284,431	\$ 115,278,982	\$ 29,089,800
Total Assets	\$ 138,707,965	\$ 39,632,130	\$ 178,340,095	\$ 33,538,385
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ 3,335,049	\$ 1,456,181	\$ 4,791,230	\$ -
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,529,038	\$ 125,884	\$ 1,654,922	\$ 610,044
Retainage payable	37,010	-	37,010	-
Customer deposits	-	18,415	18,415	-
Accrued liabilities	-	-	-	3,822,604
Due to component unit - School Board	2,962,467	-	2,962,467	-
Unearned revenue	464,377	235,845	700,222	5,000
Accrued interest payable	902,220	292,150	1,194,370	-
Long-term obligations -current portion	3,158,571	284,089	3,442,660	35,421
Total Current Liabilities	\$ 9,053,683	\$ 956,383	\$ 10,010,066	\$ 4,473,069
Noncurrent Liabilities				
Long-term obligations - noncurrent portion	70,207,927	26,009,813	96,217,740	687,596
Total Liabilities	\$ 79,261,610	\$ 26,966,196	\$ 106,227,806	\$ 5,160,665
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 6,872,636	\$ -	\$ 6,872,636	\$ -
NET POSITION				
Net investment in capital assets	\$ 17,849,891	\$ 12,158,220	\$ 30,008,111	\$ 29,089,800
Restricted:				
Debt service	1,149,880	-	1,149,880	-
Smoot library:				
Nonexpendable	700,000	-	700,000	-
Natatorium	1,242,143	-	1,242,143	-
Unrestricted assets	34,966,854	1,963,895	36,930,749	(712,080)
Total Net Position	\$ 55,908,768	\$ 14,122,115	\$ 70,030,883	\$ 28,377,720

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

COUNTY OF KING GEORGE, 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	\$ 2,409,601	\$ -	\$ 222,433	\$ -
Judicial administration	1,022,358	296,622	465,607	-
Public safety	10,010,928	65,912	1,225,517	-
Public works	1,419,964	7,102,710	-	-
Health and welfare	4,403,698	-	2,186,413	-
Education	17,550,953	-	203,256	-
Parks, recreation, and cultural	1,311,229	409,151	82,122	-
Community development	1,999,446	79,095	-	466,102
Interest on long-term debt	3,297,304	-	-	-
Total governmental activities	\$ 43,425,481	\$ 7,953,490	\$ 4,385,348	\$ 466,102
Business-type activities:				
Water and sewer	\$ 5,157,484	\$ 4,361,207	\$ -	\$ -
Total primary government	\$ 48,582,965	\$ 12,314,697	\$ 4,385,348	\$ 466,102
COMPONENT UNIT:				
School Board	\$ 37,194,418	\$ 619,321	\$ 21,637,138	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Consumer utility taxes
 Business license taxes
 Motor vehicle licenses
 Recordation taxes
 Meals tax
 Ambulance fees
 Other local taxes
 Grants and contributions not restricted to specific programs
 Unrestricted revenues from use of money and property
 County contribution to School Board
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning, as restated
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental	Business	Total	Component
Activities	Type		Unit
Activities	Activities		
\$ (2,187,168)	\$ -	\$ (2,187,168)	\$ -
(260,129)	-	(260,129)	-
(8,719,499)	-	(8,719,499)	-
5,682,746	-	5,682,746	-
(2,217,285)	-	(2,217,285)	-
(17,347,697)	-	(17,347,697)	-
(819,956)	-	(819,956)	-
(1,454,249)	-	(1,454,249)	-
(3,297,304)	-	(3,297,304)	-
<u>\$ (30,620,541)</u>	<u>\$ -</u>	<u>\$ (30,620,541)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (796,277)</u>	<u>\$ (796,277)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (796,277)</u>	<u>\$ (31,416,818)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,937,959)</u>
19,450,543	-	19,450,543	-
1,876,393	-	1,876,393	-
259,123	-	259,123	-
1,350,496	-	1,350,496	-
559,806	-	559,806	-
312,579	-	312,579	-
953,393	-	953,393	-
658,904	-	658,904	-
404,746	-	404,746	-
2,690,859	-	2,690,859	-
209,155	2,007	211,162	16,630
-	-	-	16,408,187
236,125	246,860	482,985	118,987
(85,401)	85,401	-	-
<u>\$ 28,876,721</u>	<u>\$ 334,268</u>	<u>\$ 29,210,989</u>	<u>\$ 16,543,804</u>
<u>\$ (1,743,820)</u>	<u>\$ (462,009)</u>	<u>\$ (2,205,829)</u>	<u>\$ 1,605,845</u>
<u>57,652,588</u>	<u>14,584,124</u>	<u>72,236,712</u>	<u>26,771,875</u>
<u>\$ 55,908,768</u>	<u>\$ 14,122,115</u>	<u>\$ 70,030,883</u>	<u>\$ 28,377,720</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2013

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
ASSETS					
Cash and cash equivalents	\$ 19,722,338	\$ 21,861,923	\$ 116,645	\$ 227,168	\$ 41,928,074
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	8,207,164	-	-	-	8,207,164
Accounts	249,559	1,542,057	-	-	1,791,616
Note receivable	411,481	-	-	-	411,481
Restricted cash	1,149,880	1,242,143	700,000	-	3,092,023
Due from other governmental units	2,283,056	1,000,000	-	-	3,283,056
Total assets	\$ 32,023,478	\$ 25,646,123	\$ 816,645	\$ 227,168	\$ 58,713,414
LIABILITIES					
Accounts payable	\$ 915,521	\$ 603,492	\$ -	\$ 10,025	\$ 1,529,038
Retainage payable	-	37,010	-	-	37,010
Due to component unit - School Board	2,962,467	-	-	-	2,962,467
Unearned revenue	-	464,377	-	-	464,377
Total liabilities	\$ 3,877,988	\$ 1,104,879	\$ -	\$ 10,025	\$ 4,992,892
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 7,910,186	\$ -	\$ -	\$ -	\$ 7,910,186
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Restricted	1,433,451	6,815,608	-	-	8,249,059
Committed	992,924	8,493,374	116,645	217,143	9,820,086
Assigned	184,969	9,232,262	-	-	9,417,231
Unassigned	17,623,960	-	-	-	17,623,960
Total fund balances	\$ 20,235,304	\$ 24,541,244	\$ 816,645	\$ 217,143	\$ 45,810,336
Total liabilities, deferred inflows of resources and fund balances	\$ 32,023,478	\$ 25,646,123	\$ 816,645	\$ 227,168	\$ 58,713,414

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

Total fund balances, balance sheet, governmental funds	\$ 45,810,336
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	79,994,551
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(902,220)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	1,037,550
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(70,031,449)
Net position of governmental activities	\$ 55,908,768

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2013

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 19,509,877	\$ -	\$ -	\$ -	\$ 19,509,877
Other local taxes	6,375,440	-	-	-	6,375,440
Permits, privilege fees and regulatory licenses	437,699	6,749,876	-	-	7,187,575
Fines and forfeitures	254,380	-	-	-	254,380
Revenue from use of money and property	146,513	62,279	-	363	209,155
Charges for services	511,535	-	-	-	511,535
Miscellaneous	199,050	37,075	-	-	236,125
Recovered costs	175,000	-	-	-	175,000
Intergovernmental revenue:					
Contribution from the School Board	-	31,400	-	-	31,400
Commonwealth	6,078,850	-	-	-	6,078,850
Federal	794,101	669,358	-	-	1,463,459
Total revenues	\$ 34,482,445	\$ 7,549,988	\$ -	\$ 363	\$ 42,032,796
Expenditures:					
Current:					
General government administration	\$ 2,655,562	\$ 27,744	\$ -	\$ -	\$ 2,683,306
Judicial administration	1,035,993	259,341	-	-	1,295,334
Public safety	8,869,061	1,240,846	-	-	10,109,907
Public works	1,567,186	94,303	-	-	1,661,489
Health and welfare	4,406,862	-	-	-	4,406,862
Education	13,486,845	2,863,189	-	-	16,350,034
Parks, recreation, and cultural	1,196,676	3,132,747	26,570	-	4,355,993
Community development	1,616,328	338,019	-	66,960	2,021,307
Debt service:					
Principal retirement	2,895,220	-	-	-	2,895,220
Interest and other fiscal charges	3,126,058	-	-	-	3,126,058
Total expenditures	\$ 40,855,791	\$ 7,956,189	\$ 26,570	\$ 66,960	\$ 48,905,510
Excess (deficiency) of revenues over expenditures	\$ (6,373,346)	\$ (406,201)	\$ (26,570)	\$ (66,597)	\$ (6,872,714)
Other financing sources (uses):					
Transfers in	\$ 2,139,906	\$ -	\$ -	\$ 57,980	\$ 2,197,886
Transfers out	(57,980)	(2,225,307)	-	-	(2,283,287)
Total other financing sources (uses)	\$ 2,081,926	\$ (2,225,307)	\$ -	\$ 57,980	\$ (85,401)
Net changes in fund balances	\$ (4,291,420)	\$ (2,631,508)	\$ (26,570)	\$ (8,617)	\$ (6,958,115)
Fund balances at beginning of year	24,526,724	27,172,752	843,215	225,760	52,768,451
Fund balances at end of year	\$ 20,235,304	\$ 24,541,244	\$ 816,645	\$ 217,143	\$ 45,810,336

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (6,958,115)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 6,479,324
Depreciation expense	<u>(2,395,545)</u> 4,083,779
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	(1,543,017)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.	(59,334)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:	
Amortization of bond premium	\$ 239,609
Amortization of deferred amount on refunding	(147,613)
Principal retired on general obligation and lease revenue bonds	2,645,220
Principal retired on state literary fund loans	<u>250,000</u> 2,987,216
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 compensated absences	\$ 8,893
Change in accrued interest payable	<u>(263,242)</u> <u>(254,349)</u>
Change in net position of governmental activities	\$ <u><u>(1,743,820)</u></u>

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

Statement of Net Position - Proprietary Fund
 At June 30, 2013

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,762,735
Receivables (net of allowance for uncollectibles):	
Accounts receivable	727,709
Restricted cash	<u>857,255</u>
 Total Current Assets	 \$ <u>4,347,699</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	44,154,017
Equipment	812,309
Construction in progress	370,182
Accumulated depreciation	(12,314,431)
Total Capital Assets	<u>\$ 35,284,431</u>
 Total Assets	 \$ <u>39,632,130</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	<u>\$ 1,456,181</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 125,884
Customer deposits	18,415
Unearned revenue	235,845
Accrued interest payable	292,150
Long-term obligations -current portion	<u>284,089</u>
Total Current Liabilities	\$ 956,383
Noncurrent Liabilities	
Long-term obligations - noncurrent portion	<u>26,009,813</u>
 Total Liabilities	 \$ <u>26,966,196</u>
 NET POSITION	
Net Investment in capital assets	\$ 12,158,220
Unrestricted assets	<u>1,963,895</u>
 Total Net Position	 \$ <u><u>14,122,115</u></u>

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

Statement of Revenues, Expenses and Change in Net Position -
 Proprietary Fund
 Year Ended June 30, 2013

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues:	
Water revenues	\$ 1,030,062
Sewer revenues	1,485,560
Availability fees	519,145
Debt fees	1,326,440
Other revenues	<u>246,860</u>
Total operating revenues	\$ <u>4,608,067</u>
Operating expenses:	
Personnel services	\$ 975,012
Fringe benefits	442,686
Contractual services	332,964
Depreciation	1,133,835
Other operating expenses	<u>1,114,482</u>
Total operating expenses	\$ <u>3,998,979</u>
Net income (loss) from operations	\$ <u>609,088</u>
Nonoperating revenues (expenses):	
Interest income	\$ 2,007
Interest expense	<u>(1,158,505)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,156,498)</u>
Net income (loss) before capital contributions	\$ (547,410)
Capital contributions	<u>85,401</u>
Change in net position	\$ (462,009)
Net position, beginning of year, as restated	<u>14,584,124</u>
Net position, end of year	<u>\$ 14,122,115</u>

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

Statement of Cash Flows - Proprietary Fund
 Year Ended June 30, 2013

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 4,349,661
Payments to employees (including fringe benefits)	(1,418,695)
Payments for operating activities	<u>(1,434,604)</u>
Net cash provided by operating activities	<u>\$ 1,496,362</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (214,698)
Capital grants and contributions	85,401
Retirement of indebtedness	(150,707)
Interest paid on loans	<u>(1,174,550)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,454,554)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 2,007</u>
Net increase (decrease) in cash and cash equivalents	\$ 43,815
Cash and cash equivalents (including restricted) at beginning of year	<u>3,576,175</u>
Cash and cash equivalents (including restricted) at end of year	<u>\$ 3,619,990</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Cash flows from operations:	
Income (loss) from operations	\$ 609,088
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,133,835
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(4,243)
Increase (decrease) in accounts payable	12,842
Increase (decrease) in unearned revenue	(272,578)
Increase (decrease) in customer deposits	18,415
Increase (decrease) in compensated absences	<u>(997)</u>
Net cash provided by operating activities	<u>\$ 1,496,362</u>

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

Statement of Fiduciary Net Position
At June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,123,909</u>
Total assets	\$ <u><u>4,123,909</u></u>
LIABILITIES	
Accounts payable	\$ 2,074
Amounts held for others	76,475
Amounts held for landfill closure and postclosure costs	3,975,357
Amounts held for social services' clients	<u>70,003</u>
Total liabilities	\$ <u><u>4,123,909</u></u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013

Note 1–Summary of Significant Accounting Policies:

The County of King George, Virginia 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 sheriff and volunteer fire protection, sanitation services, recreational activities, cultural events, education and social services.

The financial statements of the County of King George, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government'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 government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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*.

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, 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 basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of King George, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures:

Blended Component Units - The King George County Service Authority is reported as a blended component unit of the County of King George, Virginia. The Authority is governed by a board comprised of the government's elected supervisors. There is a financial burden/benefit relationship between the Authority and the County. The Authority is reported as an Enterprise Fund.

Complete financial statements of the Authority can be obtained from the administrative offices located at 10459 Courthouse Drive, King George, Virginia 22845.

The King George County Wireless Authority is reported as a blended component unit of the County of King George, Virginia. The Authority is governed by a board comprised of the government's elected supervisors. There is a financial burden/benefit relationship between the Authority and the County. The Authority does not issue a separate financial report.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Unit - The School Board members are elected 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. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2013.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements however the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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. Major sources of revenue susceptible to accrual include but are not limited to state and local sales tax, PPTRA, other local taxes, and state and federal grants. 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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government 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 and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted or committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

c. Permanent Fund

The Permanent Fund accounts for and reports resources that are restricted such that only earnings may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizens). The Permanent Fund accounts for operations of the Smoot Library Endowment Fund.

d. Special Revenue Fund

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Wireless Authority Fund, which is considered a major fund. The primary revenue source for the fund in 2013 was transfers from the General Fund.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for water and sewer services of the King George County Service Authority.

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

D. 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. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, School Operating Fund, and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

E. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is utilized as part of the County's accounting system. Encumbrances totaled \$310,924 in the General Fund at June 30, 2013.

F. Cash and Cash Equivalents:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Investments:

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

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool 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.

H. Receivables and Payables:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

H. Receivables and Payables: (Continued)

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 \$771,058 at June 30, 2013 and is comprised of the following:

Property taxes	\$ 581,594
Water & sewer accounts	<u>189,464</u>
Total	<u>\$ 771,058</u>

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 on June 20th and December 5th. The County bills and collects its own property taxes.

I. Capital Assets:

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

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 Government 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.

Upon retirement, County employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements.

For County Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next 12 months is recorded as a fund liability and amounts expected to be paid after 12 months are recorded in the entity-wide statements. For County Proprietary Funds, the cost of vacation and sick leave is recorded as a liability when earned.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

L. Long-term Obligations:

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Retirement Plan:

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

N. Use of Estimates:

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

O. Prepaid Connection Fees:

Prepaid connection fees are non-refundable deposits received in advance for water and/or sewer connection fees. The amounts are recorded as revenue when the connection is made.

P. Net Position

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

Q. Net Position Flow Assumption

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

R. Component Unit-School Board Capital Asset and Debt Presentation

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 asset.

In the Statement of Net Position, this scenario presents a unique situation for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

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 from financing capital assets with debt.

S. Fund Equity

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

S. Fund Equity: (Continued)

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives), this category also includes contractual obligations. As authorized in the County’s fund balance policy, assigned fund balance is established by the Board of Supervisors or Finance Director as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The County has as policy to maintain an unassigned fund balance in the General Fund equal to 15% of the total operating budget of the County.

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

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Wireless Authority Fund</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Permanent fund corpus	\$ -	\$ -	\$ 700,000	\$ -	\$ 700,000
Restricted:					
Debt service	\$ 1,149,880	\$ -	\$ -	\$ -	\$ 1,149,880
Natatorium	-	1,262,466	-	-	1,262,466
Potomac Elementary School	-	4,313,613	-	-	4,313,613
CDBG	-	101,037	-	-	101,037
Capital projects	-	468,792	-	-	468,792
Grants	283,571	669,700	-	-	953,271
Total Restricted Fund Balance	<u>\$ 1,433,451</u>	<u>\$ 6,815,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,249,059</u>
Committed:					
Education	\$ 173,697	\$ -	\$ -	\$ -	\$ 173,697
Wireless project	-	-	-	217,143	217,143
Stabilization funds	260,000	-	-	-	260,000
Library	-	-	116,645	-	116,645
2014 budget	422,000	-	-	-	422,000
Capital projects	-	8,493,374	-	-	8,493,374
Other purposes	137,227	-	-	-	137,227
Total Committed Fund Balance	<u>\$ 992,924</u>	<u>\$ 8,493,374</u>	<u>\$ 116,645</u>	<u>\$ 217,143</u>	<u>\$ 9,820,086</u>
Assigned:					
Landfill	\$ -	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000
Capital projects	184,969	7,982,262	-	-	8,167,231
Total Assigned Fund Balance	<u>\$ 184,969</u>	<u>\$ 9,232,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,417,231</u>
Unassigned Fund Balance	<u>\$ 17,623,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,623,960</u>
Total Fund Balances	<u>\$ 20,235,304</u>	<u>\$ 24,541,244</u>	<u>\$ 816,645</u>	<u>\$ 217,143</u>	<u>\$ 45,810,336</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

U. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the restatement of net position detailed in Note 23.

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.

Investments

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

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 Standard and Poor's rating scale.

Rated Debt Investments	County's Rated Debt Investments' Values			
	Fair Quality Ratings			
	AAAm	AA+	AA	AA-
U.S. Agencies	\$ -	\$ 5,143,349	\$ -	\$ -
Local Government Investment Pool	4,598,288	-	-	-
State Non-Arbitrage Pool	9,330,746	-	-	-
Corporate Notes	-	994,629	575,531	1,309,777
Municipal Bonds	-	-	503,560	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	12,270,393	-	-
Total	\$ <u>13,929,034</u>	\$ <u>18,408,371</u>	\$ <u>1,079,091</u>	\$ <u>1,309,777</u>

Interest Rate Risk

The County does not have a policy related to interest rate risk.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less Than 1 Year	1-5 Years	5-9 Years	Greater Than 10 Years
Repurchase Agreements	\$ 12,270,393	\$ -	\$ -	\$ -	\$ 12,270,393
Corporate Notes	2,879,937	575,531	2,304,406	-	-
Municipal Bonds	503,560	-	503,560	-	-
U.S. Agencies	5,143,349	-	4,455,246	2,198	685,905
U.S. Treasuries	9,301,332	-	9,301,332	-	-
Total	\$ <u>30,098,571</u>	\$ <u>575,531</u>	\$ <u>16,564,544</u>	\$ <u>2,198</u>	\$ <u>12,956,298</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 3–Due From Other Governments:

At June 30, 2013, the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	693,548
PPTRA	1,088,066	-
Local sales taxes	334,933	-
Communications tax	62,604	-
Public assistance	42,681	-
Shared expenses	137,495	-
CSA	386,580	-
Fire program	67,263	-
Other	90,809	30,483
Federal Government:		
School funds	-	654,652
Public assistance	72,625	-
Totals	<u>\$ 3,283,056</u>	<u>\$ 1,378,683</u>

Note 4–Due To/From Primary Government/Component Units:

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 2,962,467	\$ -
School Board	-	2,962,467
Totals	<u>\$ 2,962,467</u>	<u>\$ 2,962,467</u>

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 5–Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,139,906	\$ 57,980
Service Authority	85,401	-
Wireless Project Fund	57,980	-
Capital Improvements Fund	-	2,225,307
Total	<u>\$ 2,283,287</u>	<u>\$ 2,283,287</u>

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

Note 6–Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2013:

Primary Government:

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 6,050,806	-	-	\$ 6,050,806
Construction in progress-jointly owned assets	2,671,095	2,343,470	4,018,930	995,635
Construction in progress	19,870,491	3,810,787	16,957,323	6,723,955
Total capital assets not being depreciated	<u>\$ 28,592,392</u>	<u>\$ 6,154,257</u>	<u>\$ 20,976,253</u>	<u>\$ 13,770,396</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 11,654,245	\$ 16,957,323	\$ -	\$ 28,611,568
Equipment	8,636,530	1,250,864	-	9,887,394
Jointly owned assets	42,905,295	3,093,133	2,084,010	43,914,418
Total capital assets being depreciated	<u>\$ 63,196,070</u>	<u>\$ 21,301,320</u>	<u>\$ 2,084,010</u>	<u>\$ 82,413,380</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,096,911	\$ 664,060	\$ -	\$ 4,760,971
Equipment	5,421,924	624,513	-	6,046,437
Jointly owned assets	4,815,838	1,106,972	540,993	5,381,817
Total accumulated depreciation	<u>\$ 14,334,673</u>	<u>\$ 2,395,545</u>	<u>\$ 540,993</u>	<u>\$ 16,189,225</u>
Total capital assets being depreciated, net	<u>\$ 48,861,397</u>	<u>\$ 18,905,775</u>	<u>\$ 1,543,017</u>	<u>\$ 66,224,155</u>
Governmental activities capital assets, net	<u>\$ 77,453,789</u>	<u>\$ 25,060,032</u>	<u>\$ 22,519,270</u>	<u>\$ 79,994,551</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6–Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>213,525</u>	<u>194,198</u>	<u>37,541</u>	<u>370,182</u>
Total capital assets not being depreciated	<u>\$ 2,475,879</u>	<u>\$ 194,198</u>	<u>\$ 37,541</u>	<u>\$ 2,632,536</u>
Capital assets being depreciated:				
Infrastructure	\$ 44,116,476	\$ 37,541	\$ -	\$ 44,154,017
Equipment	<u>791,809</u>	<u>20,500</u>	<u>-</u>	<u>812,309</u>
Total capital assets being depreciated	<u>\$ 44,908,285</u>	<u>\$ 58,041</u>	<u>\$ -</u>	<u>\$ 44,966,326</u>
Accumulated depreciation:				
Infrastructure	\$ 10,549,836	\$ 1,107,305	\$ -	\$ 11,657,141
Equipment	<u>630,760</u>	<u>26,530</u>	<u>-</u>	<u>657,290</u>
Total accumulated depreciation	<u>\$ 11,180,596</u>	<u>\$ 1,133,835</u>	<u>\$ -</u>	<u>\$ 12,314,431</u>
Total capital assets being depreciated, net	<u>\$ 33,727,689</u>	<u>\$ (1,075,794)</u>	<u>\$ -</u>	<u>\$ 32,651,895</u>
Business-type activities capital assets, net	<u>\$ 36,203,568</u>	<u>\$ (881,596)</u>	<u>\$ 37,541</u>	<u>\$ 35,284,431</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 173,134	\$ -	\$ -	\$ 173,134
Total capital assets not being depreciated	\$ 173,134	\$ -	\$ -	\$ 173,134
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,184,332	\$ 925,797	\$ -	\$ 27,110,129
Equipment	5,167,778	689,070	-	5,856,848
Jointly owned assets	13,648,915	2,084,010	-	15,732,925
Total capital assets being depreciated	\$ 45,001,025	\$ 3,698,877	\$ -	\$ 48,699,902
Accumulated depreciation:				
Buildings and improvements	\$ 11,306,108	\$ 1,035,640	\$ -	\$ 12,341,748
Equipment	3,320,638	359,175	-	3,679,813
Jointly owned assets	3,220,682	540,993	-	3,761,675
Total accumulated depreciation	\$ 17,847,428	\$ 1,935,808	\$ -	\$ 19,783,236
Total capital assets being depreciated, net	\$ 27,153,597	\$ 1,763,069	\$ -	\$ 28,916,666
School Board capital assets, net	\$ 27,326,731	\$ 1,763,069	\$ -	\$ 29,089,800

Reconciliation of primary government net investment in capital assets:

Net capital assets	\$ 79,994,551
Long-term debt applicable to capital assets at June 30, 2013	\$ 72,649,906
Less - debt proceeds received but not expended on capital assets at June 30, 2013	(7,170,197)
Net long-term debt, as adjusted	\$ 65,479,709
Deferred charge on refunding	3,335,049
Net investment in capital assets	\$ 17,849,891

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 86,133
Judicial administration	7,657
Public safety	1,038,167
Public works	28,299
Health and Welfare	35,068
Education	1,106,972
Parks, recreation and cultural	86,597
Community development	<u>6,652</u>
Total	\$ <u>2,395,545</u>
Component Unit-School Board	\$ <u>1,394,815</u> (1)
King George Service Authority	\$ <u>1,133,835</u>
(1) Depreciation expense	\$ 1,394,815
Accumulated depreciation on Joint tenancy asset transfer	<u>540,993</u>
Total increase in accumulated depreciation, page 47	\$ <u>1,935,808</u>

Note 7—Restricted Assets:

Restricted assets at June 30, 2013 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 857,255
Permanent fund corpus	700,000
Natorium donation	1,242,143
Cash reserves for debt service	<u>1,149,880</u>
Total	\$ <u>3,949,278</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 8—Other Assets:

Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 28,149
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>383,332</u>
Total notes receivable	<u>\$ 411,481</u>

Note 9—Long-Term Obligations:

Governmental Funds:

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

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 14,917,875	\$ -	\$ 595,010	\$ 14,322,865	\$ 621,499
Revenue Bonds	53,535,384	-	2,050,210	51,485,174	1,975,804
State Literary Fund Loans	1,750,000	-	250,000	1,500,000	250,000
Compensated Absences	725,485	63,656	72,549	716,592	71,659
Premium on bonds	<u>5,581,476</u>	<u>-</u>	<u>239,609</u>	<u>5,341,867</u>	<u>239,609</u>
Total	<u>\$ 76,510,220</u>	<u>\$ 63,656</u>	<u>\$ 3,207,378</u>	<u>\$ 73,366,498</u>	<u>\$ 3,158,571</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

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

Year Ending June 30,	Governmental Funds			
	General Obligation and Revenue Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2014	\$ 2,597,303	\$ 3,126,345	\$ 250,000	\$ 45,000
2015	2,709,919	3,032,887	250,000	37,500
2016	2,840,200	2,907,674	250,000	30,000
2017	2,700,036	2,790,716	250,000	22,500
2018	2,648,906	2,676,511	250,000	15,000
2019	2,775,634	2,560,190	250,000	7,500
2020	2,902,899	2,442,720	-	-
2021	3,035,728	2,315,286	-	-
2022	3,168,565	2,185,914	-	-
2023	3,030,139	2,055,222	-	-
2024	3,134,029	1,917,080	-	-
2025	3,231,672	1,770,850	-	-
2026	3,339,345	1,616,506	-	-
2027	3,086,188	1,468,718	-	-
2028	3,194,887	1,328,934	-	-
2029	2,930,222	1,194,379	-	-
2030	3,045,846	1,059,257	-	-
2031	3,164,406	807,295	-	-
2032	3,019,445	548,792	-	-
2033	2,750,433	400,010	-	-
2034	2,897,237	256,925	-	-
2035	1,755,000	139,784	-	-
2036	1,850,000	47,404	-	-
Total	\$ <u>65,808,039</u>	\$ <u>38,649,399</u>	\$ <u>1,500,000</u>	\$ <u>157,500</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,155,900 Public Facilities Lease Revenue Bonds issued July 29, 2010 payable in various principal annual installments from August 15, 2010 to August 15, 2015, interest at 2.47%	\$ 1,630,900	\$ 480,000
\$17,304,918 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	16,333,724	472,354
\$4,473,200 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,675,550	193,450
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2015, interest payable semiannually at 4.76% (unrefunded portion)	1,475,000	725,000
\$28,645,000 VRA Lease Revenue Bonds Series 2012 payable in various installments beginning October 1, 2012 through October 1, 2035, interest payable semiannually at rates ranging from 2.125% to 5.125%	<u>28,370,000</u>	<u>105,000</u>
Total Revenue Bonds	\$ <u>51,485,174</u>	\$ <u>1,975,804</u>
<u>General Obligation Bonds:</u>		
\$5,000,000, VPSA School Bonds, Series 2011 issued December 15, 2011 due in various annual installments through December 1, 2030, interest payable semiannually at 4.25%	\$ 5,000,000	\$ 20,000
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	4,375,901	305,585
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>4,946,964</u>	<u>295,914</u>
Total General Obligation Bonds	\$ <u>14,322,865</u>	\$ <u>621,499</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>65,808,039</u>	\$ <u>2,597,303</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ 1,500,000	\$ 250,000
Compensated Absences	\$ 716,592	\$ 71,659
Premium on bonds	\$ 5,341,867	\$ 239,609
Total	<u>\$ 73,366,498</u>	<u>\$ 3,158,571</u>

King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2013:

<u>Proprietary Funds</u>	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Notes Payable	\$ 456,298	\$ -	\$ 44,817	\$ 411,481	\$ 44,817
VRA Water Revenue Bond	275,000	-	-	275,000	-
VRA Infrastructure Revenue Bonds	5,315,066	-	60,890	5,254,176	62,646
Compensated absences	85,332	11,803	12,800	84,335	12,650
Virginia Revenue Refunding Bond	6,915,000	-	-	6,915,000	-
Water and Sewer Refunding Bonds	11,695,000	-	45,000	11,650,000	75,000
Premium on bonds	1,792,886	-	88,976	1,703,910	88,976
Total	<u>\$ 26,534,582</u>	<u>\$ 11,803</u>	<u>\$ 252,483</u>	<u>\$ 26,293,902</u>	<u>\$ 284,089</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

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

Year Ending June 30,	VRA Water Revenue Bond		Virginia Revenue Refunding Bond	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 14,025	\$ -	\$ 329,161
2015	-	14,025	-	329,161
2016	-	14,025	-	329,161
2017	-	14,025	330,000	323,225
2018	-	14,025	345,000	308,319
2019	-	14,025	360,000	291,039
2020	-	14,025	380,000	273,399
2021	-	14,025	395,000	256,655
2022	-	14,025	410,000	240,869
2023	-	14,025	425,000	222,618
2024	-	14,025	450,000	202,265
2025	-	14,025	470,000	180,708
2026	-	14,025	495,000	157,880
2027	-	14,025	515,000	133,908
2028	-	14,025	540,000	107,640
2029	-	14,025	570,000	78,780
2030	-	14,025	600,000	48,360
2031	-	14,025	630,000	16,380
2032	-	14,025	-	-
2033	<u>275,000</u>	<u>14,025</u>	<u>-</u>	<u>-</u>
Total	\$ <u>275,000</u>	\$ <u>280,500</u>	\$ <u>6,915,000</u>	\$ <u>3,829,528</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Year Ending June 30,	Notes Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 44,817	\$ 1,126	\$ 75,000	\$ 556,077	\$ 62,646	\$ 261,269
2015	16,667	-	305,000	548,191	234,188	255,210
2016	16,667	-	475,000	530,157	233,595	245,911
2017	16,667	-	380,000	510,054	237,108	234,196
2018	16,667	-	400,000	491,375	242,970	221,894
2019	16,667	-	470,000	469,669	246,483	210,423
2020	16,667	-	495,000	445,307	249,996	199,652
2021	16,667	-	510,000	419,623	253,509	187,630
2022	16,667	-	540,000	393,138	257,607	174,532
2023	16,667	-	570,000	365,121	262,291	161,210
2024	16,667	-	600,000	336,145	269,325	148,058
2025	16,667	-	630,000	306,554	274,009	134,502
2026	16,667	-	660,000	275,730	279,278	119,872
2027	16,667	-	695,000	242,901	287,483	104,640
2028	16,667	-	725,000	207,785	296,273	89,213
2029	16,667	-	765,000	170,930	299,778	73,715
2030	16,667	-	795,000	134,136	309,154	57,881
2031	16,667	-	835,000	97,503	315,594	41,637
2032	16,667	-	875,000	59,025	325,556	24,964
2033	16,667	-	415,000	29,716	154,567	12,480
2034	16,667	-	435,000	10,059	162,766	4,229
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ <u>411,481</u>	\$ <u>1,126</u>	\$ <u>11,650,000</u>	\$ <u>6,599,196</u>	\$ <u>5,254,176</u>	\$ <u>2,963,118</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$281,498 note payable issued February 2, 2004 payable in annual principal installments of \$28,150 through February 2, 2013, interest at 4.00%	\$ 28,149	\$ 28,149
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	383,332	16,668
\$5,790,000, Water and Sewer Revenue Refunding Bond issued May 2, 2011, payable in various principal annual installments through October 1, 2033, interest payable semiannually at rates ranging from 2.125% to 5.125%	5,745,000	75,000
\$5,905,000, Water and Sewer Revenue Refunding bond issued October 23, 2010, payable in various principal annual installments through October 1, 2031, interest payable semiannually at rates ranging from 4.100% to 5.100%	5,905,000	-
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at 5.1%	275,000	-
\$6,915,000 Virginia Revenue Refunding bond issued June 16, 2010, payable in various principal annual installments through October 1, 2030, interest payable semiannually at rates ranging from 3.598% to 5.2%	6,915,000	-
\$3,966,800 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,087,900	-
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	<u>2,166,276</u>	<u>62,646</u>
Total long-term debt	\$ 24,505,657	\$ 182,463
Compensated absences	\$ 84,335	\$ 12,650
Premium on bonds	\$ 1,703,910	\$ 88,976
Total long-term obligations	<u>\$ 26,293,902</u>	<u>\$ 284,089</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 9—Long-Term Obligations: (Continued)

Component Unit School Board:

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

	Balance			Balance	Amounts
	July 1, 2012	Issuances	Retirements	June 30, 2013	Due Within
					One Year
Capital Leases	\$ 63,687	\$ -	\$ 63,687	\$ -	\$ -
Net OPEB obligation	250,904	157,800	39,900	368,804	-
Compensated absences payable	<u>351,724</u>	<u>37,661</u>	<u>35,172</u>	<u>354,213</u>	<u>35,421</u>
Total	<u>\$ 666,315</u>	<u>\$ 195,461</u>	<u>\$ 138,759</u>	<u>\$ 723,017</u>	<u>\$ 35,421</u>

Details of long-term obligations are as follows:

	Amount	Due Within
	Outstanding	One Year
Compensated Absences	\$ <u>354,213</u>	\$ <u>35,421</u>
Net OPEB obligation	<u>368,804</u>	<u>-</u>
Total	<u>\$ 723,017</u>	<u>\$ 35,421</u>

Assets acquired under capital leases:

	Cost	Depreciation	Accumulated
		Expense	Depreciation
Equipment	\$ <u>628,880</u>	\$ <u>92,405</u>	\$ <u>289,624</u>
Total	<u>\$ 628,880</u>	<u>\$ 92,405</u>	<u>\$ 289,624</u>

Note 10—Compensated Absences:

In accordance with GASB statement 16 "Accounting for Compensated Absences," the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County had outstanding accrued vacation pay as follows:

Primary Government	\$ <u>716,592</u>
King George Service Authority	\$ <u>84,335</u>
Component Unit School Board	\$ <u>354,213</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 11–Unavailable//Unearned Revenue:

Unavailable/Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unavailable/unearned is comprised of the following:

	<u>Government-wide Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unavailable revenue - property tax revenue:		
Unavailable revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 6,872,636	\$ -
Unearned revenue - federal grant funds not yet expended	464,377	
Unearned revenue - prepaid connections	-	235,845
Total	<u>\$ 7,337,013</u>	<u>\$ 235,845</u>
	<u>Balance Sheet</u>	
	<u>Governmental Funds</u>	
Unavailable revenue - property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 7,910,186	
Unearned revenue - federal grant funds not yet expended	464,377	
Total	<u>\$ 8,374,563</u>	

Note 12–Litigation:

The County has also been named as a defendant in matters involving real estate and other matters. It is not known what liability, if any, the County faces.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 13–Defined Benefit Pension Plan:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

The County contributes to the Virginia Retirement System (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:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 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 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 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 13—Defined Benefit Pension Plan:

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 their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be and has been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employer contribution rates for the fiscal year ended 2013 were 10.20% and 8.82% of annual covered payroll, respectively.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 13–Defined Benefit Pension Plan: (Continued)

B. Funding Policy: (Continued)

The School Board's contributions for professional employees were \$1,854,925, \$1,157,671, and \$706,283 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011 respectively and these contributions represented 11.66%, 6.33%, and 3.93% respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year 2013, the County's annual pension cost of \$865,259 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the non-professional employees was \$196,664, which was equal to the Board's required and actual contributions.

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2013	\$	865,259	100%	\$	-
June 30, 2012		666,316	100%		-
June 30, 2011		647,124	100%		-
School Board:					
Non-professional:					
June 30, 2013	\$	196,664	100%	\$	-
June 30, 2012		161,394	100%		-
June 30, 2011		155,974	100%		-

(1) Employer portion only

The required FY2013 contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 13—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 75.76% funded. The actuarial accrued liability for benefits was \$26,859,847, and the actuarial value of assets was \$20,348,780, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,511,067. The covered payroll (annual payroll of active employees covered by the plan) was \$8,384,895, and ratio of the UAAL to the covered payroll was 77.65%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 79.12% funded. The actuarial accrued liability for benefits was \$5,744,523, and the actuarial value of assets was \$4,545,350, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,199,173. The covered payroll (annual payroll of active employees covered by the plan) was \$2,297,356, and ratio of the UAAL to the covered payroll was 39.62%.

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

Note 14—Risk Management:

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 15—Landfill Closure and Postclosure Care Cost:

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2013 the County has set aside escrow funds in the amount of \$3,975,357 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractor's ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund. After the landfill has been closed for 15 years 50% of the fund and interest earned thereon may be paid to the contractor provided there has not been a material claim against the County. All unexpended funds will be paid to the Contractor 30 years after the final closure of the facility.

Note 16—Commitments and Contingencies:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 17—Expenditures Over Appropriations:

At June 30, 2013 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Recreation programs and events	\$ 384,318	\$ 406,869	\$ (22,551)
Principal retirement	2,738,820	2,895,220	(156,400)
Capital Projects Fund:			
Joint land use study	-	837	(837)
Land purchase	-	2,000	(2,000)

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 18—Surety Bond:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Charles V. Mason, Clerk of the Circuit Court	\$ 25,000
Alice L. Moore, Treasurer	400,000
Jo Ann Ando, Commissioner of the Revenue	3,000
S.F. Dempsey, Sheriff	30,000
All County Employees	250,000
 Nationwide Insurance	
All school personnel handling money - blanket bond	25,000

Note 19—Construction Commitments:

At June 30, 2013 the County has the following major project under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2013</u>	<u>Contract Balance</u>
Potomac Elementary Renovations	\$ 4,226,000	\$ 189,983	\$ 4,036,017
Shiloh Park	<u>1,292,343</u>	<u>199,950</u>	<u>1,092,393</u>
Total	<u>\$ 5,518,343</u>	<u>\$ 389,933</u>	<u>\$ 5,128,410</u>

Note 20—Debt Refunding:

In prior years, the County defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2013, \$46,734,350 of bonds outstanding are considered defeased from refunding transactions in prior years.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 21—Other Postemployment Benefits—Health Insurance:

School Board:

A. Plan Description:

The School Board Post-Retirement Medical Plan (SBPRMP) is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who have attained the age of 50, who were employed by King George County Public Schools with at least 10 years of service are eligible for retiree medical benefits. The SBPRMP has no separate financial report.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board 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. Participating retirees pay 100% of the monthly premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$	156,800
Interest on net OPEB obligation		10,000
Adjustment to annual required contribution		<u>(9,000)</u>
Annual OPEB cost (expense)	\$	157,800
Contributions made		<u>(39,900)</u>
Increase in net OPEB obligation	\$	117,900
Net OPEB obligation-beginning of year		250,904
Net OPEB obligation-end of year	\$	<u><u>368,804</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 21—Other Postemployment Benefits—Health Insurance: (Continued)

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 157,800	\$ 25.29%	\$ 368,804
June 30, 2012	104,978	36.67%	250,904
June 30, 2011	102,774	56.43%	184,426

D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 1,146,300
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,146,300
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	20,738,500
UAAL as a percentage of covered payroll	5.53%

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

E. Actuarial Methods and Assumptions

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 21—Other Postemployment Benefits—Health Insurance: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method

The cost method for valuation of liabilities used for this valuation is the Projected Unit Credit (PUC) Actuarial Cost Method. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's average final compensation projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the January 1, 2013, most recent actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.70% initially, reduced by decrements to an ultimate rate of 4.80% after seventy years. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2013, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

The County does not offer other postemployment benefits to its employees.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 22—Health Insurance Credit Program—Other Postemployment Benefits:

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .6% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$95,451, \$109,732, and \$107,630 respectively and equaled the required contributions for each year.

Note 23—Restatement of Beginning Net Position:

	Governmental Activities	Business Type Activities
Net position July 1, 2012, as previously reported	\$ 58,104,914	\$ 15,065,738
Remove issuance costs in accordance with GASB 65	<u>(452,326)</u>	<u>(481,614)</u>
Net Position July 1, 2012, as restated	<u>\$ 57,652,588</u>	<u>\$ 14,584,124</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

Note 24–Pending GASB Pronouncements:

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

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.

The County has not yet determined the effect these GASB Statements will have on its financial statements.

Note 25–Subsequent Events:

On October 1, 2013 the Service Authority obtained a Virginia 1 Water Supply revolving loan in the amount of \$2,500,000 through The Virginia Department of Health.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 19,582,046	\$ 19,582,046	\$ 19,509,877	\$ (72,169)
Other local taxes	5,607,200	5,607,200	6,375,440	768,240
Permits, privilege fees and regulatory licenses	406,900	406,900	437,699	30,799
Fines and forfeitures	227,150	227,150	254,380	27,230
Revenue from use of money and property	175,317	175,317	146,513	(28,804)
Charges for services	449,119	449,119	511,535	62,416
Miscellaneous	187,575	195,325	199,050	3,725
Recovered costs	175,000	175,000	175,000	-
Intergovernmental revenue:				
Commonwealth	6,113,486	6,408,816	6,078,850	(329,966)
Federal	703,637	733,532	794,101	60,569
Total revenues	<u>\$ 33,627,430</u>	<u>\$ 33,960,405</u>	<u>\$ 34,482,445</u>	<u>\$ 522,040</u>
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 67,531	\$ 67,531	\$ 63,018	\$ 4,513
General and financial administration:				
County administration	\$ 328,678	\$ 339,811	\$ 339,256	\$ 555
Legal services	99,254	127,754	126,873	881
Human resources	74,961	67,561	65,563	1,998
Commissioner of the Revenue	390,580	373,226	363,563	9,663
Reassessment	174,200	174,200	138,517	35,683
Treasurer	285,712	283,373	273,693	9,680
Information technology	257,832	342,749	332,434	10,315
Department of finance	827,957	797,163	793,943	3,220
Total general and financial administration	<u>\$ 2,439,174</u>	<u>\$ 2,505,837</u>	<u>\$ 2,433,842</u>	<u>\$ 71,995</u>
Board of Elections:				
Electoral board and officials	\$ 53,128	\$ 49,023	\$ 44,190	\$ 4,833
Registrar	128,706	118,635	114,512	4,123
Total board of elections	<u>\$ 181,834</u>	<u>\$ 167,658</u>	<u>\$ 158,702</u>	<u>\$ 8,956</u>
Total general government administration	<u>\$ 2,688,539</u>	<u>\$ 2,741,026</u>	<u>\$ 2,655,562</u>	<u>\$ 85,464</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 24,960	\$ 28,360	\$ 28,358	\$ 2
Combined courts	21,614	21,614	15,556	6,058
Magistrates	3,650	3,650	1,779	1,871
Clerk of the circuit court	419,942	468,959	429,734	39,225
Law library	5,000	5,000	-	5,000
Victim assistance program	22,838	22,838	21,334	1,504
Total courts	\$ 498,004	\$ 550,421	\$ 496,761	\$ 53,660
Commonwealth's attorney:				
Commonwealth's attorney	\$ 540,589	\$ 540,589	\$ 539,232	\$ 1,357
Total judicial administration	\$ 1,038,593	\$ 1,091,010	\$ 1,035,993	\$ 55,017
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,203,535	\$ 3,282,407	\$ 3,261,566	\$ 20,841
VJCCCA / CHINS	56,203	56,203	44,089	12,114
E-911	595,161	558,661	557,651	1,010
Law enforcement	22,500	22,500	5,141	17,359
Public safety grants	13,542	88,542	80,118	8,424
Total law enforcement and traffic control	\$ 3,890,941	\$ 4,008,313	\$ 3,948,565	\$ 59,748
Fire and rescue services:				
Emergency services	\$ 2,422,641	\$ 2,447,481	\$ 2,446,519	\$ 962
Ambulance services	25,940	39,580	39,570	10
Fire and rescue grants	122,820	472,488	229,205	243,283
King George fire and rescue	393,742	422,055	421,668	387
Total fire and rescue services	\$ 2,965,143	\$ 3,381,604	\$ 3,136,962	\$ 244,642
Correction and detention:				
Juvenile detention	\$ 194,420	\$ 233,893	\$ 233,892	\$ 1
Regional jail	1,275,190	1,275,190	1,275,189	1
Total correction and detention	\$ 1,469,610	\$ 1,509,083	\$ 1,509,081	\$ 2

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 258,311	\$ 275,311	\$ 274,313	\$ 998
Medical examiner	-	250	140	110
Total other protection	\$ 258,311	\$ 275,561	\$ 274,453	\$ 1,108
Total public safety	\$ 8,584,005	\$ 9,174,561	\$ 8,869,061	\$ 305,500
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 107,196	\$ 109,016	\$ 97,973	\$ 11,043
Sanitation and waste removal:				
Landfill	\$ 230,658	\$ 232,658	\$ 232,270	\$ 388
Maintenance of general buildings and grounds:				
General properties	\$ 1,170,767	\$ 1,180,005	\$ 1,146,670	\$ 33,335
Miscellaneous	63,572	75,225	49,071	26,154
Citizen's center	56,284	44,284	41,202	3,082
Total maintenance of general buildings and grounds	\$ 1,290,623	\$ 1,299,514	\$ 1,236,943	\$ 62,571
Total public works	\$ 1,628,477	\$ 1,641,188	\$ 1,567,186	\$ 74,002
Health and welfare:				
Health:				
Local health department	\$ 308,415	\$ 308,415	\$ 308,415	\$ -
Mental health and mental retardation:				
Community services board	\$ 76,675	\$ 76,675	\$ 76,675	\$ -
Welfare:				
Administration and public assistance	\$ 2,017,295	\$ 1,930,295	\$ 1,878,517	\$ 51,778
Comprehensive services	1,910,490	2,155,510	2,143,255	12,255
Total welfare	\$ 3,927,785	\$ 4,085,805	\$ 4,021,772	\$ 64,033
Total health and welfare	\$ 4,312,875	\$ 4,470,895	\$ 4,406,862	\$ 64,033

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,902	\$ 4,902	\$ 4,902	\$ -
Contribution to Component Unit School Board	13,349,353	13,481,943	13,481,943	-
Total education	\$ 13,354,255	\$ 13,486,845	\$ 13,486,845	\$ -
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 305,188	\$ 305,188	\$ 304,553	\$ 635
Recreation programs and events	368,318	384,318	406,869	(22,551)
Total parks and recreation	\$ 673,506	\$ 689,506	\$ 711,422	\$ (21,916)
Library:				
Library	\$ 503,688	\$ 509,968	\$ 485,254	\$ 24,714
Total parks, recreation and cultural	\$ 1,177,194	\$ 1,199,474	\$ 1,196,676	\$ 2,798
Community development:				
Planning and community development:				
Community development	\$ 702,866	\$ 707,440	\$ 688,311	\$ 19,129
Economic development	562,735	587,460	571,862	15,598
Tourism	79,200	82,600	34,308	48,292
Planning / community zoning boards	28,729	17,229	14,505	2,724
Community organizations	168,552	168,552	166,429	2,123
Total planning and community development	\$ 1,542,082	\$ 1,563,281	\$ 1,475,415	\$ 87,866
Environmental management:				
Litter control	\$ 5,350	\$ 7,752	\$ 5,765	\$ 1,987
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 37,598	\$ 40,000	\$ 38,013	\$ 1,987

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Community development: (continued)				
Cooperative extension program:				
VPI extension	\$ 95,767	\$ 123,547	\$ 102,900	\$ 20,647
Total community development	\$ 1,675,447	\$ 1,726,828	\$ 1,616,328	\$ 110,500
Debt service:				
Principal retirement	\$ 2,738,820	\$ 2,738,820	\$ 2,895,220	\$ (156,400)
Interest and fiscal charges	3,233,251	3,233,251	3,126,058	107,193
Total debt service	\$ 5,972,071	\$ 5,972,071	\$ 6,021,278	\$ (49,207)
Total expenditures	\$ 40,431,456	\$ 41,503,898	\$ 40,855,791	\$ 648,107
Excess (deficiency) of revenues over (under) expenditures	\$ (6,804,026)	\$ (7,543,493)	\$ (6,373,346)	\$ 1,170,147
Other financing sources (uses):				
Operating transfers in	\$ 6,464,606	\$ 2,139,906	\$ 2,139,906	\$ -
Operating transfers (out)	(57,980)	(57,980)	(57,980)	-
Total other financing sources (uses)	\$ 6,406,626	\$ 2,081,926	\$ 2,081,926	\$ -
Net changes in fund balance	\$ (397,400)	\$ (5,461,567)	\$ (4,291,420)	\$ 1,170,147
Fund balance at beginning of year	397,400	5,461,567	24,526,724	19,065,157
Fund balance at end of year	\$ -	\$ -	\$ 20,235,304	\$ 20,235,304

Schedule of Pension and OPEB Funding Progress
Last Three Fiscal Years

**Virginia Retirement System:
County:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 20,348,780	\$ 26,859,847	\$ 6,511,067	75.76%	\$ 8,384,895	77.65%
6/30/2011	19,800,798	24,700,710	4,899,912	80.16%	8,019,625	61.10%
6/30/2010	18,577,561	23,273,507	4,695,946	79.82%	8,151,639	57.61%

**Discretely Presented Component Unit - School Board:
School Board Non-Professionals:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 4,545,350	\$ 5,744,523	\$ 1,199,173	79.12%	\$ 2,297,356	52.20%
6/30/2011	4,270,771	5,130,282	859,511	83.25%	2,169,213	39.62%
6/30/2010	4,005,595	4,870,106	864,511	82.25%	2,137,036	40.45%

**Other Post Employment Benefits:
Discretely Presented Component Unit - School Board:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2013	\$ -	\$ 1,146,300	\$ 1,146,300	0.00%	\$ 20,738,500	5.53%
1/1/2011	-	824,400	824,400	0.00%	21,202,100	3.89%
1/1/2009	-	684,300	684,300	0.00%	20,991,600	3.26%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,679,000	\$ 6,679,000	\$ 6,749,876	\$ 70,876
Revenue from use of money and property	175,000	175,000	62,279	(112,721)
Miscellaneous	-	-	37,075	37,075
Intergovernmental revenue:				
Contribution from the School Board	-	31,400	31,400	-
Federal	-	602,730	669,358	66,628
Total revenues	\$ 6,854,000	\$ 7,488,130	\$ 7,549,988	\$ 61,858
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 69,641	\$ 21,537	\$ 48,104
Total general government administration	\$ -	\$ 69,641	\$ 21,537	\$ 48,104
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 790,854	\$ 120,691	\$ 670,163
Equipment acquisition - Sheriff	-	105,000	105,000	-
Vehicle acquisition - EMS	-	766,906	724,801	42,105
Total public safety	\$ -	\$ 1,662,760	\$ 950,492	\$ 712,268
Education:				
Equipment additions	\$ -	\$ 653,346	\$ 488,830	\$ 164,516
Total education	\$ -	\$ 653,346	\$ 488,830	\$ 164,516
Capital projects:				
General government administration:				
Construction program	\$ 303,993	\$ 497,820	\$ -	\$ 497,820
Joint land use study	-	-	837	(837)
Land purchase	-	-	2,000	(2,000)
County complex	-	1,054,366	3,370	1,050,996
Total general government administration	\$ 303,993	\$ 1,552,186	\$ 6,207	\$ 1,545,979
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 87,826	\$ 221	\$ 87,605
Courthouse improvements	-	355,884	259,120	96,764
Total judicial administration	\$ -	\$ 443,710	\$ 259,341	\$ 184,369
Public safety:				
Sheriff's office at county complex	\$ -	\$ 503,985	\$ 276,655	\$ 227,330
Fire station renovation	-	100,000	13,699	86,301
Animal pound	-	88,130	-	88,130
Total public safety	\$ -	\$ 692,115	\$ 290,354	\$ 401,761
Public works:				
Vehicle maintenance facility	\$ -	\$ 1,271,953	\$ 94,303	\$ 1,177,650
Total public works	\$ -	\$ 1,271,953	\$ 94,303	\$ 1,177,650

Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2013 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
Connecting roads high school/middle school	\$ -	\$ 114,841	\$ 69,974	\$ 44,867
New high school stadium	-	1,563,016	1,468,922	94,094
New high school irrigation well	-	280	-	280
Old middle school well	-	145,605	3,764	141,841
Roof admin complex	-	11,719	-	11,719
Middle school HVAC	-	25,000	-	25,000
Potomac elementary school renovations	-	5,380,927	800,806	4,580,121
Ralph Bunche renovations	-	103,348	30,893	72,455
Total education	<u>\$ -</u>	<u>\$ 7,344,736</u>	<u>\$ 2,374,359</u>	<u>\$ 4,970,377</u>
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 801,250	\$ 781,416	\$ 19,834
Shiloh park old landfill site	-	1,476,457	234,572	1,241,885
Library expansion	-	2,543,978	2,116,759	427,219
Total parks and recreation	<u>\$ -</u>	<u>\$ 4,821,685</u>	<u>\$ 3,132,747</u>	<u>\$ 1,688,938</u>
Community development:				
Citizens center renovations	\$ -	\$ 10,728	\$ -	\$ 10,728
Natural gas to the industrial park	-	4,300,000	-	4,300,000
Angelwood project	-	2,145	-	2,145
Angel court project	-	436,911	338,019	98,892
Total community development	<u>\$ -</u>	<u>\$ 4,749,784</u>	<u>\$ 338,019</u>	<u>\$ 4,411,765</u>
Debt service:				
Interest and fiscal charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total expenditures	<u>\$ 303,993</u>	<u>\$ 23,261,916</u>	<u>\$ 7,956,189</u>	<u>\$ 15,305,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,550,007</u>	<u>\$ (15,773,786)</u>	<u>\$ (406,201)</u>	<u>\$ 15,367,585</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (6,550,007)</u>	<u>\$ (2,225,307)</u>	<u>\$ (2,225,307)</u>	<u>\$ -</u>
Net changes in fund balance	\$ -	\$ (17,999,093)	\$ (2,631,508)	\$ 15,367,585
Fund balance at beginning of year	<u>-</u>	<u>17,999,093</u>	<u>27,172,752</u>	<u>9,173,659</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,541,244</u></u>	<u><u>\$ 24,541,244</u></u>

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2013

	<u>Special Welfare Fund</u>	<u>Payroll Taxes Fund</u>	<u>Landfill Escrow Fund</u>	<u>EDA Fund</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 70,003	\$ 16,494	\$ 3,975,357	\$ 62,055	\$ 4,123,909
Total assets	<u>\$ 70,003</u>	<u>\$ -</u>	<u>\$ 3,975,357</u>	<u>\$ 62,055</u>	<u>\$ 4,123,909</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,074	\$ 2,074
Amounts held for others	-	16,494	-	59,981	76,475
Amounts held for landfill closure and postclosure costs	-	-	3,975,357	-	3,975,357
Amounts held for social services' clients	<u>70,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,003</u>
Total liabilities	<u>\$ 70,003</u>	<u>\$ 16,494</u>	<u>\$ 3,975,357</u>	<u>\$ 62,055</u>	<u>\$ 4,123,909</u>

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 72,158	\$ 28,517	\$ 30,672	\$ 70,003
Liabilities:				
Amounts held for social services' clients	\$ 72,158	\$ 28,517	\$ 30,672	\$ 70,003
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,471,349	\$ 1,454,855	\$ 16,494
Accounts receivable	19,442	-	19,442	-
Total assets	\$ 19,442	\$ 1,471,349	\$ 1,474,297	\$ 16,494
Liabilities:				
Amounts held for others	\$ 19,442	\$ 1,471,349	\$ 1,474,297	\$ 16,494
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,980,969	\$ -	\$ 5,612	\$ 3,975,357
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,980,969	\$ -	\$ 5,612	\$ 3,975,357
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ 87,838	\$ 459,599	\$ 485,382	\$ 62,055
Liabilities:				
Accounts payable	\$ 3,411	\$ 2,074	\$ 3,411	\$ 2,074
Amounts held for others	84,427	457,525	481,971	59,981
Total liabilities	\$ 87,838	\$ 459,599	\$ 485,382	\$ 62,055
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 4,140,965	\$ 1,959,465	\$ 1,976,521	\$ 4,123,909
Accounts receivable	19,442	-	19,442	-
Total assets	\$ 4,160,407	\$ 1,959,465	\$ 1,995,963	\$ 4,123,909
Liabilities:				
Accounts payable	\$ 3,411	\$ 2,074	\$ 3,411	\$ 2,074
Amounts held for social services' clients	72,158	28,517	30,672	70,003
Amounts held for landfill closure and postclosure costs	3,980,969	-	5,612	3,975,357
Amounts held for others	103,869	1,928,874	1,956,268	76,475
Total liabilities	\$ 4,160,407	\$ 1,959,465	\$ 1,995,963	\$ 4,123,909

Discretely Presented Component Unit-School Board

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Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2013

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,000	\$ 102,838	\$ 104,838
Receivables (Net of allowance for uncollectibles):			
Accounts	-	2,597	2,597
Due from primary government	2,962,467	-	2,962,467
Due from other governmental units	<u>1,378,683</u>	<u>-</u>	<u>1,378,683</u>
 Total assets	 <u>\$ 4,343,150</u>	 <u>\$ 105,435</u>	 <u>\$ 4,448,585</u>
LIABILITIES			
Accounts payable	\$ 605,771	\$ 4,273	\$ 610,044
Accrued liabilities	3,730,379	92,225	3,822,604
Unearned revenue	<u>5,000</u>	<u>-</u>	<u>5,000</u>
 Total liabilities	 <u>\$ 4,341,150</u>	 <u>\$ 96,498</u>	 <u>\$ 4,437,648</u>
FUND BALANCES			
Committed - cafeteria	\$ -	\$ 8,937	\$ 8,937
Unassigned	<u>2,000</u>	<u>-</u>	<u>2,000</u>
 Total fund balances	 <u>\$ 2,000</u>	 <u>\$ 8,937</u>	 <u>\$ 10,937</u>
 Total liabilities and fund balances	 <u>\$ 4,343,150</u>	 <u>\$ 105,435</u>	 <u>\$ 4,448,585</u>

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances, balance sheet, governmental funds \$ 10,937

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole. 29,089,800

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position. (723,017)

Net position of Governmental Activities \$ 28,377,720

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 16,630	\$ -	\$ 16,630
Charges for services	55,564	563,757	619,321
Miscellaneous	101,442	17,545	118,987
Intergovernmental revenue:			
County contribution to School Board	13,450,543	-	13,450,543
Commonwealth	19,160,074	20,847	19,180,921
Federal	<u>1,747,025</u>	<u>709,192</u>	<u>2,456,217</u>
 Total revenues	 <u>\$ 34,531,278</u>	 <u>\$ 1,311,341</u>	 <u>\$ 35,842,619</u>
Expenditures:			
Current:			
Education	\$ 34,463,078	\$ 1,411,863	\$ 35,874,941
Debt service:			
Principal retirement	63,687	-	63,687
Interest and fiscal charges	<u>4,513</u>	<u>-</u>	<u>4,513</u>
 Total expenditures	 <u>\$ 34,531,278</u>	 <u>\$ 1,411,863</u>	 <u>\$ 35,943,141</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (100,522)	\$ (100,522)
 Net changes in fund balances	 \$ -	 \$ (100,522)	 \$ (100,522)
 Fund balances at beginning of year	 <u>2,000</u>	 <u>109,459</u>	 <u>111,459</u>
 Fund balances at end of year	 <u>\$ 2,000</u>	 <u>\$ 8,937</u>	 <u>\$ 10,937</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

	<u>Component Unit School Board</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net changes in fund balances - total governmental funds	\$ (100,522)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which the capital outlays exceeded depreciation in the current period is computed as follows:</p>	
Capital additions	\$ 1,614,867
Depreciation expense	<u>(1,394,815)</u> 220,052
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:</p>	
Principal retired on capital lease obligations	63,687
<p>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 the items supporting this adjustment:</p>	
Change in net OPEB obligation	\$ (117,900)
Change in compensated absences	<u>(2,489)</u> (120,389)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	<u>1,543,017</u>
Change in net position of governmental activities	<u>\$ 1,605,845</u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 Governmental Funds
 Year Ended June 30, 2013

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 16,630	\$ (8,370)
Charges for services	95,000	95,000	55,564	(39,436)
Miscellaneous	130,000	154,723	101,442	(53,281)
Intergovernmental revenue:				
County contribution to School Board	13,349,353	13,450,543	13,450,543	-
Commonwealth	18,942,911	19,208,805	19,160,074	(48,731)
Federal	1,680,504	2,078,097	1,747,025	(331,072)
Total revenues	\$ 34,222,768	\$ 35,012,168	\$ 34,531,278	\$ (480,890)
Expenditures:				
Current:				
Instruction	\$ 25,432,712	\$ 26,410,445	\$ 26,054,232	\$ 356,213
Administration, attendance and health	1,000,055	919,055	899,111	19,944
Pupil transportation	2,455,614	2,477,573	2,466,375	11,198
Operation and maintenance	3,747,044	3,607,207	3,607,129	78
School food service costs	-	-	-	-
Facilities	87,627	73,582	73,108	474
Technology	1,355,367	1,379,957	1,363,123	16,834
Total education	\$ 34,078,419	\$ 34,867,819	\$ 34,463,078	\$ 404,741
Debt service:				
Principal retirement	\$ 136,313	\$ 136,313	\$ 63,687	\$ 72,626
Interest and fiscal charges	8,036	8,036	4,513	3,523
Total expenditures	\$ 34,222,768	\$ 35,012,168	\$ 34,531,278	\$ 480,890
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -
Net changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	2,000	2,000
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

Exhibit 18

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
738,840	738,840	563,757	(175,083)
10,000	10,000	17,545	7,545
-	-	-	-
19,400	19,400	20,847	1,447
630,000	630,000	709,192	79,192
<u>\$ 1,398,240</u>	<u>\$ 1,398,240</u>	<u>\$ 1,311,341</u>	<u>\$ (86,899)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,398,240	1,465,857	1,411,863	53,994
-	-	-	-
-	-	-	-
<u>\$ 1,398,240</u>	<u>\$ 1,465,857</u>	<u>\$ 1,411,863</u>	<u>\$ 53,994</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ 1,398,240</u>	<u>\$ 1,465,857</u>	<u>\$ 1,411,863</u>	<u>\$ 53,994</u>
\$ -	\$ (67,617)	\$ (100,522)	\$ (32,905)
\$ -	\$ (67,617)	\$ (100,522)	\$ (32,905)
-	67,617	109,459	41,842
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,937</u>	<u>\$ 8,937</u>

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Supporting Schedules

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Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,725,960	\$ 13,725,960	\$ 13,611,494	\$ (114,466)
Public service taxes	1,378,293	1,378,293	1,367,827	(10,466)
Personal property taxes	4,003,949	4,003,949	3,979,507	(24,442)
Mobile home taxes	25,610	25,610	23,117	(2,493)
Machinery and tools taxes	142,234	142,234	191,223	48,989
Penalties	198,000	198,000	222,447	24,447
Interest	108,000	108,000	114,262	6,262
Total general property taxes	\$ 19,582,046	\$ 19,582,046	\$ 19,509,877	\$ (72,169)
Other local taxes:				
Local sales and use taxes	\$ 1,584,000	\$ 1,584,000	\$ 1,876,393	\$ 292,393
Consumer utility taxes	240,000	240,000	259,123	19,123
Local consumption tax	76,800	76,800	75,894	(906)
Business license taxes	1,450,000	1,450,000	1,350,496	(99,504)
Motor vehicle licenses	535,000	535,000	559,806	24,806
Bank franchise taxes	50,000	50,000	76,447	26,447
Recordation taxes	220,800	220,800	312,579	91,779
Local tax from clerk	55,000	55,000	54,450	(550)
Interest on fines	3,600	3,600	5,823	2,223
Transient occupancy tax	132,000	132,000	192,132	60,132
Meals tax	804,000	804,000	953,393	149,393
Ambulance fees	456,000	456,000	658,904	202,904
Total other local taxes	\$ 5,607,200	\$ 5,607,200	\$ 6,375,440	\$ 768,240
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 6,344	\$ 844
Building and related permits	157,800	157,800	155,435	(2,365)
Landfill inspection fees	188,000	188,000	197,399	9,399
Other permits and licenses	55,600	55,600	78,521	22,921
Total permits, privilege fees and regulatory licenses	\$ 406,900	\$ 406,900	\$ 437,699	\$ 30,799
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 227,150	\$ 227,150	\$ 254,380	\$ 27,230

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 110,000	\$ 110,000	\$ 78,966	\$ (31,034)
Revenue from use of property	65,317	65,317	67,547	2,230
Total revenue from use of money and property	<u>\$ 175,317</u>	<u>\$ 175,317</u>	<u>\$ 146,513</u>	<u>\$ (28,804)</u>
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ -	\$ (921)
Law library fees	5,000	5,000	4,364	(636)
Local court appointed attorney fees	800	800	2,388	1,588
Courthouse maintenance fees	20,000	20,000	31,353	11,353
Commonwealth attorney fees	1,500	1,500	4,137	2,637
Courthouse security personnel fee	48,780	48,780	55,131	6,351
Jail admission fee	3,300	3,300	3,866	566
Charges for parks and recreation	368,318	368,318	409,151	40,833
Charges for maps / publications	500	500	574	74
Other charges for services	-	-	571	571
Total charges for services	<u>\$ 449,119</u>	<u>\$ 449,119</u>	<u>\$ 511,535</u>	<u>\$ 62,416</u>
Miscellaneous revenue:				
Miscellaneous	\$ 95,575	\$ 103,325	\$ 110,199	\$ 6,874
Wireless board	42,000	42,000	76,621	34,621
Insurance recoveries	50,000	50,000	12,230	(37,770)
Total miscellaneous revenue	<u>\$ 187,575</u>	<u>\$ 195,325</u>	<u>\$ 199,050</u>	<u>\$ 3,725</u>
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenue from local sources	<u>\$ 26,810,307</u>	<u>\$ 26,818,057</u>	<u>\$ 27,609,494</u>	<u>\$ 791,437</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,300	\$ 3,300	\$ 3,706	\$ 406
Mobile home titling taxes	8,500	8,500	7,467	(1,033)
Recordation tax	90,000	90,000	97,148	7,148
Auto rental tax	20,000	20,000	38,702	18,702
Communication tax	402,000	402,000	395,968	(6,032)
PPTRA	<u>2,147,868</u>	<u>2,147,868</u>	<u>2,147,868</u>	<u>-</u>
Total noncategorical aid	<u>\$ 2,671,668</u>	<u>\$ 2,671,668</u>	<u>\$ 2,690,859</u>	<u>\$ 19,191</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 259,224	\$ 259,224	\$ 250,433	\$ (8,791)
Sheriff	940,822	940,822	900,209	(40,613)
Commissioner of the Revenue	107,415	107,415	106,765	(650)
Treasurer	82,191	82,191	80,281	(1,910)
Registrar/electoral board	35,230	35,230	33,492	(1,738)
Clerk of the Circuit Court	<u>203,522</u>	<u>203,522</u>	<u>205,198</u>	<u>1,676</u>
Total shared expenses	<u>\$ 1,628,404</u>	<u>\$ 1,628,404</u>	<u>\$ 1,576,378</u>	<u>\$ (52,026)</u>
Other categorical aid:				
Welfare administration and assistance	\$ 421,225	\$ 421,225	\$ 337,404	\$ (83,821)
Litter control	5,350	7,752	7,752	-
Four for life funds	25,000	25,000	25,524	524
Comprehensive services	1,150,290	1,332,990	1,118,374	(214,616)
VJCCCA grant	15,258	15,258	14,549	(709)
Fire programs	50,000	50,000	67,263	17,263

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,896	\$ 19,896	\$ 21,334	\$ 1,438
Library grant	83,395	83,395	82,122	(1,273)
RAOOY my life grant	-	71,250	71,287	37
Technology trust funds	15,000	15,000	9,976	(5,024)
Other categorical aid	<u>28,000</u>	<u>66,978</u>	<u>56,028</u>	<u>(10,950)</u>
 Total other categorical aid	 <u>\$ 1,813,414</u>	 <u>\$ 2,108,744</u>	 <u>\$ 1,811,613</u>	 <u>\$ (297,131)</u>
 Total categorical aid	 <u>\$ 3,441,818</u>	 <u>\$ 3,737,148</u>	 <u>\$ 3,387,991</u>	 <u>\$ (349,157)</u>
 Total revenue from the Commonwealth	 <u>\$ 6,113,486</u>	 <u>\$ 6,408,816</u>	 <u>\$ 6,078,850</u>	 <u>\$ (329,966)</u>
 Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 682,317	\$ 682,317	\$ 730,635	\$ 48,318
FEMA grant	-	-	18,000	18,000
Hazardous materials grant	-	28,000	24,000	(4,000)
Law enforcement grants	-	-	6,751	6,751
LEMPG grant	12,820	12,820	12,820	-
Other categorical aid	<u>8,500</u>	<u>10,395</u>	<u>1,895</u>	<u>(8,500)</u>
 Total revenue from the federal government	 <u>\$ 703,637</u>	 <u>\$ 733,532</u>	 <u>\$ 794,101</u>	 <u>\$ 60,569</u>
 Total General Fund	 <u>\$ 33,627,430</u>	 <u>\$ 33,960,405</u>	 <u>\$ 34,482,445</u>	 <u>\$ 522,040</u>
 Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,160,000	\$ 6,160,000	\$ 6,393,811	\$ 233,811
Landfill fees - beneficial use	219,000	219,000	220,733	1,733
Power plant revenue	<u>300,000</u>	<u>300,000</u>	<u>135,332</u>	<u>(164,668)</u>
 Total permits, privilege fees and regulatory licenses	 <u>\$ 6,679,000</u>	 <u>\$ 6,679,000</u>	 <u>\$ 6,749,876</u>	 <u>\$ 70,876</u>

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 175,000	\$ 175,000	\$ 62,279	\$ (112,721)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 37,075	\$ 37,075
Total miscellaneous revenue	\$ -	\$ -	\$ 37,075	\$ 37,075
Total revenue from local sources	\$ 6,854,000	\$ 6,854,000	\$ 6,849,230	\$ (4,770)
Intergovernmental revenue:				
Contribution from the School Board	\$ -	\$ 31,400	\$ 31,400	\$ -
Revenue from the federal government:				
Categorical aid:				
QSCB interest subsidy	\$ -	\$ -	\$ 203,256	\$ 203,256
Assistance to firefighters	-	602,730	-	(602,730)
Community development block grant	-	-	466,102	466,102
Total revenue from the federal government	\$ -	\$ 602,730	\$ 669,358	\$ 66,628
Total Capital Projects Fund	\$ 6,854,000	\$ 7,488,130	\$ 7,549,988	\$ 61,858
Wireless Authority Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 363	\$ 363
Grand Total Revenues -- Primary Government	\$ 40,481,430	\$ 41,448,535	\$ 42,032,796	\$ 584,261
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 25,000	\$ 25,000	\$ 16,630	\$ (8,370)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 16,630	\$ (8,370)
Charges for services:				
Charges for education	\$ 95,000	\$ 95,000	\$ 55,564	\$ (39,436)
Total charges for services	\$ 95,000	\$ 95,000	\$ 55,564	\$ (39,436)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 124,723	\$ 56,485	\$ (68,238)
Other reimbursements and recoveries	30,000	30,000	44,957	14,957
Total miscellaneous revenue	<u>\$ 130,000</u>	<u>\$ 154,723</u>	<u>\$ 101,442</u>	<u>\$ (53,281)</u>
Total revenue from local sources	<u>\$ 250,000</u>	<u>\$ 274,723</u>	<u>\$ 173,636</u>	<u>\$ (101,087)</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 13,349,353</u>	<u>\$ 13,450,543</u>	<u>\$ 13,450,543</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,196,461	\$ 4,225,187	\$ 4,173,366	\$ (51,821)
Basic school aid	10,469,700	10,634,391	10,634,391	-
Remedial education	198,746	198,746	201,561	2,815
Vocational education SOQ	168,556	168,556	170,944	2,388
Special education	1,189,958	1,206,815	1,206,815	-
Fringe benefits	1,860,506	1,860,506	1,925,205	64,699
Technology grant	180,000	180,000	180,000	-
Gifted education	115,725	117,365	117,365	-
Textbooks	225,740	228,938	210,628	(18,310)
Other state funds	337,519	388,301	339,799	(48,502)
Total categorical aid	<u>\$ 18,942,911</u>	<u>\$ 19,208,805</u>	<u>\$ 19,160,074</u>	<u>\$ (48,731)</u>
Total revenue from the Commonwealth	<u>\$ 18,942,911</u>	<u>\$ 19,208,805</u>	<u>\$ 19,160,074</u>	<u>\$ (48,731)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 344,428	\$ 428,796	\$ 336,558	\$ (92,238)
ARRA - Title I school improvement	358,344	358,344	299,974	(58,370)
Title VI - B	770,907	941,460	811,816	(129,644)
Impact aid	-	102,225	102,225	-
Title II - A	95,118	98,659	44,178	(54,481)
Other federal assistance	111,707	148,613	152,274	3,661
Total categorical aid	<u>\$ 1,680,504</u>	<u>\$ 2,078,097</u>	<u>\$ 1,747,025</u>	<u>\$ (331,072)</u>
Total revenue from the federal government	<u>\$ 1,680,504</u>	<u>\$ 2,078,097</u>	<u>\$ 1,747,025</u>	<u>\$ (331,072)</u>
Total School Operating Fund	<u><u>\$ 34,222,768</u></u>	<u><u>\$ 35,012,168</u></u>	<u><u>\$ 34,531,278</u></u>	<u><u>\$ (480,890)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 738,840	\$ 738,840	\$ 563,757	\$ (175,083)
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 17,545	\$ 7,545
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 19,400	\$ 19,400	\$ 20,847	\$ 1,447
Revenue from the federal government:				
Categorical aid:				
School food	\$ 630,000	\$ 630,000	\$ 709,192	\$ 79,192
Total School Cafeteria Fund	\$ 1,398,240	\$ 1,398,240	\$ 1,311,341	\$ (86,899)
Total Revenues--Component Unit-School Board	\$ 35,621,008	\$ 36,410,408	\$ 35,842,619	\$ (567,789)

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COUNTY OF KING GEORGE, VIRGINIA

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Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
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Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.	

COUNTY OF KING GEORGE, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:					
Net investment in capital assets	\$ 3,327,685	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035	\$ 14,166,206
Restricted	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777
Unrestricted	<u>13,502,050</u>	<u>34,789,461</u>	<u>34,535,361</u>	<u>34,057,246</u>	<u>35,118,549</u>
Total governmental activities net position	<u>\$ 36,506,605</u>	<u>\$ 44,044,946</u>	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>	<u>\$ 52,620,532</u>
Business-type activities:					
Net investment in capital assets	\$ 9,507,244	\$ 10,843,832	\$ 11,307,604	\$ 16,032,120	\$ 16,422,476
Unrestricted	<u>(851,067)</u>	<u>(495,069)</u>	<u>1,424,196</u>	<u>1,047,467</u>	<u>809,229</u>
Total business-type net position	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>	<u>\$ 12,731,800</u>	<u>\$ 17,079,587</u>	<u>\$ 17,231,705</u>
Primary government:					
Net investment in capital assets	\$ 12,834,929	\$ 19,008,713	\$ 21,452,376	\$ 30,478,155	\$ 30,588,682
Restricted	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777
Unrestricted	<u>12,650,983</u>	<u>34,294,392</u>	<u>35,959,557</u>	<u>35,104,713</u>	<u>35,927,778</u>
Total primary government net position	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>	<u>\$ 58,507,242</u>	<u>\$ 66,696,097</u>	<u>\$ 69,852,237</u>

Table 1

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	13,355,755	\$ 12,019,419	\$ 14,637,383	\$ 16,779,466	\$ 17,849,891
	3,354,693	3,350,043	3,789,880	3,565,698	3,092,023
	<u>38,353,717</u>	<u>42,461,130</u>	<u>38,269,130</u>	<u>37,307,424</u>	<u>34,966,854</u>
\$	<u><u>55,064,165</u></u>	<u><u>57,830,592</u></u>	<u><u>56,696,393</u></u>	<u><u>57,652,588</u></u>	<u><u>55,908,768</u></u>
\$	16,166,998	\$ 14,228,621	\$ 12,286,312	\$ 12,899,785	\$ 12,158,220
	835,327	2,084,383	3,344,086	1,684,339	1,963,895
\$	<u>17,002,325</u>	<u>16,313,004</u>	<u>15,630,398</u>	<u>14,584,124</u>	<u>14,122,115</u>
\$	29,522,753	\$ 26,248,040	\$ 26,923,695	\$ 29,679,251	\$ 30,008,111
	3,354,693	3,350,043	3,789,880	3,565,698	3,092,023
	<u>39,189,044</u>	<u>44,545,513</u>	<u>41,613,216</u>	<u>38,991,763</u>	<u>36,930,749</u>
\$	<u><u>72,066,490</u></u>	<u><u>74,143,596</u></u>	<u><u>72,326,791</u></u>	<u><u>72,236,712</u></u>	<u><u>70,030,883</u></u>

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government administration	\$ 1,849,874	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895	\$ 2,368,002	\$ 2,588,510	\$ 2,608,379	\$ 2,409,601
Judicial administration	677,795	690,419	822,200	1,029,314	759,823	1,140,286	1,100,016	1,031,293	1,052,619	1,022,358
Public safety	4,630,196	5,510,533	6,052,406	10,514,774	7,977,187	8,468,031	7,934,875	8,013,107	8,534,911	10,010,928
Public works	640,060	829,157	817,142	2,473,860	1,518,581	1,328,152	1,238,734	1,348,751	1,550,883	1,419,964
Health and welfare	2,452,852	2,674,443	3,301,427	3,549,674	3,568,445	4,051,416	4,446,308	4,138,279	4,731,360	4,403,698
Education	4,585,292	9,378,083	12,866,014	10,140,846	18,229,598	13,146,962	13,519,775	16,939,617	14,860,879	17,550,953
Parks, recreation, and cultural	973,255	1,021,219	1,184,066	1,221,343	1,167,026	1,091,834	1,081,312	1,254,355	1,225,450	1,311,229
Community development	899,621	1,022,069	6,149,803	1,513,450	1,399,071	1,630,889	1,423,559	1,282,707	1,731,600	1,999,446
Interest and other fiscal charges	1,178,484	1,991,875	2,159,093	2,727,195	2,918,611	3,329,074	3,541,420	3,431,545	2,558,359	3,297,304
Total governmental activities expenses	\$ 17,887,429	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539	\$ 36,654,001	\$ 40,028,164	\$ 38,854,440	\$ 43,425,481
Business-type activities:										
Water and sewer	2,687,122	2,741,913	3,139,797	4,696,891	5,238,869	5,091,165	5,012,413	4,964,308	5,212,378	5,157,484
Total primary government expenses	\$ 20,574,551	\$ 28,275,897	\$ 38,911,730	\$ 40,017,561	\$ 45,698,186	\$ 42,262,704	\$ 41,666,414	\$ 44,992,472	\$ 44,066,818	\$ 48,582,965
Program revenues:										
Governmental activities:										
Charges for services:										
Judicial administration	\$ 237,879	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113	\$ 291,302	\$ 275,441	\$ 218,487	\$ 296,622
Public safety	397,896	444,281	468,579	399,206	302,013	74,689	77,782	63,301	51,371	65,912
Public works	7,001,573	6,838,203	6,900,871	6,642,913	7,597,954	7,001,071	7,324,769	6,862,268	7,108,725	7,102,710
Parks, recreation, and cultural	186,397	206,766	304,635	329,970	364,795	326,969	355,557	412,729	387,063	409,151
Community development	166,228	177,588	203,819	305,066	90,253	100,864	94,038	81,273	73,746	79,095
Operating grants and contributions:										
General government administration	201,783	221,922	224,212	266,564	296,199	272,914	260,936	286,613	228,914	222,433
Judicial administration	432,244	434,475	528,744	611,895	551,648	514,220	491,009	467,991	459,857	465,607
Public safety	1,115,955	1,024,800	1,298,468	1,174,675	1,250,193	1,112,947	1,110,195	1,073,398	1,158,848	1,225,517
Public works	4,495	4,375	6,568	-	-	-	-	-	-	-
Health and welfare	1,641,217	1,754,522	1,964,992	2,126,283	2,069,467	2,294,602	2,467,269	2,250,300	2,576,554	2,186,413
Education	-	-	-	-	-	-	-	-	97,986	203,256
Parks, recreation, and cultural	80,051	68,120	75,624	103,747	96,339	107,412	104,949	96,862	110,692	82,122
Community development	17,250	18,286	4,618	-	20,728	24,851	30,179	-	-	-
Capital grants and contributions	-	840,000	1,385,549	396,834	798,438	46,177	138,345	-	138,945	466,102
Total governmental activities program revenues	\$ 11,482,968	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829	\$ 12,746,330	\$ 11,870,176	\$ 12,611,188	\$ 12,804,940
Business-type activities:										
Charges for services:										
Water and sewer	\$ 2,547,694	\$ 1,950,443	\$ 2,631,444	\$ 3,108,812	\$ 3,252,836	\$ 2,518,677	\$ 3,661,026	\$ 3,695,446	\$ 4,212,976	\$ 4,361,207
Operating grants and contributions	-	-	-	12,093	10,650	-	-	-	-	-
Capital grants and contributions	1,328,038	63,290	-	3,286,792	-	1,340,934	-	-	-	-
Total business-type activities program revenues	\$ 3,875,732	\$ 2,013,733	\$ 2,631,444	\$ 6,407,697	\$ 3,263,486	\$ 3,859,611	\$ 3,661,026	\$ 3,695,446	\$ 4,212,976	\$ 4,361,207
Total primary government program revenues	\$ 15,358,700	\$ 14,381,372	\$ 16,388,549	\$ 19,086,498	\$ 16,959,971	\$ 16,010,440	\$ 16,407,356	\$ 15,565,622	\$ 16,824,164	\$ 17,166,147
Net (expense) / revenue										
Governmental activities	\$ (6,404,461)	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)	\$ (23,907,671)	\$ (28,157,988)	\$ (26,243,252)	\$ (30,620,541)
Business-type activities	1,188,610	(728,180)	(508,353)	1,710,806	(1,975,383)	(1,231,554)	(1,351,387)	(1,268,862)	(999,402)	(796,277)
Total primary government net expense	\$ (5,215,851)	\$ (13,894,525)	\$ (22,523,181)	\$ (20,931,063)	\$ (28,738,215)	\$ (26,252,264)	\$ (25,259,058)	\$ (29,426,850)	\$ (27,242,654)	\$ (31,416,818)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 12,621,512	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800	\$ 17,661,294	\$ 18,576,128	\$ 18,864,987	\$ 19,450,543
Local sales and use taxes	1,030,237	1,103,560	1,185,968	1,253,579	1,224,072	1,298,856	1,323,482	1,343,016	1,909,760	1,876,393
Communication sales taxes	-	-	-	-	450,124	403,435	-	-	-	-
Consumer utility taxes	324,936	334,509	372,235	301,276	229,585	238,428	245,177	246,993	226,865	259,123
Business license taxes	1,044,156	1,052,792	1,171,729	1,209,143	1,203,024	1,335,986	1,474,826	1,450,388	1,195,950	1,350,496
Motor vehicle licenses	426,854	456,906	483,352	446,312	493,466	522,202	509,925	552,436	520,137	559,806
Recordation taxes	241,285	485,706	741,770	607,113	434,099	290,079	275,511	231,589	232,533	312,579
Meals tax	520,961	640,118	635,687	674,535	702,153	752,391	769,662	793,459	878,555	953,393
E-911 taxes	223,770	227,575	230,387	200,141	-	-	-	-	-	-
Ambulance fees	-	-	-	-	-	490,866	518,275	454,554	660,964	658,904
Other local taxes	336,802	416,180	450,673	522,896	575,123	324,239	335,476	348,366	328,324	404,746
Grants and contributions not restricted to specific programs	2,184,442	2,365,848	2,637,595	2,458,363	2,316,124	2,337,588	2,718,175	2,682,408	2,676,883	2,690,859
Unrestricted revenues from use of money and property	399,015	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653	802,389	469,926	406,925	209,155
Miscellaneous	860,599	390,189	427,254	557,181	2,470,865	899,705	405,413	202,740	321,788	236,125
Transfers	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)	(365,507)	(328,214)	(172,595)	(85,401)
Total governmental activities	\$ 19,508,092	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343	\$ 26,674,098	\$ 27,023,789	\$ 28,051,076	\$ 28,876,721
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 99,431	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904	\$ 11,058	\$ 4,068	\$ 2,305	\$ 2,007
Miscellaneous	361,451	574,623	1,211,493	1,318,584	1,424,469	525,385	285,501	253,974	283,305	246,860
Transfers	706,477	1,678,298	1,699,783	1,108,173	569,857	455,885	365,507	328,214	172,595	85,401
Total business-type activities	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174	\$ 662,066	\$ 586,256	\$ 458,205	\$ 334,268
Total primary government	\$ 20,675,451	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517	\$ 27,336,164	\$ 27,610,045	\$ 28,509,281	\$ 29,210,989
Change in Net Position										
Governmental activities	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633	\$ 2,766,427	\$ (1,134,199)	\$ 1,807,824	\$ (1,743,820)
Business-type activities	2,355,969	1,691,686	2,514,902	4,347,787	152,118	(229,380)	(689,321)	(682,606)	(541,197)	(462,009)
Total primary government	\$ 15,459,600	\$ 9,230,028	\$ 4,245,398	\$ 8,188,855	\$ 3,156,140	\$ 2,214,253	\$ 2,077,106	\$ (1,816,805)	\$ 1,266,627	\$ (2,205,829)

COUNTY OF KING GEORGE, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved	\$ 1,703,385	\$ 1,450,717	\$ 1,261,813	\$ 1,113,229	\$ 1,135,777
Unreserved	13,755,238	19,059,078	17,619,894	18,312,583	20,434,481
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>	<u>\$ 21,570,258</u>
All other Governmental Funds					
Reserved for capital projects	\$ 17,196,042	\$ 53,871,288	\$ 53,852,195	\$ 51,546,624	\$ 15,228,296
Reserved for natatorium	-	-	-	-	2,200,000
Reserved for library operations	1,149,272	1,086,385	1,073,649	1,078,067	768,694
Reserved for wireless authority operations	-	-	-	-	560,243
Unreserved - capital projects fund					12,298,990
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>	<u>\$ 31,056,223</u>

Note: The County implemented GASB statement 54 beginning with fiscal year 2011 - see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 3

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,154,693	\$ 1,150,043	\$ -	\$ -	\$ -
22,317,265	25,603,932	-	-	-
-	-	1,401,766	1,399,650	1,433,451
-	-	695,197	1,080,525	992,924
-	-	6,050,000	4,324,700	184,969
-	-	17,189,811	17,721,849	17,623,960
<u>\$ 23,471,958</u>	<u>\$ 26,753,975</u>	<u>\$ 25,336,774</u>	<u>\$ 24,526,724</u>	<u>\$ 20,235,304</u>
\$ 18,379,524	\$ 13,737,529	\$ -	\$ -	\$ -
2,200,000	2,200,000	-	-	-
810,644	830,362	-	-	-
265,008	239,552	-	-	-
20,299,755	18,939,413	-	-	-
-	-	700,000	700,000	700,000
-	-	14,093,832	12,221,348	6,815,608
-	-	5,109,150	5,157,272	8,827,162
-	-	10,202,302	10,163,107	9,232,262
<u>\$ 41,954,931</u>	<u>\$ 35,946,856</u>	<u>\$ 30,105,284</u>	<u>\$ 28,241,727</u>	<u>\$ 25,575,032</u>

COUNTY OF KING GEORGE, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:					
General property taxes	\$ 12,391,790	\$ 13,555,599	\$ 14,424,491	\$ 15,174,874	\$ 17,092,704
Other local taxes	4,149,001	4,717,346	5,271,801	5,214,995	5,311,646
Permits, privilege fees and regulatory licenses	7,553,367	7,437,075	7,563,053	7,301,776	7,936,085
Fines and forfeitures	193,299	292,217	332,871	300,583	236,338
Revenue from use of money and property	399,015	1,341,213	2,653,602	3,980,793	3,160,698
Charges for services	243,307	271,847	372,406	396,444	441,050
Miscellaneous	860,599	260,832	427,254	557,181	2,470,865
Recovered costs	129,953	159,314	177,900	-	175,200
Intergovernmental:					
School Board	-	141,685	-	-	-
Commonwealth	4,669,116	4,858,819	6,758,941	5,642,960	6,414,676
Federal	1,008,321	1,033,529	1,367,429	1,495,401	984,460
Total revenues	<u>\$ 31,597,768</u>	<u>\$ 34,069,476</u>	<u>\$ 39,349,748</u>	<u>\$ 40,065,007</u>	<u>\$ 44,223,722</u>
Expenditures:					
General government administration	\$ 1,691,011	\$ 2,432,055	\$ 2,413,529	\$ 3,834,032	\$ 3,994,241
Judicial administration	631,216	684,282	818,117	1,025,967	1,086,764
Public safety	4,552,953	7,697,855	7,049,962	11,176,769	7,903,243
Public works	724,495	947,689	982,312	1,594,220	1,685,536
Health and welfare	2,462,346	2,670,886	3,285,612	3,518,011	3,530,265
Education	8,850,378	12,464,331	11,919,739	22,034,801	36,189,527
Parks, recreation, and cultural	952,483	1,238,568	1,149,277	1,216,147	1,885,728
Community development	898,036	1,021,505	5,887,223	1,519,877	1,391,591
Capital outlays and projects	2,737,547	-	-	-	-
Debt service:					
Principal retirement	1,161,983	1,119,800	1,194,852	1,959,618	2,401,440
Interest and other fiscal charges	882,588	889,860	2,666,216	2,721,295	2,957,614
Total expenditures	<u>\$ 25,545,036</u>	<u>\$ 31,166,831</u>	<u>\$ 37,366,839</u>	<u>\$ 50,600,737</u>	<u>\$ 63,025,949</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,052,732</u>	<u>\$ 2,902,645</u>	<u>\$ 1,982,909</u>	<u>\$ (10,535,730)</u>	<u>\$ (18,802,227)</u>
Other financing sources (uses):					
Transfers in	\$ 1,583,277	\$ 3,077,927	\$ 1,568,980	\$ 2,823,173	\$ 4,969,447
Transfers (out)	(2,289,754)	(4,756,225)	(3,268,763)	(3,931,346)	(5,539,304)
Sale of property	-	145,561	-	-	-
Premium on bonds issued	-	444,067	-	-	343,349
Early retirement of indebtedness	-	-	(7,500,000)	-	(7,500,000)
Payment to refunded bond escrow agent	-	(2,641,444)	(855,000)	-	-
Long-term debt issued	7,500,000	42,491,000	6,411,957	9,886,855	7,104,713
Total other financing sources (uses)	<u>\$ 6,793,523</u>	<u>\$ 38,760,886</u>	<u>\$ (3,642,826)</u>	<u>\$ 8,778,682</u>	<u>\$ (621,795)</u>
Net changes in fund balances	<u>\$ 12,846,255</u>	<u>\$ 41,663,531</u>	<u>\$ (1,659,917)</u>	<u>\$ (1,757,048)</u>	<u>\$ (19,424,022)</u>
Debt service as a percentage of noncapital expenditures	<u>9.02%</u>	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>	<u>13.06%</u>

Table 4

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	17,381,006	\$ 17,776,623	\$ 18,354,709	\$ 18,847,313	\$ 19,509,877
	5,656,482	5,452,334	5,420,801	5,953,088	6,375,440
	7,112,084	7,424,894	6,947,613	7,187,678	7,187,575
	255,499	257,999	237,714	183,108	254,380
	1,515,653	802,389	469,926	406,925	209,155
	410,123	460,555	509,685	468,606	511,535
	899,705	405,413	202,740	321,788	236,125
	-	175,000	-	-	175,000
	226,971	-	-	48,181	31,400
	5,740,816	6,231,998	5,878,173	6,190,762	6,078,850
	969,895	1,089,059	979,399	1,257,917	1,463,459
\$	<u>40,168,234</u>	<u>40,076,264</u>	<u>39,000,760</u>	<u>40,865,366</u>	<u>42,032,796</u>
\$	2,898,289	\$ 2,766,421	\$ 2,425,229	\$ 2,576,743	\$ 2,683,306
	1,127,473	1,087,706	1,027,700	1,059,200	1,295,334
	8,349,727	12,618,491	11,981,523	10,977,531	10,109,907
	1,779,055	1,255,124	2,587,135	1,624,315	1,661,489
	4,001,766	4,382,789	4,100,525	4,707,097	4,406,862
	16,985,114	11,040,558	14,317,559	14,970,909	16,350,034
	1,717,251	1,265,906	1,369,021	4,585,275	4,355,993
	1,666,723	1,414,185	1,284,213	1,723,671	2,021,307
	-	-	-	-	-
	2,685,742	3,054,211	2,713,288	2,712,585	2,895,220
	3,195,197	3,551,424	3,500,026	3,881,378	3,126,058
\$	<u>44,406,337</u>	<u>42,436,815</u>	<u>45,306,219</u>	<u>48,818,704</u>	<u>48,905,510</u>
\$	<u>(4,238,103)</u>	<u>(2,360,551)</u>	<u>(6,305,459)</u>	<u>(7,953,338)</u>	<u>(6,872,714)</u>
\$	5,763,828	\$ 6,636,320	\$ 5,792,544	\$ 4,063,486	\$ 2,197,886
	(6,219,713)	(7,001,827)	(6,120,758)	(4,236,081)	(2,283,287)
	-	-	-	-	-
	181,528	-	-	5,153,199	-
	-	-	(2,781,000)	-	-
	(4,465,250)	-	-	(33,345,873)	-
	21,778,118	-	2,155,900	33,645,000	-
\$	<u>17,038,511</u>	<u>(365,507)</u>	<u>(953,314)</u>	<u>5,279,731</u>	<u>(85,401)</u>
\$	<u>12,800,408</u>	<u>(2,726,058)</u>	<u>(7,258,773)</u>	<u>(2,673,607)</u>	<u>(6,958,115)</u>
	<u>15.89%</u>	<u>18.42%</u>	<u>15.92%</u>	<u>16.77%</u>	<u>14.19%</u>

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Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Tax Rate	Total
2003-04	\$ 1,120,896,350	\$ 0.72	\$ 118,008,072	\$ 3.10	\$ 3,753,075	\$ 288,954,628	\$ 0.95	1,531,612,125
2004-05	1,198,174,927	0.77	134,469,239	3.10	3,595,430	253,830,593	1.01	1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	0.61	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	0.62	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	0.63	3,074,677,546
2008-09	2,722,995,335	0.45	174,355,891	3.20	5,718,355	230,164,658	0.62	3,133,234,239
2009-10	2,503,071,252	0.50	184,490,385	3.20	5,772,695	265,869,660	0.69	2,959,203,992
2010-11	2,542,929,212	0.50	191,595,390	3.20	6,905,855	295,535,384	0.70	3,036,965,841
2011-12	2,584,238,464	0.53	198,062,550	3.20	5,776,405	259,946,038	0.71	3,048,023,457
2012-13	2,598,409,312	0.53	210,168,415	3.20	6,376,115	257,549,642	0.72	3,072,503,484

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half	Total Direct Tax Rate
2003-04	\$ 0.77	\$ 0.72	\$ 3.10	\$ 2.50	\$ 0.77	\$ 0.72	\$ 0.95
2004-05	0.77	0.77	3.10	2.50	0.77	0.77	1.01
2005-06	0.77	0.40	3.10	2.50	0.77	0.40	0.61
2006-07	0.40	0.44	3.20	2.50	0.40	0.44	0.62
2007-08	0.44	0.45	3.20	2.50	0.44	0.45	0.63
2008-09	0.45	0.45	3.20	2.50	0.45	0.45	0.62
2009-10	0.45	0.50	3.20	2.50	0.45	0.50	0.69
2010-11	0.50	0.50	3.20	2.50	0.50	0.50	0.70
2011-12	0.50	0.53	3.20	2.50	0.50	0.53	0.71
2012-13	0.53	0.53	3.20	2.50	0.53	0.53	0.72

(1) Per \$100 of assessed value.

Principal Taxpayers
 Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation	Taxes Paid	Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 1,008,008	\$ 190,190,189	6.83%	\$ 1,697,485	\$ 220,452,538	14.39%
Virginia Electric & Power Company	171,971	32,447,358	1.16%	148,406	19,273,474	1.26%
Horti-Group USA LLC	85,598	16,150,600	0.58%	N/A	N/A	N/A
Verizon South, Inc.	66,785	12,600,921	0.45%	142,857	18,552,792	1.21%
Northern Neck Electric Cooperative	45,265	8,540,560	0.31%	N/A	N/A	N/A
Wal-Mart Real Estate Trust	46,824	8,834,702	0.32%	N/A	N/A	N/A
Dahlgren Office Building, LLC	39,957	7,539,000	0.27%	N/A	N/A	N/A
Monmouth Woods Associates	39,169	7,390,302	0.27%	61,582	7,997,600	0.52%
Dahlgren Office Building, LLC	32,809	6,190,400	0.22%	30,765	3,995,400	0.26%
King George Shopping Center	31,687	5,978,596	0.21%	33,051	4,292,400	0.28%
CC&F Dahlgren Associates	27,207	5,133,302	0.18%	N/A	N/A	N/A
Heritage Hall LLC	26,604	5,019,702	0.18%	N/A	N/A	N/A
Birchwood Power Partners, LLC	N/A	N/A	N/A	125,645	16,317,501	1.07%
Dahlgren Office Building IV, LLC	N/A	N/A	N/A	36,296	4,713,701	0.31%
Hilard & Bartko	N/A	N/A	N/A	35,636	4,628,003	0.30%
Carver, James L. or Myrtis V.	N/A	N/A	N/A	29,228	3,795,808	0.25%
TOTAL	\$ 1,621,884	\$ 306,015,633	10.98%	\$ 2,340,951	\$ 304,019,217	19.85%

Source - Commissioner of the Revenue.

COUNTY OF KING GEORGE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total (1) Tax Levy</u>	<u>Current Tax (1)(4) Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent (1) Tax (2) Collections</u>
2003-04	\$ 14,431,070	\$ 13,909,897	96.39%	\$ 268,450
2004-05	15,673,264	15,195,623	96.95%	461,926
2005-06	16,478,637	16,138,236	97.93%	340,682
2006-07	17,388,433	16,720,812	96.16%	389,995
2007-08	19,108,607	18,539,554	97.02%	569,053
2008-09	19,303,194	18,775,585	97.27%	527,609
2009-10	19,468,250	19,055,429	97.88%	396,918
2010-11	20,270,753	19,769,446	97.53%	480,501
2011-12	20,900,625	20,140,541	96.36%	280,698
2012-13	21,785,485	20,922,911	96.04%	-

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

Table 8

	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
\$	14,178,347	98.25%	\$ 1,014,078	7.03%
	15,657,549	99.90%	1,103,844	7.04%
	16,478,918	100.00%	1,131,343	6.87%
	17,110,807	98.40%	1,611,078	9.27%
	19,108,607	100.00%	1,737,848	9.09%
	19,303,194	100.00%	1,798,362	9.32%
	19,452,347	99.92%	1,743,426	8.96%
	20,249,947	99.90%	1,691,138	8.34%
	20,421,239	97.71%	1,876,766	8.98%
	20,922,911	96.04%	1,916,121	8.80%

COUNTY OF KING GEORGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Lease Revenue Bonds	Bond Premium	State Literary Loans	Capital Leases
2003-04	\$ 1,770,000	\$ 7,175,000	\$ -	\$ 3,929,200	\$ 7,645,371
2004-05	1,495,000	39,141,000	444,067	3,634,400	15,073,052
2005-06	7,641,957	37,724,000	444,067	3,339,600	7,500,000
2006-07	7,108,853	46,249,000	429,265	3,044,800	7,730,141
2007-08	13,663,640	44,769,000	749,220	2,750,000	153,427
2008-09	12,830,612	60,901,118	898,779	2,500,000	76,713
2009-10	12,001,764	59,002,468	862,922	2,250,000	-
2010-11	10,505,973	57,409,871	823,227	2,000,000	-
2011-12	14,917,875	53,535,384	5,581,476	1,750,000	-
2012-13	14,322,865	51,485,174	5,341,867	1,500,000	-

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13.

Table 9

Business-Type Activities							
Virginia Water Facilities Loan	Revenue Bonds	Notes Payable	Total Primary Government	Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
\$ 766,457	\$ 20,495,986	\$ 948,165	\$ 42,730,179	\$ N/A	N/A	18,213	\$ 2,346
660,993	20,068,450	496,099	81,013,061	30,425	13.76%	19,355	4,186
551,269	19,627,374	725,198	77,553,465	31,338	11.99%	20,637	3,758
437,112	23,203,178	680,381	88,882,730	33,778	12.08%	21,780	4,081
318,343	22,569,525	635,564	85,608,719	33,778	11.41%	22,205	3,855
194,775	24,311,125	590,749	102,303,871	33,778	13.07%	23,170	4,415
66,215	25,260,320	545,932	99,989,621	33,690	12.42%	23,891	4,185
-	26,139,891	501,115	97,380,077	33,690	12.26%	23,584	4,129
-	25,992,952	456,298	102,233,985	33,690	13.01%	23,333	4,382
-	25,798,086	411,481	98,859,473	33,690	12.25%	23,945	4,129

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Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003-04	18,213	\$ 1,531,612,125	\$ 5,699,200	\$ -	\$ 5,699,200	0.37%	\$ 313
2004-05	19,355	1,590,070,189	5,129,400	1,090,604	4,038,796	0.25%	209
2005-06	20,637	2,201,826,217	10,981,557	1,095,309	9,886,248	0.45%	479
2006-07	21,780	2,941,002,174	10,153,653	1,113,229	9,040,424	0.31%	415
2007-08	22,205	3,074,677,546	16,413,640	1,135,777	15,277,863	0.50%	688
2008-09	23,170	3,133,234,239	15,330,612	1,154,693	14,175,919	0.45%	612
2009-10	23,891	2,959,203,992	14,251,764	1,150,043	13,101,721	0.44%	548
2010-11	23,584	3,036,965,841	12,505,973	1,149,880	11,356,093	0.37%	482
2011-12	23,333	3,048,023,457	16,667,875	1,149,880	15,517,995	0.51%	665
2012-13	23,945	3,072,503,484	15,822,865	1,149,880	14,672,985	0.48%	613

Sources:

- (1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13.
- (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5.
- (3) Includes all long-term general obligation bonded debt, Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences.

Computation of Direct and Overlapping Bonded Debt
At June 30, 2013

Direct: (1)

County of King George	\$	14,672,985	100%	\$	14,672,985
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The County of King George has no overlapping debt.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003-04	\$ 3,008,576	\$ 2,456,146	\$ 552,430	\$ 451,368	\$ 926,310	0.40
2004-05	2,692,011	2,637,057	54,954	894,483	1,030,308	0.03
2005-06	3,823,051	3,021,332	801,719	821,701	1,005,324	0.44
2006-07	4,416,131	3,539,727	876,404	613,170	1,065,683	0.52
2007-08	4,821,130	3,039,040	1,782,090	797,239	1,135,260	0.92
2008-09	4,254,480	2,841,873	1,412,607	743,001	1,167,279	0.74
2009-10	3,957,585	2,836,695	1,120,890	233,377	1,011,166	0.90
2010-11	3,953,488	2,674,520	1,278,968	120,985	1,164,087	1.00
2011-12	4,498,586	2,863,077	1,635,509	102,780	1,232,690	1.22
2012-13	4,610,074	2,865,144	1,744,930	150,707	1,158,505	1.33

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

Water and Sewer charges and other includes investment earnings. Operating expenses do not include interest expense or depreciation and amortization.

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Student Enrollment</u>
2003-04	18,213	2.20	\$ N/A	\$ N/A	3,356
2004-05	19,355	2.90	30,425	588,875,875	3,372
2005-06	20,637	2.80	31,338	646,722,306	3,825
2006-07	21,780	3.31	33,778	735,684,840	3,801
2007-08	22,205	5.30	33,778	750,040,490	3,982
2008-09	23,170	7.90	33,778	782,636,260	4,066
2009-10	23,891	8.30	33,690	804,887,790	4,129
2010-11	23,584	7.30	33,690	794,544,960	4,228
2011-12	23,333	6.90	33,690	786,088,770	4,176
2012-13	23,945	6.30	33,690	806,707,050	4,258

NA - Not available

Sources: www.fedstats.gov, Department of Education, Weldon Cooper Center for Public Service, VEC

Principal Employers
 Current Year and Nine Years Prior (1)

Employer	Fiscal Year 2013	
	Employees (2)	Rank
U.S. Department of Defense	1000 and over	1
King George County Public School Board	500 to 750	2
County of King George	250 to 499	3
Wal Mart	250 to 499	4
EG & G, Inc.	250 to 499	5
Northrop Grumman Corporation	250 to 499	6
Marconi Technology	249 and under	7
Integrated Microcomputer System, Lockheed Martin	249 and under	8
Solutions Development Corporation	249 and under	9
Southeastern Comp Consts Inc.	249 and under	10

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2013

(1) Information is unavailable for the year nine years prior.

(2) The VEC is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act.

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	27	31	30	29	29	29	29	29	29	29
Judicial administration	8	9	10	13	12	12	12	12	12	12
Public safety										
Sheriffs department	36	39	38	43	43	43	43	43	43	43
Fire & rescue	14	17	20	21	25	25	25	25	28	28
Animal control	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	3	5	9	9	9	9	9	11	11	11
Landfill	3	3	2	3	3	3	3	3	3	3
Engineering	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of social services	-	13	14	14	16	16	16	16	16	16
Culture and recreation										
Parks and recreation	7	8	4	4	4	4	4	4	4	4
Library	3	3	3	4	4	4	4	4	4	4
Community development										
Planning	9	9	10	11	11	11	11	11	11	11
Totals	<u>114</u>	<u>141</u>	<u>144</u>	<u>155</u>	<u>160</u>	<u>160</u>	<u>160</u>	<u>162</u>	<u>165</u>	<u>165</u>

Source: Individual county departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Sheriffs department:										
Physical arrests	2,129	1,410	908	892	652	601	856	1,313	1,382	1,474
Traffic violations	2,882	3,744	5,418	3,093	3,038	3,172	3,847	2,724	3,713	3,575
Civil papers	7,125	6,994	7,713	7,940	7,914	7,800	8,146	8,051	7,441	8,110
Fire and rescue:										
Number of calls answered	1,668	2,828	3,188	3,256	3,291	3,005	2,782	2,921	3,354	3,380
Building inspections:										
Permits issued	385	388	484	340	160	78	83	64	75	85
Animal control:										
Number of calls answered	776	636	452	488	705	636	974	1039	903	650
Public works										
General maintenance:										
Trucks/vehicles	12	12	12	3	3	3	3	3	4	4
Component Unit - School Board										
Education:										
School age population	3,400	3,524	3,830	3,791	3,882	3,997	4,029	4,075	4,072	4,083
Number of teachers	255	257	257	283	285	279	282	283	290	291
Local expenditures per pupil	7,178	7,084	7,529	7,823	9,281	8,585	8,438	7,465	8,604	8,835

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	1	1	1	1	1	1	1
Public safety										
Sheriff's department:										
Patrol units	28	29	29	29	31	36	36	32	30	31
Other vehicles	6	7	7	7	7	7	8	8	8	8
Building inspections:										
Vehicles	-	-	-	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	12	12	12	3	3	3	3	4	4	4
Landfill:										
Vehicles	1	1	1	2	2	2	2	2	1	4
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	5	5	5	6	6	6	6	6	5	5
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	10	10	10	6	6	6	6	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.63	159.63	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	5	6	6	6	6	6	6	6	5	5
Component Unit - School Board										
Education:										
Schools	7	8	8	8	8	10	10	17	17	15
School buses	62	64	67	58	65	71	74	60	64	77

Source: Individual county departments

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of King George, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of King George, Virginia's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 9, 2013

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 9, 2013

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Virginia Department of Housing and Community Development:			
Community development block grants /state's program and non-entitlement grants in Hawaii	14.228	53305-50790	\$ <u>466,102</u>
Total Department of Housing and Urban Development			\$ <u>466,102</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION:</u>			
<u>Pass through payments:</u>			
Virginia Board of Elections:			
Help america vote act requirements payments	90.401	72302-40030	\$ <u>1,895</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Interagency hazardous materials public sector training and planning grants	20.703	77501-52602	\$ <u>24,000</u>
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol impaired driving countermeasures incentive grants I	20.601	60507-52031	3,985
State and community highway safety	20.600	60507-53104	<u>2,766</u>
Total Department of Transportation			\$ <u>30,751</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Emergency management performance grants	97.042	77501-52741/52602	<u>30,820</u>
Total Department of Homeland Security			\$ <u>30,820</u>
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010112/0010113	\$ <u>201,536</u>
Total Department of Agriculture			\$ <u>201,536</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
Child care mandatory and matching funds of the child care and development fund	93.596	0760112/0760113	16,192
Foster care-title IV-E	93.658	1100112/1100113	\$ 110,055
Adoption assistance	93.659	1120112/1120113	44,925
Promoting safe and stable families	93.556	0950112/0950113	15,566
Temporary assistance for needy families	93.558	0400112/0400113	126,370
Refugee and entrant assistance - state administered programs	93.566	0500112/0500113	1,720
Low-income home energy assistance	93.568	0600412/0600413	9,880
Social services block grant	93.667	1000112/1000113	74,831
Stephanie Tubbs Jones child welfare services program	93.645	0900112/0900113	582
Chafee foster care independence program	93.674	9150112/9150113	2,324
Children's health insurance program	93.767	0540112/0540113	5,102
Medical assistance program	93.778	1200112/1200113	<u>121,552</u>
Total Department of Health and Human Services			\$ <u>529,099</u>
Total Primary Government			\$ <u>1,260,203</u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2013 (Continued)

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	10.555/2012 2013IN109941	\$ 92,425
Department of Education:			
School lunch program	10.555	10.555/2012 2013IN109941	482,223
Total 10.555			\$ <u>574,648</u>
National school breakfast program	10.553	10.553/2012 2013IN109941	\$ <u>134,544</u>
Total Department of Agriculture			\$ <u>709,192</u>
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ <u>88,351</u>
Total Department of Defense			\$ <u>88,351</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct payments:</u>			
Impact aid - facilities maintenance	84.041	N/A	\$ 102,225
State longitudinal data systems	84.384	N/A	3,950
Grants for enhanced assessment instruments	84.368	N/A	<u>4,970</u>
Total Direct Payments			\$ <u>111,145</u>
<u>Pass through payments:</u>			
Department of Education:			
Title I, Part A Cluster:			
Title I grants to local educational agencies	84.010	S011A100046/ S012A100046	\$ 336,558
Special Education Cluster (IDEA):			
Special education - grants to states	84.027	H027A110107/ H027A120107/	815,816
Special education - preschool grants	84.173	H173A110112	7,864
Total Special Education Cluster (IDEA)			\$ <u>823,680</u>
ARRA - school improvement grants	84.388	S388A090047	\$ 299,974
Improving teacher quality state grants	84.367	S367A120044/ S367A110044	44,178
Career and technical education - basic grants to states	84.048	V048A110046/ V048A120046	43,139
Total Department of Education			\$ <u>1,658,674</u>
Total Component Unit School Board			\$ <u>2,456,217</u>
Total Expenditures of Federal Awards			\$ <u>3,716,420</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF KING GEORGE, VIRGINIA

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Distribution

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund	\$	794,101
Capital Projects Fund		<u>669,358</u>
Total primary government	\$	<u>1,463,459</u>
Component Unit School Board:		
School Operating Fund	\$	1,747,025
School Cafeteria Fund		<u>709,192</u>
Total component unit school board	\$	<u>2,456,217</u>
Total federal expenditures per basic financial statements	\$	<u>3,919,676</u>
Less federal interest subsidy		<u>(203,256)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>3,716,420</u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major .510 programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community development block grants/state's program and non-entitlement grants in Hawaii
84.027/84.173	Special education cluster
84.388	ARRA - school improvement grants

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Audit Findings

There were no prior year audit findings.