



# County of King George, Virginia



## **Comprehensive Annual Financial Report**

### **Fiscal Year June 30, 2012**



# **COUNTY OF KING GEORGE, VIRGINIA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2012**

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**PREPARED BY:**

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Donita Harper, Deputy County Administrator/Finance Director



# COUNTY OF KING GEORGE, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2012

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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](http://www.king-george.va.us)

December 10, 2012

**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, 2012 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, 2012, 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, 2012 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 20<sup>th</sup> 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**

**New High School Stadium:** The County expended more than \$45 million for the construction of a new High School which holds 1,700 students. We are currently near completion of constructing a sports stadium adjacent to the new high school with an estimated cost of almost \$3.6 million. It will provide use for a variety of sports programs for both schools and recreation programs.

**Smoot Library Expansion:** The existing library is in the initial stage of a more than \$5 million expansion and renovation. 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. It is expected to be completed by early 2013.

## **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 sole 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 that purchased the former Mid-Atlantic Precast facility. Unfortunately, due to the economy and its major impact on construction, Mid Atlantic Precast was forced to shut down and cease operations in early 2012. The building and equipment and machinery went to auction in July 2012. 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 2012 provided information to over 20 potential prospects and site consultants, all looking at potentially expanding or relocating to the Mid-Atlantic area.

To better market the county, the economic development staff created a new marketing logo and revamped the economic development webpage to make it more user-friendly and to provide timely and pertinent information to potential prospects and businesses.

**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 2013 and would take approximately 18 months to complete. In late Fall 2012, Columbia Gas began pre engineering and design work for the construction of this natural gas line

**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 new, 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 late 2013.

**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.

**Government Center:** The construction of a new Sheriff's office, which houses the E-911 dispatch center, was completed June 2012. The remaining facilities; human services building (which will house the department of social services, the Virginia co-operative extension office and the health department) are currently in the discussion phases. Other alternatives are also being considered to address these funding needs.

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. Improvements are expected to begin in fiscal year 2013 to renovate the existing building and construct site improvements.

**Sealston Park Expansion:** This project will cost approximately \$500,000 and includes the expansion of one playing field, installation of sports lighting, construction of a concession building with restrooms and a picnic pavilion.

## **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, 2011. 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*



*Donita M. Harper, CPA*  
*Deputy County Administrator/Finance Director*

# 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, 2011

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



*Linda C. Sandison*

President

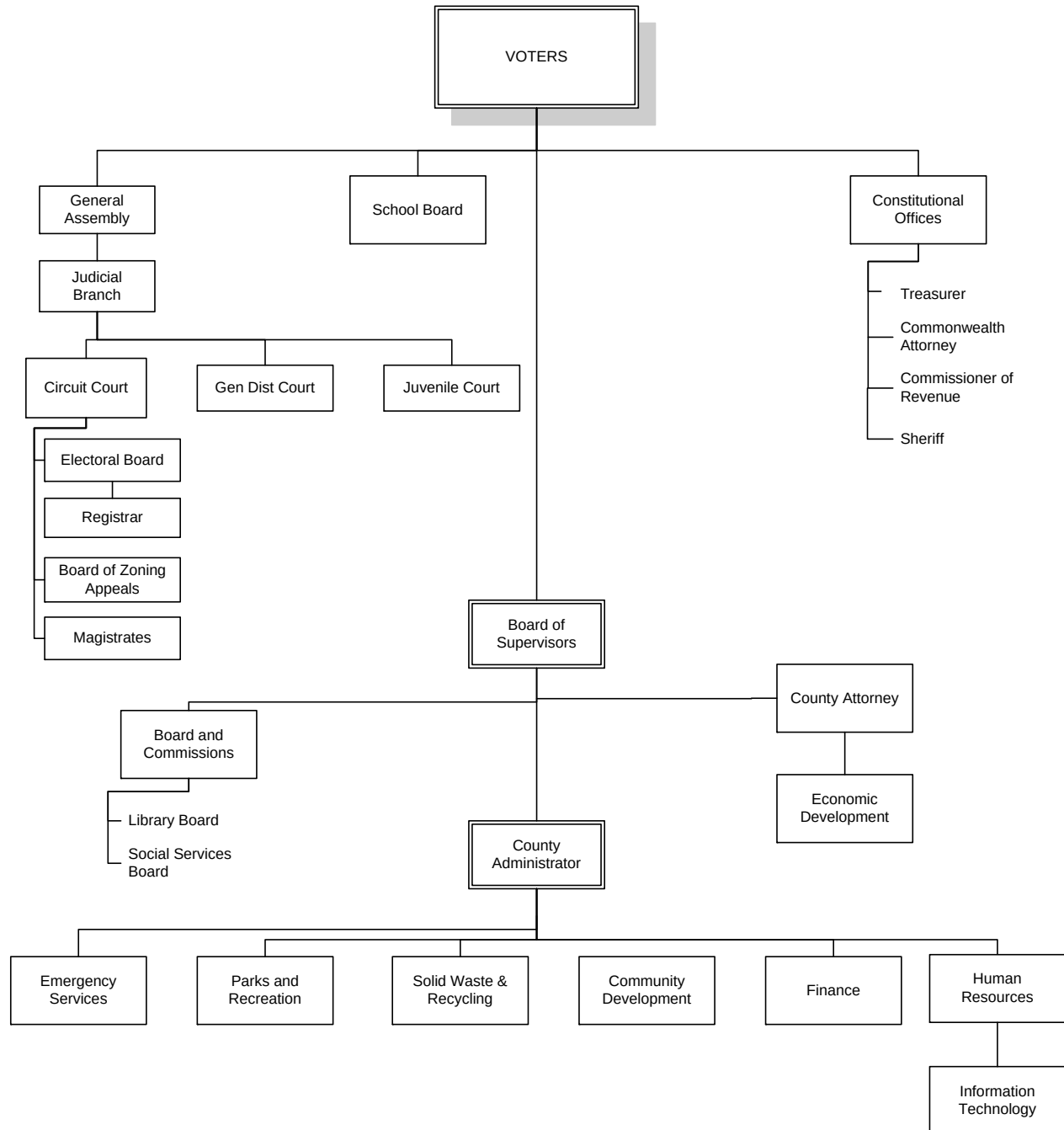
*Jeffrey R. Emer*

Executive Director

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## KING GEORGE COUNTY ORGANIZATIONAL CHART



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## COUNTY OF KING GEORGE, VIRGINIA

June 30, 2012

### **Board of Supervisors**

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

### **County School Board**

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

### **Board of Social Services**

Thelma Johnson-Gillison, Chairman  
Helene Kelly, Vice-Chairman  
Cedell Brooks, Jr.  
Renee Jenkins  
Melvin Tahir

### **Smoot Memorial Library Board of Trustees**

Tina Sisson, Chairman  
Robert Gates, Vice-Chairman

Evelyn Durling  
Cindy Sexton  
Michael Gallier, Finance Officer  
Linda Kramer

Amy Robie  
Cheryl Stewart  
Christine Steppe

### **Other Officials**

|                                                                     |                                           |
|---------------------------------------------------------------------|-------------------------------------------|
| County Attorney .....                                               | Matthew J. Britton                        |
| Judge of the Circuit Court .....                                    | Gordon F. Willis                          |
| Clerk of the Circuit Court .....                                    | Charles V. Mason                          |
| Commonwealth Attorney .....                                         | Matthew J. Britton                        |
| Commissioner of the Revenue .....                                   | Jo Ann Ando                               |
| Treasurer .....                                                     | Alice L. Moore                            |
| Judge of the General District Court .....                           | Frank Benser                              |
| 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.....                                      | Mr. Stanley Jones, Interim Superintendent |
| 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 Board of Supervisors County of King George King George, Virginia**

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, 2012, which collectively comprise the County of King George, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King George, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and 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 management's discussion and analysis and schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 10, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **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, 2012. 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 of the governmental activities of the County exceeded its liabilities at the close of fiscal year 2012 by \$58.1 million (net assets). This represents a increase of \$1.4 million compared to the prior fiscal year.
- Of the total net assets \$3.6 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$52.8 million, a decrease of (\$2.6) million in comparison with the prior year.
- Approximately thirty-three percent (33%) of this total amount or \$17.7 million is General Fund unassigned fund balance and available for spending at the County's discretion.
- The County's net debt increased by \$1.9 million during the current fiscal year. There was one refunding during the year which combined with scheduled debt payments led to the (\$3.7) million decrease in net debt. There was one new bond issue in the amount of \$5 million for Potomac Elementary School renovation project in the form of Qualified School Construction Bonds (QSCBS).

### **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 Assets - Presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Refer to Exhibit 1 for Statement of Net Assets.
  2. Statement of Activities - Presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event 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 assets may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets exceeded liabilities by \$58.1 million at the close of fiscal year 2012.

The County's net investment in capital assets such as land, buildings and equipment totals \$16.8 million at June 30, 2012, an increase of \$2.1 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 Assets, Liabilities and Net Assets  
Governmental and Business-Type Activities  
For the Years Ended June 30, 2012 and 2011**

|                                                 | <b>Governmental<br/>Activities</b> |                       | <b>Business-type<br/>Activities</b> |                      | <b>Totals</b>         |                       |
|-------------------------------------------------|------------------------------------|-----------------------|-------------------------------------|----------------------|-----------------------|-----------------------|
|                                                 | <b>2012</b>                        | <b>2011</b>           | <b>2012</b>                         | <b>2011</b>          | <b>2012</b>           | <b>2011</b>           |
| Current and other assets                        | \$ 65,410,017                      | \$ 68,379,669         | \$ 4,781,255                        | \$ 6,023,190         | \$ 70,191,272         | \$ 74,402,859         |
| Capital assets                                  | <u>77,453,789</u>                  | <u>71,493,303</u>     | <u>36,203,568</u>                   | <u>36,045,730</u>    | <u>113,657,357</u>    | <u>107,539,033</u>    |
| Total assets                                    | <u>\$ 142,863,806</u>              | <u>\$ 139,872,972</u> | <u>\$ 40,984,823</u>                | <u>\$ 42,068,920</u> | <u>\$ 183,848,629</u> | <u>\$ 181,941,892</u> |
| Long-term liabilities outstanding               | \$ 69,820,180                      | \$ 68,252,493         | \$ 24,751,346                       | \$ 24,903,492        | \$ 94,571,526         | \$ 93,155,985         |
| Current liabilities                             | <u>14,938,712</u>                  | <u>14,924,086</u>     | <u>1,167,739</u>                    | <u>1,535,030</u>     | <u>16,106,451</u>     | <u>16,459,116</u>     |
| Total liabilities                               | <u>\$ 84,758,892</u>               | <u>\$ 83,176,579</u>  | <u>\$ 25,919,085</u>                | <u>\$ 26,438,522</u> | <u>\$ 110,677,977</u> | <u>\$ 109,615,101</u> |
| Net assets:                                     |                                    |                       |                                     |                      |                       |                       |
| Invested in capital assets, net of related debt | \$ 16,779,466                      | \$ 14,637,383         | \$ 12,899,785                       | \$ 12,286,312        | \$ 29,679,251         | \$ 26,923,695         |
| Restricted                                      | 3,565,698                          | 3,789,880             | -                                   | -                    | 3,565,698             | 3,789,880             |
| Unrestricted                                    | <u>37,759,750</u>                  | <u>38,269,130</u>     | <u>2,165,953</u>                    | <u>3,344,086</u>     | <u>39,925,703</u>     | <u>41,613,216</u>     |
| Total net assets                                | <u>\$ 58,104,914</u>               | <u>\$ 56,696,393</u>  | <u>\$ 15,065,738</u>                | <u>\$ 15,630,398</u> | <u>\$ 73,170,652</u>  | <u>\$ 72,326,791</u>  |

Restricted net assets represent 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 assets amounts to \$3.6 million or six percent (6%) of total net assets.

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

Governmental and business-type activities reflect changes in net assets of increase of \$1.4 million and decrease of (\$564,660) respectively.

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

**County of King George, Virginia**  
**Changes in Net Assets**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2012 and 2011**

|                                         | <b>Governmental Activities</b> |                | <b>Business-type Activities</b> |                | <b>Totals</b> |                |
|-----------------------------------------|--------------------------------|----------------|---------------------------------|----------------|---------------|----------------|
|                                         | <b>2012</b>                    | <b>2011</b>    | <b>2012</b>                     | <b>2011</b>    | <b>2012</b>   | <b>2011</b>    |
| Revenues:                               |                                |                |                                 |                |               |                |
| Program revenues:                       |                                |                |                                 |                |               |                |
| Charges for services                    | \$ 7,839,392                   | \$ 7,695,012   | \$ 4,212,976                    | \$ 3,695,446   | \$ 12,052,368 | \$ 11,390,458  |
| Operating grants and contributions      | 4,632,851                      | 4,175,164      | -                               | -              | 4,632,851     | 4,175,164      |
| Capital grants and contributions        | 138,945                        | -              | -                               | -              | 138,945       | -              |
| General revenues:                       |                                |                |                                 |                |               |                |
| General property taxes                  | 18,864,987                     | 18,576,128     | -                               | -              | 18,864,987    | 18,576,128     |
| Other local taxes                       | 5,953,088                      | 5,420,801      | -                               | -              | 5,953,088     | 5,420,801      |
| Use of money and property               | 406,925                        | 469,926        | 2,305                           | 4,068          | 409,230       | 473,994        |
| CVA non-categorical aid                 | 2,676,883                      | 2,682,408      | -                               | -              | 2,676,883     | 2,682,408      |
| Other general revenues                  | 321,788                        | 202,740        | 283,305                         | 253,974        | 605,093       | 456,714        |
| Total revenues                          | \$ 40,834,859                  | \$ 39,222,179  | \$ 4,498,586                    | \$ 3,953,488   | \$ 45,333,445 | \$ 43,175,667  |
| Expenses:                               |                                |                |                                 |                |               |                |
| General government administration       | \$ 2,608,379                   | \$ 2,588,510   | \$ -                            | \$ -           | \$ 2,608,379  | \$ 2,588,510   |
| Judicial administration                 | 1,052,619                      | 1,031,293      | -                               | -              | 1,052,619     | 1,031,293      |
| Public safety                           | 8,534,911                      | 8,013,107      | -                               | -              | 8,534,911     | 8,013,107      |
| Public works                            | 1,550,883                      | 1,348,751      | -                               | -              | 1,550,883     | 1,348,751      |
| Health and welfare                      | 4,731,360                      | 4,138,279      | -                               | -              | 4,731,360     | 4,138,279      |
| Education                               | 14,860,879                     | 16,939,617     | -                               | -              | 14,860,879    | 16,939,617     |
| Parks, recreation, and cultural         | 1,225,450                      | 1,254,355      | -                               | -              | 1,225,450     | 1,254,355      |
| Community development                   | 1,731,600                      | 1,282,707      | -                               | -              | 1,731,600     | 1,282,707      |
| Interest and other fiscal charges       | 2,957,662                      | 3,431,545      | -                               | -              | 2,957,662     | 3,431,545      |
| Water and sewer                         | -                              | -              | 5,235,841                       | 4,964,308      | 5,235,841     | 4,964,308      |
| Total expenses                          | \$ 39,253,743                  | \$ 40,028,164  | \$ 5,235,841                    | \$ 4,964,308   | \$ 44,489,584 | \$ 44,992,472  |
| Increase in net assets before transfers | \$ 1,581,116                   | \$ (805,985)   | \$ (737,255)                    | \$ (1,010,820) | \$ 843,861    | \$ (1,816,805) |
| Transfers                               | (172,595)                      | (328,214)      | 172,595                         | 328,214        | -             | -              |
| Increase in net assets                  | \$ 1,408,521                   | \$ (1,134,199) | \$ (564,660)                    | \$ (682,606)   | \$ 843,861    | \$ (1,816,805) |
| Net assets, July 1, 2011                | 56,696,393                     | 57,830,592     | 15,630,398                      | 16,313,004     | 72,326,791    | 74,143,596     |
| Net assets, June 30, 2012               | \$ 58,104,914                  | \$ 56,696,393  | \$ 15,065,738                   | \$ 15,630,398  | \$ 73,170,652 | \$ 72,326,791  |

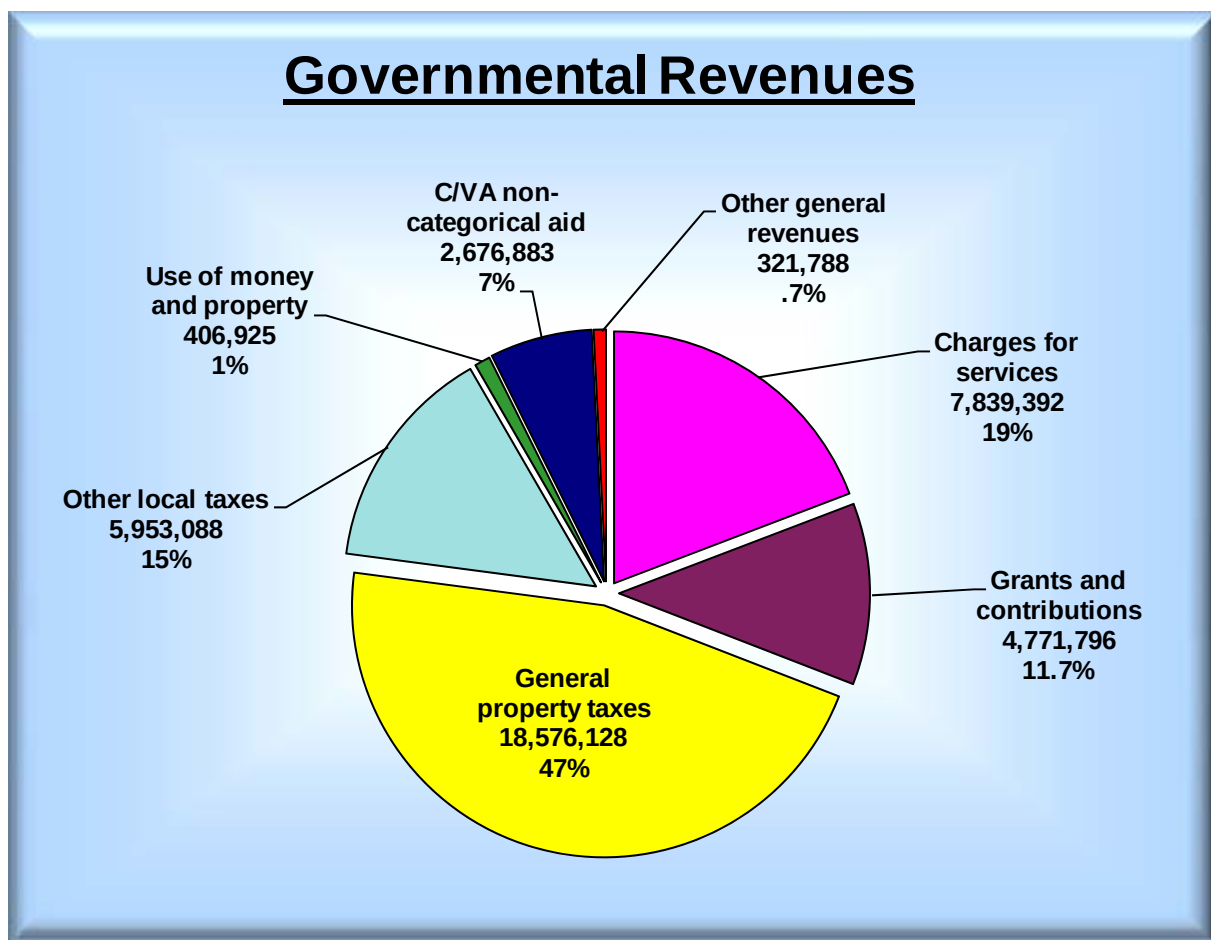
## **Government-wide Financial Analysis: (Continued)**

Governmental Activities – Program and general revenues for governmental activities totaled \$40.8 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$18.9 million
- Charges for services totaled \$7.8 million (This includes \$6.8 million of landfill revenues)
- Other local taxes totaled \$5.9 million.
- Operating grants and contributions totaled \$4.6 million

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

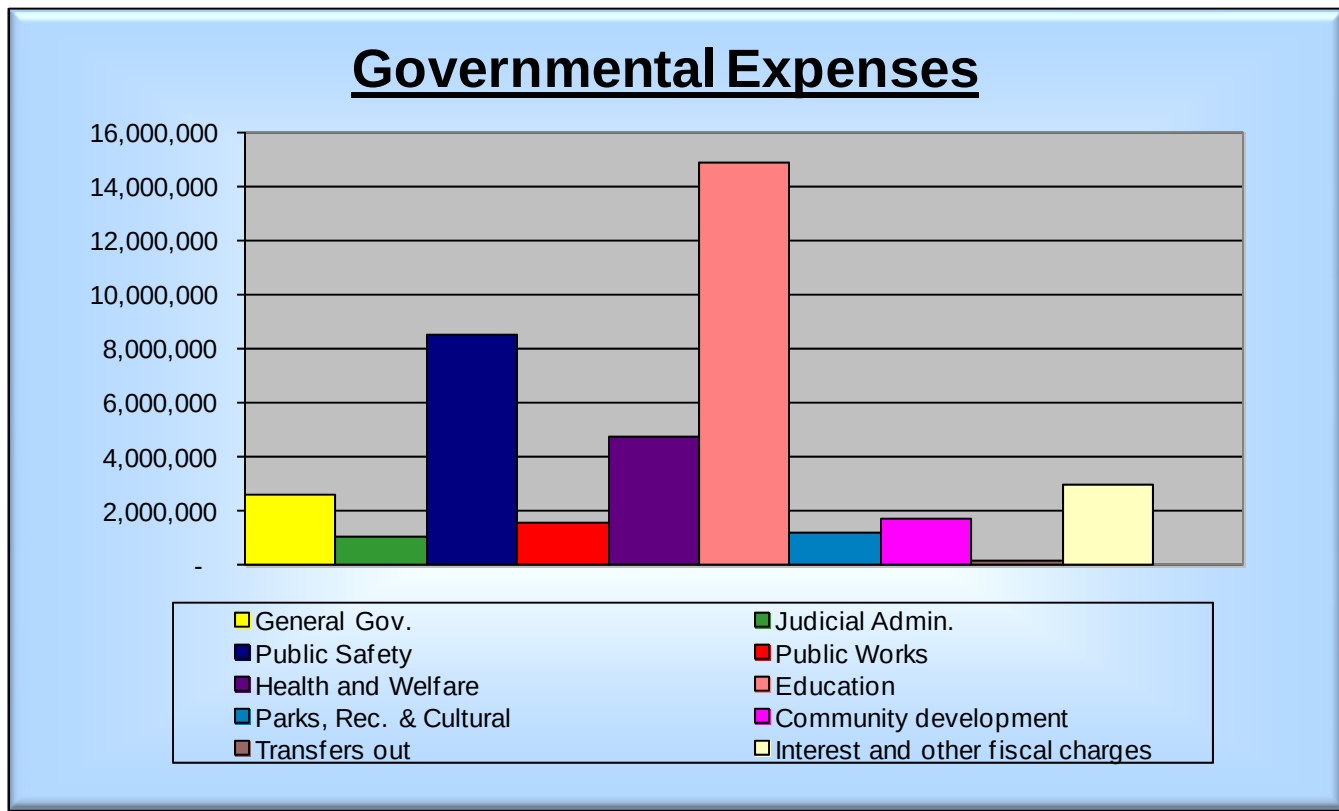


## Government-wide Financial Analysis: (Continued)

Expenses for governmental activities totaled \$39.2 million for the fiscal year. Major categories were as follows:

- Education totaled \$14.9 million
- Public Safety totaled \$8.5 million
- Health and Welfare totaled \$4.7 million
- Interest/Other Charges totaled \$2.9 million

The graph below denotes expenses by major categories.



### ***Significant changes noted in revenues and expenditures were:***

- General property taxes increased \$288,859 compared to prior year; this increase is due to the opening of new businesses and an increase in real estate rates.
- Other local taxes increased by \$532,287. This is a result of sales taxes from new businesses, with the largest being Wal-Mart.
- Operating grants increased by \$457,687 which mainly due to various public safety state and federal grant monies received.
- Educational expenditures decreased by (\$2.1) million; amount transferred from the County was reduced based on ADM and reductions made for Schools operating budget.

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

- Public Safety expenses increased by \$521,804 mainly due to grants received and increase in charges from the Rappahannock Regional Jail.
- Health and Welfare increased by \$593,081 due to an increase in Comprehensive Services Act costs.
- Community Development expenses increased by \$448,893 due to transfer of \$177,000 to the Economic Development Authority to assist with debt payments, filling of vacant positions and the purchase of a new vehicle and GIS hardware.

**Business-type activities** - Business-type activities net assets decreased by \$(564,660) during the current year.

Major reasons are as follows:

- Operating revenues increased by \$546,861 during the year. This is mainly the result of new businesses opening up in the County and an increase in usage rates.
- Operating expenses increased slightly during the year by \$202,930. This is basically an increase in operating costs, repairs and filling vacant positions.
- Non-operating revenues (expenses) increased by (\$70,366) as a result of restructuring of debt.
- The County transferred \$172,595 to the business-type activities fund to assist in funding operating expenditures as a capital contribution. This amount will be eliminated in fiscal year 2013. The intent is to provide funding on an as needed basis in the future and ensure the Service Authority becomes self sufficient.

## **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 \$52.8 million, a decrease of (\$2.6) in comparison with the prior year. Approximately thirty-three percent (33%) of this amount (\$17.7 million) constitutes unassigned fund balance which is all in the General fund. These funds are available for spending at the County's discretion. In accordance with the newly implemented GASB 54, there are no other unassigned funds available.

The remainder of fund balance is non-spendable (\$700,000), restricted by an outside source (\$13.6 million), committed (\$6.2 million) and not available for spending and assigned (\$14.5 million) for specific projects. See Note 1 – R 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 \$17.7 million, while the total fund balance was \$24.5 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-five percent (45%) of total general fund expenditures, while total general fund balance represents sixty-four percent (64%) 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 (\$810,020) during the current fiscal year. The final amended budget included use of General Fund Balance in the amount of \$2.9 million, however only \$810,020 was used. Some factors which are significant contributors to a lesser amount needed are as follows:

- General property taxes were \$641,014 more than budgeted due to a \$0.03 (3 cents) real estate rate increase and a several new businesses opening during the year. In addition, we utilize a conservative budget forecast based on the economy and unforeseen collections issues.
- Sales and Use taxes and Meal taxes ended in excess of budgeted by \$565,760 and \$110,555 respectively as a result of new business and restaurants.
- State and Federal revenues combined came in (\$545,314) less than budgeted.
- Total General Fund budget was under spent by \$1.6 million of which \$404,211 was related to educational costs.
- 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 \$27.2 million of which forty-five percent (45%) or \$12.2 million is restricted for future capital projects. Of the remaining fund balance \$4.8 million is committed and \$10.2 million is assigned. See Note 1-R for details. The fund balance of the County's capital projects fund decreased by (\$1.8) million during the current fiscal year. Some major factors are as follows:

- Completion of a new Sheriff's Office, construction of a new high school stadium and ongoing construction on a Library expansion project totaled \$8.3 million in capital spending.
- An additional \$2.1 million was spent on miscellaneous capital projects.
- Additional bonds were issued in the amount of \$5 million for Potomac Elementary School renovations. This was received as part of Qualified School Construction Bonds (QSCB). Proceeds are reflected within the Capital Projects Fund. Also a refunding was done at a premium of \$5.1 million.
- Landfill fees collected in fiscal year 2012 totaling \$6.8 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 \$843,215, of which \$700,000 is non-spendable and \$143,215 is committed for library operations. The fund balance of the County's permanent fund increased by \$30,750 during the current fiscal year.

**Wireless Authority Fund:** The Wireless Authority project fund balance was \$225,760 at the end of the current fiscal year. This is an decrease of \$23,048.

**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 \$2.2 million or a six percent (6%) increase in appropriations. Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$586,853 based on an increase in expenditures.
- Various public safety grants and additional state and federal funding totaling \$657,480.
- County's contribution to the School Board increased by \$537,103 based on supplement budget shortfalls projected in the amount of \$150,000 and prior year encumbrances carried over in the amount of \$387,103.
- 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 more than the amended budget by \$499,720, reference Exhibit 10.

Actual expenditures were (\$1.6) million 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 \$252,213. In addition, debt payments were \$123,837 less than budgeted due to refunding.
- Public safety also had a favorable expenditure variance of \$592,529 of which the majority was due to unspent grant funds, vacancies and efficiencies in spending.
- King George Public Schools returned \$404,221 to the General Fund.

## **Capital Asset and Debt Administration**

**Capital assets** - The County's investment in capital assets for its governmental activities as of June 30, 2012 totaled \$77.5 million (net of accumulated depreciation). Governmental capital assets increased a total of \$6 million. For the same period, business-type activities increased by 157,838. Major highlights of governmental capital assets include:

The County completed construction of the new Sherriff's building and a new high school stadium. A Library Expansion is in process. The County has expended more than \$8 million and is expected to complete the Library in early 2013.

**Business Type Capital Assets** - The Authority's investment in capital assets as of June 30, 2012 totals \$36.2 million (net of accumulated depreciation). Investment in capital assets increased \$157,838. This is due to multiple projects now in progress.

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 \$25 million.

### **Capital Asset and Debt Administration: (Continued)**

Of the County's debt, \$14.9 million comprises debt backed by the full faith and credit of the County and \$53.5 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations increased during the current fiscal year by a net of \$1.9 million. There was one refunding during the year and debt was reduced by a net amount of (\$3.7) million. The County also received Qualified School Construction Bonds in the amount of \$5 million for the renovation of Potomac Elementary School.

The King George Service Authority decreased its long-term obligations by \$101,931 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 2012.

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 6.9% at June 30, 2012. The local unemployment rate compares favorably to the June 30, 2012 national rate of 8.4%. 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 10,055 in 2012. 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, 2012 totaled \$33.6, million which is \$1.4 million increase over the prior year. Revenue from the general property taxes increased as the result of a rate increase and increases in sales taxes due to new businesses accounts for the majority of this increase.

### **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 Assets  
At June 30, 2012

|                                                    | Primary Government         |                                 |                | Component<br>Unit<br>School Board |
|----------------------------------------------------|----------------------------|---------------------------------|----------------|-----------------------------------|
|                                                    | Governmental<br>Activities | Business-<br>Type<br>Activities | Total          |                                   |
| ASSETS                                             |                            |                                 |                |                                   |
| Current Assets                                     |                            |                                 |                |                                   |
| Cash and cash equivalents                          | \$ 47,253,175              | \$ 2,701,689                    | \$ 49,954,864  | \$ 172,622                        |
| Receivables (net of allowance for uncollectibles): |                            |                                 |                |                                   |
| Property taxes                                     | 8,263,066                  | -                               | 8,263,066      | -                                 |
| Accounts receivable                                | 2,040,593                  | 723,466                         | 2,764,059      | -                                 |
| Notes receivable                                   | 456,298                    | -                               | 456,298        | -                                 |
| Due from other governments                         | 3,358,257                  | -                               | 3,358,257      | 1,907,280                         |
| Restricted cash                                    | 3,586,302                  | 874,486                         | 4,460,788      | -                                 |
| Due from primary government                        | -                          | -                               | -              | 2,002,716                         |
| Total Current Assets                               | \$ 64,957,691              | \$ 4,299,641                    | \$ 69,257,332  | \$ 4,082,618                      |
| Noncurrent Assets:                                 |                            |                                 |                |                                   |
| Capital assets (net of accumulated depreciation):  |                            |                                 |                |                                   |
| Land                                               | \$ 6,050,806               | \$ 2,262,354                    | \$ 8,313,160   | \$ 173,134                        |
| Infrastructure                                     | -                          | 33,566,640                      | 33,566,640     | -                                 |
| Buildings                                          | 7,557,334                  | -                               | 7,557,334      | 14,878,224                        |
| Equipment                                          | 3,214,606                  | 161,049                         | 3,375,655      | 1,847,140                         |
| Jointly owned assets                               | 38,089,457                 | -                               | 38,089,457     | 10,428,233                        |
| Construction in progress                           | 22,541,586                 | 213,525                         | 22,755,111     | -                                 |
| Total capital assets                               | \$ 77,453,789              | \$ 36,203,568                   | \$ 113,657,357 | \$ 27,326,731                     |
| Other assets                                       | 452,326                    | 481,614                         | 933,940        | -                                 |
| Total Noncurrent Assets                            | \$ 77,906,115              | \$ 36,685,182                   | \$ 114,591,297 | \$ 27,326,731                     |
| Total Assets                                       | \$ 142,863,806             | \$ 40,984,823                   | \$ 183,848,629 | \$ 31,409,349                     |
| LIABILITIES                                        |                            |                                 |                |                                   |
| Current Liabilities                                |                            |                                 |                |                                   |
| Accounts payable                                   | \$ 2,254,504               | \$ 113,042                      | \$ 2,367,546   | \$ 236,470                        |
| Accrued liabilities                                | -                          | -                               | -              | 3,734,689                         |
| Due to component unit - School Board               | 2,002,716                  | -                               | 2,002,716      | -                                 |
| Unearned revenue                                   | 6,835,136                  | 508,423                         | 7,343,559      | -                                 |
| Accrued interest payable                           | 638,978                    | 293,791                         | 932,769        | -                                 |
| Current portion of long-term obligations           | 3,207,378                  | 252,483                         | 3,459,861      | 66,285                            |
| Total Current Liabilities                          | \$ 14,938,712              | \$ 1,167,739                    | \$ 16,106,451  | \$ 4,037,444                      |
| Noncurrent Liabilities                             |                            |                                 |                |                                   |
| Noncurrent portion of long-term obligations        | 69,820,180                 | 24,751,346                      | 94,571,526     | 600,030                           |
| Total Liabilities                                  | \$ 84,758,892              | \$ 25,919,085                   | \$ 110,677,977 | \$ 4,637,474                      |
| NET ASSETS                                         |                            |                                 |                |                                   |
| Invested in capital assets, net of related debt    | \$ 16,779,466              | \$ 12,899,785                   | \$ 29,679,251  | \$ 27,263,044                     |
| Restricted:                                        |                            |                                 |                |                                   |
| Debt service                                       | 1,129,276                  | -                               | 1,129,276      | -                                 |
| Smoot library:                                     |                            |                                 |                |                                   |
| Nonexpendable                                      | 700,000                    | -                               | 700,000        | -                                 |
| Natatorium                                         | 1,736,422                  | -                               | 1,736,422      | -                                 |
| Unrestricted assets                                | 37,759,750                 | 2,165,953                       | 39,925,703     | (491,169)                         |
| Total Net Assets                                   | \$ 58,104,914              | \$ 15,065,738                   | \$ 73,170,652  | \$ 26,771,875                     |
| Total Liabilities and Net Assets                   | \$ 142,863,806             | \$ 40,984,823                   | \$ 183,848,629 | \$ 31,409,349                     |

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, 2012

| Functions/Programs                                           | Expenses      | Program Revenues     |                                    |                                  |
|--------------------------------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
|                                                              |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT:                                          |               |                      |                                    |                                  |
| Governmental activities:                                     |               |                      |                                    |                                  |
| General government administration                            | \$ 2,608,379  | \$ -                 | \$ 228,914                         | \$ -                             |
| Judicial administration                                      | 1,052,619     | 218,487              | 459,857                            | -                                |
| Public safety                                                | 8,534,911     | 51,371               | 1,158,848                          | -                                |
| Public works                                                 | 1,550,883     | 7,108,725            | -                                  | -                                |
| Health and welfare                                           | 4,731,360     | -                    | 2,576,554                          | -                                |
| Education                                                    | 14,860,879    | -                    | 97,986                             | -                                |
| Parks, recreation, and cultural                              | 1,225,450     | 387,063              | 110,692                            | -                                |
| Community development                                        | 1,731,600     | 73,746               | -                                  | 138,945                          |
| Interest on long-term debt                                   | 2,957,662     | -                    | -                                  | -                                |
| Total governmental activities                                | \$ 39,253,743 | \$ 7,839,392         | \$ 4,632,851                       | \$ 138,945                       |
| Business-type activities:                                    |               |                      |                                    |                                  |
| Water and sewer                                              | \$ 5,235,841  | \$ 4,212,976         | \$ -                               | \$ -                             |
| Total primary government                                     | \$ 44,489,584 | \$ 12,052,368        | \$ 4,632,851                       | \$ 138,945                       |
| COMPONENT UNIT:                                              |               |                      |                                    |                                  |
| School Board                                                 | \$ 36,278,596 | \$ 660,448           | \$ 22,138,332                      | \$ 323,049                       |
| 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 assets                                         |               |                      |                                    |                                  |
| Net assets - beginning                                       |               |                      |                                    |                                  |
| Net assets - ending                                          |               |                      |                                    |                                  |

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

| Net (Expense) Revenue and Changes in Net Assets |                          |                 |                 |
|-------------------------------------------------|--------------------------|-----------------|-----------------|
| Primary Government                              |                          |                 | Component Unit  |
| Governmental Activities                         | Business Type Activities | Total           |                 |
| \$ (2,379,465)                                  | \$ -                     | \$ (2,379,465)  | \$ -            |
| (374,275)                                       | -                        | (374,275)       | -               |
| (7,324,692)                                     | -                        | (7,324,692)     | -               |
| 5,557,842                                       | -                        | 5,557,842       | -               |
| (2,154,806)                                     | -                        | (2,154,806)     | -               |
| (14,762,893)                                    | -                        | (14,762,893)    | -               |
| (727,695)                                       | -                        | (727,695)       | -               |
| (1,518,909)                                     | -                        | (1,518,909)     | -               |
| (2,957,662)                                     | -                        | (2,957,662)     | -               |
| \$ (26,642,555)                                 | \$ -                     | \$ (26,642,555) | \$ -            |
| \$ -                                            | \$ (1,022,865)           | \$ (1,022,865)  | \$ -            |
| \$ -                                            | \$ (1,022,865)           | \$ (27,665,420) | \$ -            |
| \$ -                                            | \$ -                     | \$ -            | \$ (13,156,767) |
| 18,864,987                                      | -                        | 18,864,987      | -               |
| 1,909,760                                       | -                        | 1,909,760       | -               |
| 226,865                                         | -                        | 226,865         | -               |
| 1,195,950                                       | -                        | 1,195,950       | -               |
| 520,137                                         | -                        | 520,137         | -               |
| 232,533                                         | -                        | 232,533         | -               |
| 878,555                                         | -                        | 878,555         | -               |
| 660,964                                         | -                        | 660,964         | -               |
| 328,324                                         | -                        | 328,324         | -               |
| 2,676,883                                       | -                        | 2,676,883       | -               |
| 406,925                                         | 2,305                    | 409,230         | 11,070          |
| -                                               | -                        | -               | 13,696,905      |
| 321,788                                         | 283,305                  | 605,093         | 202,115         |
| (172,595)                                       | 172,595                  | -               | -               |
| \$ 28,051,076                                   | \$ 458,205               | \$ 28,509,281   | \$ 13,910,090   |
| \$ 1,408,521                                    | \$ (564,660)             | \$ 843,861      | \$ 753,323      |
| 56,696,393                                      | 15,630,398               | 72,326,791      | 26,018,552      |
| \$ 58,104,914                                   | \$ 15,065,738            | \$ 73,170,652   | \$ 26,771,875   |

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2012

|                                                    | Governmental Funds |                  |                |                         |                          |
|----------------------------------------------------|--------------------|------------------|----------------|-------------------------|--------------------------|
|                                                    | General            | Capital Projects | Permanent Fund | Wireless Authority Fund | Total Governmental Funds |
| ASSETS                                             |                    |                  |                |                         |                          |
| Cash and cash equivalents                          | \$ 22,888,877      | \$ 23,989,349    | \$ 143,215     | \$ 231,734              | \$ 47,253,175            |
| Receivables (Net of allowance for uncollectibles): |                    |                  |                |                         |                          |
| Taxes, including penalties                         | 8,263,066          | -                | -              | -                       | 8,263,066                |
| Accounts                                           | 201,052            | 1,839,541        | -              | -                       | 2,040,593                |
| Note receivable                                    | 456,298            | -                | -              | -                       | 456,298                  |
| Restricted cash                                    | 1,149,880          | 1,736,422        | 700,000        | -                       | 3,586,302                |
| Due from other governmental units                  | 2,358,257          | 1,000,000        | -              | -                       | 3,358,257                |
| Total assets                                       | \$ 35,317,430      | \$ 28,565,312    | \$ 843,215     | \$ 231,734              | \$ 64,957,691            |
| LIABILITIES                                        |                    |                  |                |                         |                          |
| Accounts payable                                   | \$ 855,970         | \$ 1,392,560     | \$ -           | \$ 5,974                | \$ 2,254,504             |
| Due to component unit - School Board               | 2,002,716          | -                | -              | -                       | 2,002,716                |
| Deferred revenue                                   | 7,932,020          | -                | -              | -                       | 7,932,020                |
| Total liabilities                                  | \$ 10,790,706      | \$ 1,392,560     | \$ -           | \$ 5,974                | \$ 12,189,240            |
| FUND BALANCES                                      |                    |                  |                |                         |                          |
| Nonspendable                                       | \$ -               | \$ -             | \$ 700,000     | \$ -                    | \$ 700,000               |
| Restricted                                         | 1,399,650          | 12,221,348       | -              | -                       | 13,620,998               |
| Committed                                          | 1,080,525          | 4,788,297        | 143,215        | 225,760                 | 6,237,797                |
| Assigned                                           | 4,324,700          | 10,163,107       | -              | -                       | 14,487,807               |
| Unassigned                                         | 17,721,849         | -                | -              | -                       | 17,721,849               |
| Total fund balances                                | \$ 24,526,724      | \$ 27,172,752    | \$ 843,215     | \$ 225,760              | \$ 52,768,451            |
| Total liabilities and fund balances                | \$ 35,317,430      | \$ 28,565,312    | \$ 843,215     | \$ 231,734              | \$ 64,957,691            |

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

|                                                                                                                                                                                                                                                                                                                           |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balances, balance sheet, governmental funds                                                                                                                                                                                                                                                                    | \$ 52,768,451        |
| 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. | 77,453,789           |
| Bond issuance costs are reported as expenditures in governmental funds. However, the statement of net assets includes these issuance costs among the assets of the County as a whole.                                                                                                                                     | 452,326              |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.                                                                                                                                                                                                     | (638,978)            |
| 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.                                | 1,096,884            |
| 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 assets.                                                    | (73,027,558)         |
| Net assets of governmental activities                                                                                                                                                                                                                                                                                     | <u>\$ 58,104,914</u> |

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, 2012

|                                                   | Governmental Funds |                     |                   |                               | Total<br>Governmental<br>Funds |
|---------------------------------------------------|--------------------|---------------------|-------------------|-------------------------------|--------------------------------|
|                                                   | General            | Capital<br>Projects | Permanent<br>Fund | Wireless<br>Authority<br>Fund |                                |
| Revenues:                                         |                    |                     |                   |                               |                                |
| General property taxes                            | \$ 18,847,313      | \$ -                | \$ -              | \$ -                          | \$ 18,847,313                  |
| Other local taxes                                 | 5,953,088          | -                   | -                 | -                             | 5,953,088                      |
| Permits, privilege fees and regulatory licenses   | 395,795            | 6,791,883           | -                 | -                             | 7,187,678                      |
| Fines and forfeitures                             | 183,108            | -                   | -                 | -                             | 183,108                        |
| Revenue from use of money and property            | 206,623            | 169,179             | 30,750            | 373                           | 406,925                        |
| Charges for services                              | 468,606            | -                   | -                 | -                             | 468,606                        |
| Miscellaneous                                     | 317,617            | 4,171               | -                 | -                             | 321,788                        |
| Intergovernmental revenue:                        |                    |                     |                   |                               |                                |
| Contribution from the School Board                | -                  | 48,181              | -                 | -                             | 48,181                         |
| Commonwealth                                      | 6,190,762          | -                   | -                 | -                             | 6,190,762                      |
| Federal                                           | 1,020,986          | 236,931             | -                 | -                             | 1,257,917                      |
| Total revenues                                    | \$ 33,583,898      | \$ 7,250,345        | \$ 30,750         | \$ 373                        | \$ 40,865,366                  |
| Expenditures:                                     |                    |                     |                   |                               |                                |
| Current:                                          |                    |                     |                   |                               |                                |
| General government administration                 | \$ 2,455,986       | \$ 120,757          | \$ -              | \$ -                          | \$ 2,576,743                   |
| Judicial administration                           | 1,025,084          | 34,116              | -                 | -                             | 1,059,200                      |
| Public safety                                     | 8,077,378          | 2,900,153           | -                 | -                             | 10,977,531                     |
| Public works                                      | 1,524,050          | 100,265             | -                 | -                             | 1,624,315                      |
| Health and welfare                                | 4,707,097          | -                   | -                 | -                             | 4,707,097                      |
| Education                                         | 11,858,516         | 3,112,393           | -                 | -                             | 14,970,909                     |
| Parks, recreation, and cultural                   | 1,194,661          | 3,390,614           | -                 | -                             | 4,585,275                      |
| Community development                             | 1,410,200          | 243,090             | -                 | 70,381                        | 1,723,671                      |
| Debt service:                                     |                    |                     |                   |                               |                                |
| Principal retirement                              | 2,712,585          | -                   | -                 | -                             | 2,712,585                      |
| Interest and other fiscal charges                 | 3,354,917          | 526,461             | -                 | -                             | 3,881,378                      |
| Total expenditures                                | \$ 38,320,474      | \$ 10,427,849       | \$ -              | \$ 70,381                     | \$ 48,818,704                  |
| Excess (deficiency) of revenues over expenditures | \$ (4,736,576)     | \$ (3,177,504)      | \$ 30,750         | \$ (70,008)                   | \$ (7,953,338)                 |
| Other financing sources (uses):                   |                    |                     |                   |                               |                                |
| Transfers in                                      | \$ 4,016,506       | \$ -                | \$ -              | \$ 46,980                     | \$ 4,063,486                   |
| Transfers out                                     | (89,980)           | (4,146,101)         | -                 | -                             | (4,236,081)                    |
| Payment to refunded bond escrow agent             | -                  | (33,345,873)        | -                 | -                             | (33,345,873)                   |
| Issuance of refunding bonds                       | -                  | 28,645,000          | -                 | -                             | 28,645,000                     |
| Long-term debt issued                             | -                  | 5,000,000           | -                 | -                             | 5,000,000                      |
| Bond premium                                      | -                  | 5,153,199           | -                 | -                             | 5,153,199                      |
| Total other financing sources (uses)              | \$ 3,926,526       | \$ 1,306,225        | \$ -              | \$ 46,980                     | \$ 5,279,731                   |
| Net changes in fund balances                      | \$ (810,050)       | \$ (1,871,279)      | \$ 30,750         | \$ (23,028)                   | \$ (2,673,607)                 |
| Fund balances at beginning of year                | 25,336,774         | 29,044,031          | 812,465           | 248,788                       | 55,442,058                     |
| Fund balances at end of year                      | \$ 24,526,724      | \$ 27,172,752       | \$ 843,215        | \$ 225,760                    | \$ 52,768,451                  |

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, 2012

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                    | <u>Primary<br/>Government<br/>Governmental<br/>Funds</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                                                                                                                                                                                                    |                    |                                                          |
| Net changes in fund balances - total governmental funds                                                                                                                                                                                                                                                                                                                                                                                                               | \$                 | (2,673,607)                                              |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 9,495,602       |                                                          |
| Depreciation expense                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>(1,970,677)</u> | 7,524,925                                                |
| Transfer of joint tenancy assets from Primary Government to the Component Unit School Board                                                                                                                                                                                                                                                                                                                                                                           |                    | (1,564,439)                                              |
| 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.                                                                                                                                                                                                                                                                                    |                    | 17,674                                                   |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows: |                    |                                                          |
| Proceeds from issuance of long-term obligations                                                                                                                                                                                                                                                                                                                                                                                                                       | \$ (5,000,000)     |                                                          |
| Proceeds from issuance of refunding bonds                                                                                                                                                                                                                                                                                                                                                                                                                             | (28,645,000)       |                                                          |
| Premium on bonds                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (5,153,199)        |                                                          |
| Issuance costs                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 452,326            |                                                          |
| Payment to refunded bond escrow agent                                                                                                                                                                                                                                                                                                                                                                                                                                 | 33,345,873         |                                                          |
| Amortization of bond premium                                                                                                                                                                                                                                                                                                                                                                                                                                          | 24,893             |                                                          |
| Amortization of deferred amount on refunding                                                                                                                                                                                                                                                                                                                                                                                                                          | (15,011)           |                                                          |
| Principal retired on general obligation and lease revenue bonds                                                                                                                                                                                                                                                                                                                                                                                                       | 2,462,585          |                                                          |
| Principal retired on state literary fund loans                                                                                                                                                                                                                                                                                                                                                                                                                        | <u>250,000</u>     | (2,277,533)                                              |
| 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 accrued leave                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$ (80,007)        |                                                          |
| Change in interest payable                                                                                                                                                                                                                                                                                                                                                                                                                                            | <u>461,508</u>     | <u>381,501</u>                                           |
| Change in net assets of governmental activities                                                                                                                                                                                                                                                                                                                                                                                                                       | \$                 | <u><u>1,408,521</u></u>                                  |

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

Statement of Net Assets - Proprietary Fund  
At June 30, 2012

|                                                    | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|----------------------------------------------------|-----------------------------------------------------------------|
| ASSETS                                             |                                                                 |
| Current Assets                                     |                                                                 |
| Cash and cash equivalents                          | \$ 2,701,689                                                    |
| Receivables (net of allowance for uncollectibles): |                                                                 |
| Accounts receivable                                | 723,466                                                         |
| Restricted cash                                    | <u>874,486</u>                                                  |
| Total Current Assets                               | \$ <u>4,299,641</u>                                             |
| Noncurrent Assets                                  |                                                                 |
| Capital assets:                                    |                                                                 |
| Land                                               | \$ 2,262,354                                                    |
| Infrastructure                                     | 44,116,476                                                      |
| Equipment                                          | 791,809                                                         |
| Construction in progress                           | 213,525                                                         |
| Accumulated depreciation                           | <u>(11,180,596)</u>                                             |
| Total Capital Assets                               | \$ <u>36,203,568</u>                                            |
| Bond issue costs, net of amortization              | \$ <u>481,614</u>                                               |
| Total Noncurrent Assets                            | \$ <u>36,685,182</u>                                            |
| Total Assets                                       | \$ <u><u>40,984,823</u></u>                                     |
| LIABILITIES                                        |                                                                 |
| Current Liabilities                                |                                                                 |
| Accounts payable                                   | \$ 113,042                                                      |
| Unearned revenue                                   | 508,423                                                         |
| Accrued interest payable                           | 293,791                                                         |
| Current portion of long-term obligations           | <u>252,483</u>                                                  |
| Total Current Liabilities                          | \$ <u>1,167,739</u>                                             |
| Noncurrent Liabilities                             |                                                                 |
| Noncurrent portion of long-term obligations        | <u>24,751,346</u>                                               |
| Total Liabilities                                  | \$ <u>25,919,085</u>                                            |
| NET ASSETS                                         |                                                                 |
| Invested in capital assets, net of related debt    | \$ 12,899,785                                                   |
| Unrestricted assets                                | <u>2,165,953</u>                                                |
| Total Net Assets                                   | \$ <u>15,065,738</u>                                            |
| Total Liabilities and Net Assets                   | \$ <u><u>40,984,823</u></u>                                     |

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

Statement of Revenues, Expenses and Change in Net Assets -  
 Proprietary Fund  
 Year Ended June 30, 2012

|                                        | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|----------------------------------------|-----------------------------------------------------------------|
| Operating revenues:                    |                                                                 |
| Water revenues                         | \$ 931,933                                                      |
| Sewer revenues                         | 1,286,815                                                       |
| Availability fees                      | 646,802                                                         |
| Debt fees                              | 1,347,426                                                       |
| Other revenues                         | <u>283,305</u>                                                  |
| Total operating revenues               | \$ <u>4,496,281</u>                                             |
| Operating expenses:                    |                                                                 |
| Personnel services                     | \$ 1,021,911                                                    |
| Fringe benefits                        | 437,216                                                         |
| Contractual services                   | 460,927                                                         |
| Depreciation and amortization          | 1,140,074                                                       |
| Other operating expenses               | <u>943,023</u>                                                  |
| Total operating expenses               | \$ <u>4,003,151</u>                                             |
| Net income (loss) from operations      | \$ <u>493,130</u>                                               |
| Nonoperating revenues (expenses):      |                                                                 |
| Interest income                        | \$ 2,305                                                        |
| Interest expense                       | <u>(1,232,690)</u>                                              |
| Total nonoperating revenues (expenses) | \$ <u>(1,230,385)</u>                                           |
| Net income (loss) before transfers     | \$ (737,255)                                                    |
| Transfers:                             |                                                                 |
| Transfers in                           | <u>172,595</u>                                                  |
| Change in net assets                   | \$ (564,660)                                                    |
| Net assets, beginning of year          | <u>15,630,398</u>                                               |
| Net assets, end of year                | <u>\$ 15,065,738</u>                                            |

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

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2012

|                                                                                             | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Cash flows from operating activities:                                                       |                                                                 |
| Receipts from customers and users                                                           | \$ 4,016,900                                                    |
| Payments to employees (including fringe benefits)                                           | (1,443,874)                                                     |
| Payments for operating activities                                                           | <u>(1,549,768)</u>                                              |
| Net cash provided by operating activities                                                   | \$ <u>1,023,258</u>                                             |
| Cash flows from capital and related financing activities:                                   |                                                                 |
| Construction and acquisition of capital assets                                              | \$ (1,297,912)                                                  |
| Capital grants and contributions                                                            | 172,595                                                         |
| Retirement of indebtedness                                                                  | (102,780)                                                       |
| Interest paid on loans                                                                      | <u>(1,157,517)</u>                                              |
| Net cash provided by (used for) capital and related financing activities                    | \$ <u>(2,385,614)</u>                                           |
| Cash flows from investing activities:                                                       |                                                                 |
| Interest received                                                                           | \$ <u>2,305</u>                                                 |
| Net increase (decrease) in cash and cash equivalents                                        | \$ (1,360,051)                                                  |
| Cash and cash equivalents (including restricted) at beginning of year                       | <u>4,936,226</u>                                                |
| Cash and cash equivalents (including restricted) at end of year                             | \$ <u><u>3,576,175</u></u>                                      |
| Reconciliation of operating income to net cash provided by (used for) operating activities: |                                                                 |
| Cash flows from operations:                                                                 |                                                                 |
| Income (loss) from operations                                                               | \$ 493,130                                                      |
| Adjustments to reconcile operating income to net cash provided by operating activities:     |                                                                 |
| Depreciation and amortization                                                               | 1,140,074                                                       |
| Changes in operating assets and liabilities:                                                |                                                                 |
| (Increase) in accounts receivable                                                           | (141,579)                                                       |
| (Decrease) in accounts payable and accrued liabilities                                      | (145,818)                                                       |
| (Decrease) in deferred revenue                                                              | (337,802)                                                       |
| Increase in compensated absences                                                            | <u>15,253</u>                                                   |
| Net cash provided by operating activities                                                   | \$ <u><u>1,023,258</u></u>                                      |

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

Statement of Fiduciary Net Assets  
At June 30, 2012

|                                                         | <u>Agency<br/>Funds</u>    |
|---------------------------------------------------------|----------------------------|
| ASSETS                                                  |                            |
| Cash and cash equivalents                               | \$ 4,140,965               |
| Accounts receivable                                     | <u>19,442</u>              |
| Total assets                                            | \$ <u><u>4,160,407</u></u> |
| LIABILITIES                                             |                            |
| Accounts payable                                        | \$ 3,411                   |
| Amounts held for others                                 | 103,869                    |
| Amounts held for landfill closure and postclosure costs | 3,980,969                  |
| Amounts held for social services' clients               | <u>72,158</u>              |
| Total liabilities                                       | \$ <u><u>4,160,407</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, 2012

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

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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 Assets 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

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

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

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### 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 units. 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. 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. The Authority does not issue a separate financial report.

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, 2012.

#### Other Related Organizations

#### Included in the County's Comprehensive Annual Financial Report

None

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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, 2012 (Continued)

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

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#### **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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

##### 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.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### **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.
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 reserve that portion of the applicable appropriations, is utilized as part of the County's accounting system.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### 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."

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 \$680,647 at June 30, 2012 and is comprised of the following:

|                        |                   |
|------------------------|-------------------|
| Property taxes         | \$ 448,836        |
| Water & sewer accounts | <u>231,811</u>    |
| Total                  | <u>\$ 680,647</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 20<sup>th</sup> and December 5<sup>th</sup>. The County bills and collects its own property taxes.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### 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, 2012.

Property, plant and equipment 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           |

#### J. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### **J. Compensated Absences: (Continued)**

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.

#### **K. 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 assets. Bonds payable are reported net of the applicable bond premium or discount.

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

#### **L. 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.

#### **M. 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### **N. Bond Issuance Costs:**

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Costs relative to each bond issue are amortized over the life of the bonds. Amortization expense for the year ended June 30, 2012 totaled \$23,643 in the Enterprise funds.

#### **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 Assets**

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

#### **Q. 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 Assets, this scenario presents a dilemma for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

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

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### R. Fund Equity

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

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives), this category also includes contractual obligations. Assigned fund balance is established by the Board of Supervisors or the Deputy County Administrator/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.

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

### R. Fund Equity: (Continued)

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

|                                                       | General<br>Fund      | Capital<br>Projects  | Permanent<br>Fund | Wireless<br>Authority<br>Fund | Total                |
|-------------------------------------------------------|----------------------|----------------------|-------------------|-------------------------------|----------------------|
| <b>Fund Balances:</b>                                 |                      |                      |                   |                               |                      |
| <b>Nonspendable:</b>                                  |                      |                      |                   |                               |                      |
| Permanent fund corpus                                 | \$ -                 | \$ -                 | \$ 700,000        | \$ -                          | \$ 700,000           |
| <b>Restricted:</b>                                    |                      |                      |                   |                               |                      |
| Debt service                                          | \$ 1,149,880         | \$ -                 | \$ -              | \$ -                          | \$ 1,149,880         |
| Library expansion                                     | -                    | 2,033,167            | -                 | -                             | 2,033,167            |
| Natatorium                                            | -                    | 2,197,707            | -                 | -                             | 2,197,707            |
| New high school stadium                               | -                    | 1,563,016            | -                 | -                             | 1,563,016            |
| Potomac Elementary School                             | -                    | 4,987,180            | -                 | -                             | 4,987,180            |
| Government center/animal control/<br>sheriffs office  | -                    | 1,035,905            | -                 | -                             | 1,035,905            |
| Capital projects                                      | -                    | 404,373              | -                 | -                             | 404,373              |
| Emergency services grants                             | 249,770              | -                    | -                 | -                             | 249,770              |
| <b>Total Restricted Fund Balance</b>                  | <b>\$ 1,399,650</b>  | <b>\$ 12,221,348</b> | <b>\$ -</b>       | <b>\$ -</b>                   | <b>\$ 13,620,998</b> |
| <b>Committed:</b>                                     |                      |                      |                   |                               |                      |
| Education                                             | \$ 87,578            | \$ -                 | \$ -              | \$ -                          | \$ 87,578            |
| Wireless project                                      | -                    | -                    | -                 | 225,760                       | 225,760              |
| Stabilization funds                                   | 652,093              | -                    | -                 | -                             | 652,093              |
| Library                                               | -                    | -                    | 143,215           | -                             | 143,215              |
| Emergency services equipment                          | -                    | 625,000              | -                 | -                             | 625,000              |
| Public safety                                         | 126,048              | -                    | -                 | -                             | 126,048              |
| Vehicle maintenance facility                          | -                    | 1,169,571            | -                 | -                             | 1,169,571            |
| Government center/animal control/<br>Capital projects | -                    | 2,993,726            | -                 | -                             | 2,993,726            |
| Other purposes                                        | 214,806              | -                    | -                 | -                             | 214,806              |
| <b>Total Committed Fund Balance</b>                   | <b>\$ 1,080,525</b>  | <b>\$ 4,788,297</b>  | <b>\$ 143,215</b> | <b>\$ 225,760</b>             | <b>\$ 6,237,797</b>  |
| <b>Assigned:</b>                                      |                      |                      |                   |                               |                      |
| Economic development incentives                       | \$ 4,100,000         | \$ -                 | \$ -              | \$ -                          | \$ 4,100,000         |
| School capital outlays                                | 224,700              | -                    | -                 | -                             | 224,700              |
| Landfill                                              | -                    | 1,000,000            | -                 | -                             | 1,000,000            |
| Capital projects                                      | -                    | 9,163,107            | -                 | -                             | 9,163,107            |
| <b>Total Assigned Fund Balance</b>                    | <b>\$ 4,324,700</b>  | <b>\$ 10,163,107</b> | <b>\$ -</b>       | <b>\$ -</b>                   | <b>\$ 14,487,807</b> |
| <b>Unassigned Fund Balance</b>                        | <b>\$ 17,721,849</b> | <b>\$ -</b>          | <b>\$ -</b>       | <b>\$ -</b>                   | <b>\$ 17,721,849</b> |
| <b>Total Fund Balances</b>                            | <b>\$ 24,526,724</b> | <b>\$ 27,172,752</b> | <b>\$ 843,215</b> | <b>\$ 225,760</b>             | <b>\$ 52,768,451</b> |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 2—Deposits and Investments:

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#### Deposits

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

#### Investments

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

#### Credit Risk of Debt Securities

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

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

| County's Rated Debt Investments' Values |                      |               |              |            |
|-----------------------------------------|----------------------|---------------|--------------|------------|
| Rated Debt Investments                  | Fair Quality Ratings |               |              |            |
|                                         | AAAm                 | AA+           | AA           | AA-        |
| U.S. Agencies                           | \$ -                 | \$ 10,673,435 | \$ -         | \$ -       |
| Local Government Investment Pool        | 4,590,802            | -             | -            | -          |
| State Non-Arbitrage Pool                | 13,202,965           | -             | -            | -          |
| Corporate Notes                         | -                    | 802,761       | 576,374      | 602,881    |
| Municipal Bonds                         | -                    | -             | 499,035      | -          |
| Repurchase Agreements - Underlying:     |                      |               |              |            |
| U.S. Agency Securities                  | -                    | 11,865,437    | -            | -          |
| Total                                   | \$ 17,793,767        | \$ 23,341,633 | \$ 1,075,409 | \$ 602,881 |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

### Note 2—Deposits and Investments: (Continued)

#### Interest Rate Risk

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

| Investment Type       | Investment Maturities (in years) |                      |                       |
|-----------------------|----------------------------------|----------------------|-----------------------|
|                       | Fair Value                       | 1-5 Years            | Greater Than 10 Years |
| Repurchase Agreements | \$ 11,865,437                    | \$ 988,115           | \$ 10,877,322         |
| Corporate Notes       | 1,982,016                        | 1,982,016            | -                     |
| Municipal Bonds       | 499,035                          | 499,035              | -                     |
| U.S. Agencies         | 10,673,435                       | 9,842,010            | 831,425               |
| U.S. Treasuries       | 5,213,610                        | 5,213,610            | -                     |
| Total                 | <u>\$ 30,233,533</u>             | <u>\$ 18,524,786</u> | <u>\$ 11,708,747</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.

### Note 3—Due From Other Governments:

At June 30, 2012, the County and School Board had receivables from other governments as follows:

|                                  | Primary Government  | Discretely Presented Component Unit School Board |
|----------------------------------|---------------------|--------------------------------------------------|
| Industrial Development Authority | \$ 1,000,000        | \$ -                                             |
| Commonwealth of Virginia:        |                     |                                                  |
| State sales taxes                | -                   | 703,217                                          |
| PPTRA                            | 1,088,066           | -                                                |
| Local sales taxes                | 327,673             | -                                                |
| Communications tax               | 67,446              | -                                                |
| Public assistance                | 53,763              | -                                                |
| Shared expenses                  | 134,871             | -                                                |
| CSA                              | 435,714             | -                                                |
| Fire program                     | 63,045              | -                                                |
| Other                            | 69,661              | -                                                |
| Federal Government:              |                     |                                                  |
| School funds                     | -                   | 1,204,063                                        |
| Second chance grant              | 34,009              | -                                                |
| Public assistance                | 84,009              | -                                                |
| Totals                           | <u>\$ 3,358,257</u> | <u>\$ 1,907,280</u>                              |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 4—Due To/From Primary Government/Component Units:

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| <u>Fund</u>  | <u>Due to<br/>Component<br/>Unit</u> | <u>Due From<br/>Primary<br/>Government</u> |
|--------------|--------------------------------------|--------------------------------------------|
| General      | \$ 2,002,716                         | \$ -                                       |
| School Board | -                                    | 2,002,716                                  |
| Totals       | <u>\$ 2,002,716</u>                  | <u>\$ 2,002,716</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.

### Note 5—Interfund Transfers:

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Interfund transfers for the year ended June 30, 2012 consisted of the following:

| <u>Fund</u>               | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------|---------------------|----------------------|
| Primary Government:       |                     |                      |
| General Fund              | \$ 4,016,506        | \$ 89,980            |
| Service Authority         | 172,595             | -                    |
| Wireless Project Fund     | 46,980              | -                    |
| Capital Improvements Fund | -                   | 4,146,101            |
| Total                     | <u>\$ 4,236,081</u> | <u>\$ 4,236,081</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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

### Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2012:

#### Primary Government:

|                                               | <u>Beginning<br/>Balance<br/>July 1,<br/>2011</u> | <u>Additions</u>           | <u>Deletions</u>           | <u>Ending<br/>Balance<br/>June 30,<br/>2012</u> |
|-----------------------------------------------|---------------------------------------------------|----------------------------|----------------------------|-------------------------------------------------|
| <b><u>Governmental Activities:</u></b>        |                                                   |                            |                            |                                                 |
| Capital assets not being depreciated:         |                                                   |                            |                            |                                                 |
| Land                                          | \$ 6,050,806                                      | \$ -                       | \$ -                       | \$ 6,050,806                                    |
| Construction in progress-jointly owned assets | 314,199                                           | 2,749,195                  | 392,299                    | 2,671,095                                       |
| Construction in progress                      | <u>13,609,238</u>                                 | <u>6,261,253</u>           | <u>-</u>                   | <u>19,870,491</u>                               |
| Total capital assets not being depreciated    | <u>\$ 19,974,243</u>                              | <u>\$ 9,010,448</u>        | <u>\$ 392,299</u>          | <u>\$ 28,592,392</u>                            |
| Capital assets being depreciated:             |                                                   |                            |                            |                                                 |
| Buildings                                     | \$ 11,654,245                                     | \$ -                       | \$ -                       | \$ 11,654,245                                   |
| Equipment                                     | 8,343,236                                         | 485,154                    | 191,860                    | 8,636,530                                       |
| Jointly owned assets                          | <u>44,545,094</u>                                 | <u>392,299</u>             | <u>2,032,098</u>           | <u>42,905,295</u>                               |
| Total capital assets being depreciated        | <u>\$ 64,542,575</u>                              | <u>\$ 877,453</u>          | <u>\$ 2,223,958</u>        | <u>\$ 63,196,070</u>                            |
| Less accumulated depreciation for:            |                                                   |                            |                            |                                                 |
| Buildings                                     | \$ 3,871,728                                      | \$ 225,183                 | \$ -                       | \$ 4,096,911                                    |
| Equipment                                     | 5,027,362                                         | 586,422                    | 191,860                    | 5,421,924                                       |
| Jointly owned assets                          | <u>4,124,425</u>                                  | <u>1,159,072</u>           | <u>467,659</u>             | <u>4,815,838</u>                                |
| Total accumulated depreciation                | <u>\$ 13,023,515</u>                              | <u>\$ 1,970,677</u>        | <u>\$ 659,519</u>          | <u>\$ 14,334,673</u>                            |
| Total capital assets being depreciated, net   | <u>\$ 51,519,060</u>                              | <u>\$ (1,093,224)</u>      | <u>\$ 1,564,439</u>        | <u>\$ 48,861,397</u>                            |
| Governmental activities capital assets, net   | <u><u>\$ 71,493,303</u></u>                       | <u><u>\$ 7,917,224</u></u> | <u><u>\$ 1,956,738</u></u> | <u><u>\$ 77,453,789</u></u>                     |

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

|                                              | <u>Beginning<br/>Balance<br/>July 1,<br/>2011</u> | <u>Additions</u>           | <u>Deletions</u>           | <u>Ending<br/>Balance<br/>June 30,<br/>2012</u> |
|----------------------------------------------|---------------------------------------------------|----------------------------|----------------------------|-------------------------------------------------|
| <b><u>Business-type activities-KGSA:</u></b> |                                                   |                            |                            |                                                 |
| Capital assets not being depreciated:        |                                                   |                            |                            |                                                 |
| Land                                         | \$ 2,262,354                                      | \$ -                       | \$ -                       | \$ 2,262,354                                    |
| Construction in progress                     | <u>551,168</u>                                    | <u>1,297,912</u>           | <u>1,635,555</u>           | <u>213,525</u>                                  |
| Total capital assets not being depreciated   | <u>\$ 2,813,522</u>                               | <u>\$ 1,297,912</u>        | <u>\$ 1,635,555</u>        | <u>\$ 2,475,879</u>                             |
| Capital assets being depreciated:            |                                                   |                            |                            |                                                 |
| Infrastructure                               | \$ 42,480,921                                     | \$ 1,635,555               | \$ -                       | \$ 44,116,476                                   |
| Equipment                                    | <u>791,809</u>                                    | <u>-</u>                   | <u>-</u>                   | <u>791,809</u>                                  |
| Total capital assets being depreciated       | <u>\$ 43,272,730</u>                              | <u>\$ 1,635,555</u>        | <u>\$ -</u>                | <u>\$ 44,908,285</u>                            |
| Less accumulated depreciation for:           |                                                   |                            |                            |                                                 |
| Infrastructure                               | \$ 9,442,531                                      | \$ 1,107,305               | \$ -                       | \$ 10,549,836                                   |
| Equipment                                    | <u>597,991</u>                                    | <u>32,769</u>              | <u>-</u>                   | <u>630,760</u>                                  |
| Total accumulated depreciation               | <u>\$ 10,040,522</u>                              | <u>\$ 1,140,074</u>        | <u>\$ -</u>                | <u>\$ 11,180,596</u>                            |
| Total capital assets being depreciated, net  | <u>\$ 33,232,208</u>                              | <u>\$ 495,481</u>          | <u>\$ -</u>                | <u>\$ 33,727,689</u>                            |
| Business-type activities capital assets, net | <u><u>\$ 36,045,730</u></u>                       | <u><u>\$ 1,793,393</u></u> | <u><u>\$ 1,635,555</u></u> | <u><u>\$ 36,203,568</u></u>                     |

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## Note 6—Capital Assets: (Continued)

### Discretely Presented Component Unit—School Board:

|                                             | <u>Beginning<br/>Balance<br/>July 1,<br/>2011</u> | <u>Additions</u>         | <u>Deletions</u>   | <u>Ending<br/>Balance<br/>June 30,<br/>2012</u> |
|---------------------------------------------|---------------------------------------------------|--------------------------|--------------------|-------------------------------------------------|
| Capital assets not being depreciated:       |                                                   |                          |                    |                                                 |
| Land                                        | \$ <u>173,134</u>                                 | \$ <u>-</u>              | \$ <u>-</u>        | \$ <u>173,134</u>                               |
| Total capital assets not being depreciated  | \$ <u>173,134</u>                                 | \$ <u>-</u>              | \$ <u>-</u>        | \$ <u>173,134</u>                               |
| Capital assets, being depreciated:          |                                                   |                          |                    |                                                 |
| Buildings                                   | \$ 26,184,332                                     | \$ -                     | \$ -               | \$ 26,184,332                                   |
| Equipment                                   | 4,817,410                                         | 350,368                  | -                  | 5,167,778                                       |
| Jointly owned assets                        | <u>11,616,817</u>                                 | <u>2,032,098</u>         | <u>-</u>           | <u>13,648,915</u>                               |
| Total capital assets being depreciated      | \$ <u>42,618,559</u>                              | \$ <u>2,382,466</u>      | \$ <u>-</u>        | \$ <u>45,001,025</u>                            |
| Less accumulated depreciation for:          |                                                   |                          |                    |                                                 |
| Buildings                                   | \$ 10,456,532                                     | \$ 849,576               | \$ -               | \$ 11,306,108                                   |
| Equipment                                   | 3,007,232                                         | 313,406                  | -                  | 3,320,638                                       |
| Jointly owned assets                        | <u>2,753,023</u>                                  | <u>467,659</u>           | <u>-</u>           | <u>3,220,682</u>                                |
| Total accumulated depreciation              | \$ <u>16,216,787</u>                              | \$ <u>1,630,641</u>      | \$ <u>-</u>        | \$ <u>17,847,428</u>                            |
| Total capital assets being depreciated, net | \$ <u>26,401,772</u>                              | \$ <u>751,825</u>        | \$ <u>-</u>        | \$ <u>27,153,597</u>                            |
| School Board capital assets, net            | \$ <u><u>26,574,906</u></u>                       | \$ <u><u>751,825</u></u> | \$ <u><u>-</u></u> | \$ <u><u>27,326,731</u></u>                     |

### Reconciliation of primary government net assets invested in capital assets, net of related debt:

|                                                                                   |                             |
|-----------------------------------------------------------------------------------|-----------------------------|
| Net capital assets                                                                | \$ <u>77,453,789</u>        |
| Long-term debt applicable to capital assets at June 30, 2012                      | \$ 72,302,073               |
| Less - debt proceeds received but not expended on capital assets at June 30, 2012 | <u>(11,627,750)</u>         |
| Net long-term debt, as adjusted                                                   | \$ <u>60,674,323</u>        |
| Net assets invested in capital assets, less related debt                          | \$ <u><u>16,779,466</u></u> |

## COUNTY OF KING GEORGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2012 (Continued)

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#### Note 6—Capital Assets: (Continued)

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

|                                                          |                         |
|----------------------------------------------------------|-------------------------|
| Governmental activities:                                 |                         |
| General government                                       | \$ 121,501              |
| Judicial administration                                  | 7,593                   |
| Public safety                                            | 580,919                 |
| Public works                                             | 43,217                  |
| Health and Welfare                                       | 27,033                  |
| Education                                                | 1,159,072               |
| Parks, recreation and cultural                           | 26,822                  |
| Community development                                    | <u>4,520</u>            |
| Total                                                    | \$ <u>1,970,677</u>     |
| Component Unit-School Board                              | \$ <u>1,162,982</u> (1) |
| King George Service Authority                            | \$ <u>1,140,074</u>     |
| (1) Depreciation expense                                 | \$ 1,162,982            |
| Accumulated depreciation on Joint tenancy asset transfer | <u>467,659</u>          |
| Total increase in accumulated depreciation, page 47      | \$ <u>1,630,641</u>     |

#### Note 7—Restricted Assets:

---

Restricted assets at June 30, 2012 consist of the following:

|                                            |                     |
|--------------------------------------------|---------------------|
| Unexpended IDA lease revenue bond proceeds | \$ 874,486          |
| Permanent fund corpus                      | 700,000             |
| Natatorium donation                        | 1,736,422           |
| Cash reserves for debt service             | <u>1,149,880</u>    |
| Total                                      | \$ <u>4,460,788</u> |

#### Note 8—Other Assets:

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##### Notes Receivable:

|                                                                                                                              |                   |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|
| \$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion | \$ 56,299         |
| \$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%                 | <u>399,999</u>    |
| Total notes receivable                                                                                                       | \$ <u>456,298</u> |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

### Note 8—Other Assets: (Continued)

#### Bond Issuance Costs:

The County's issuance costs for governmental funds are as follows:

|                         | <u>Bond<br/>Issue Cost</u> | <u>Amortization<br/>Period Years</u> | <u>Amortization<br/>Expense</u> | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> |
|-------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|---------------------------|
| 2012 Lease Revenue Bond | \$ <u>452,326</u>          | 30                                   | \$ <u>-</u>                     | \$ <u>-</u>                         | \$ <u>452,326</u>         |

The Authority's issuance costs for the VRA bonds are as follows:

|                     | <u>Bond<br/>Issue Cost</u> | <u>Amortization<br/>Period Years</u> | <u>Amortization<br/>Expense</u> | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> |
|---------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|---------------------------|
| Issuance costs:     |                            |                                      |                                 |                                     |                           |
| 2011 Refunding Bond | \$ 134,227                 | 21                                   | \$ 6,392                        | \$ 6,392                            | \$ 127,835                |
| 2010 Refunding Bond | 152,486                    | 21                                   | 7,261                           | 14,522                              | 137,964                   |
| 2011 Refunding Bond | <u>225,625</u>             | 23                                   | <u>9,810</u>                    | <u>9,810</u>                        | <u>215,815</u>            |
| Total               | \$ <u>512,338</u>          |                                      | \$ <u>23,463</u>                | \$ <u>30,724</u>                    | \$ <u>481,614</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, 2012:

|                              | <u>Balance<br/>July 1, 2011</u> | <u>Increases/<br/>Issuances</u> | <u>Decreases/<br/>Retirements</u> | <u>Balance<br/>June 30, 2012</u> | <u>Due Within<br/>One Year</u> |
|------------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|--------------------------------|
| <u>Governmental Funds</u>    |                                 |                                 |                                   |                                  |                                |
| General Obligation Bonds     | \$ 10,505,973                   | \$ 5,000,000                    | \$ 588,098                        | \$ 14,917,875                    | \$ 595,010                     |
| Revenue Bonds                | 57,409,871                      | 28,645,000                      | 32,519,487                        | 53,535,384                       | 2,050,210                      |
| Deferred amount on refunding | (315,228)                       | (3,182,445)                     | (15,011)                          | (3,482,662)                      | -                              |
| State Literary Fund Loans    | 2,000,000                       | -                               | 250,000                           | 1,750,000                        | 250,000                        |
| Compensated Absences         | 645,478                         | 144,555                         | 64,548                            | 725,485                          | 72,549                         |
| Premium on bonds payable     | <u>823,227</u>                  | <u>5,153,199</u>                | <u>394,950</u>                    | <u>5,581,476</u>                 | <u>239,609</u>                 |
| Total                        | \$ <u>71,069,321</u>            | \$ <u>35,760,309</u>            | \$ <u>33,802,072</u>              | \$ <u>73,027,558</u>             | \$ <u>3,207,378</u>            |

The general fund revenues are used to liquidate compensated absences.

**COUNTY OF KING GEORGE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**Note 9—Long-Term Obligations: (Continued)****Governmental Funds: (Continued)**

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

| Year<br>Ending<br>June 30, | <b>Governmental Funds</b>                       |                      |                       |                   |
|----------------------------|-------------------------------------------------|----------------------|-----------------------|-------------------|
|                            | <b>General Obligation<br/>and Revenue Bonds</b> |                      | <b>Literary Loans</b> |                   |
|                            | <b>Principal</b>                                | <b>Interest</b>      | <b>Principal</b>      | <b>Interest</b>   |
| 2013                       | \$ 2,645,220                                    | \$ 3,064,799         | \$ 250,000            | \$ 52,500         |
| 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                       | <u>1,850,000</u>                                | <u>47,404</u>        | <u>-</u>              | <u>-</u>          |
| Total                      | \$ <u>68,453,259</u>                            | \$ <u>41,714,198</u> | \$ <u>1,750,000</u>   | \$ <u>210,000</u> |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

### Note 9—Long-Term Obligations: (Continued)

#### Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

|                                                                                                                                                                                                          | <u>Amount<br/>Outstanding</u> | <u>Due Within<br/>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%                       | \$ 1,760,900                  | \$ 130,000                     |
| \$2,045,000 IDA Revenue Refunding Bonds, issued May 1, 2001 due in various principal annual installments through December 15, 2012, interest payable semiannually at rates ranging from 3.75% to 5.00%   | 285,000                       | 285,000                        |
| \$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%                         | 16,792,834                    | 459,110                        |
| \$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%                | 3,871,650                     | 196,100                        |
| \$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)              | 2,180,000                     | 705,000                        |
| \$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>28,645,000</u>             | <u>275,000</u>                 |
| Total Revenue Bonds                                                                                                                                                                                      | \$ <u>53,535,384</u>          | \$ <u>2,050,210</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                  | \$ -                           |
| \$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%.                                                 | 4,678,743                     | 302,842                        |
| \$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>5,239,132</u>              | <u>292,168</u>                 |
| Total General Obligation Bonds                                                                                                                                                                           | \$ <u>14,917,875</u>          | \$ <u>595,010</u>              |
| Total Lease Revenue and General Obligation Bonds                                                                                                                                                         | \$ <u>68,453,259</u>          | \$ <u>2,645,220</u>            |

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## Note 9—Long-Term Obligations: (Continued)

### Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

|                                                                                                                    | <u>Amount<br/>Outstanding</u> | <u>Due Within<br/>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% | \$ 1,750,000                  | \$ 250,000                     |
| Compensated Absences                                                                                               | \$ 725,485                    | \$ 72,549                      |
| Premium on bonds payable                                                                                           | \$ 5,581,476                  | \$ 239,609                     |
| Deferred amount on refunding                                                                                       | \$ (3,482,662)                | \$ -                           |
| Total                                                                                                              | <u>\$ 73,027,558</u>          | <u>\$ 3,207,378</u>            |

Assets acquired under capital leases:

|           | <u>Cost</u>       | <u>Depreciation<br/>Expense</u> | <u>Accumulated<br/>Depreciation</u> |
|-----------|-------------------|---------------------------------|-------------------------------------|
| Equipment | \$ 306,855        | \$ -                            | \$ 306,855                          |
| Total     | <u>\$ 306,855</u> | <u>\$ -</u>                     | <u>\$ 306,855</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, 2012:

| <u>Proprietary Funds</u>         | <u>Balance<br/>July 1,<br/>2011</u> | <u>Increases/<br/>Issuances</u> | <u>Decreases/<br/>Retirements</u> | <u>Balance<br/>June 30,<br/>2012</u> | <u>Due<br/>Within<br/>One Year</u> |
|----------------------------------|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------------|------------------------------------|
| Notes Payable                    | \$ 501,115                          | \$ -                            | \$ 44,817                         | \$ 456,298                           | \$ 44,817                          |
| VRA Water Revenue Bond           | 275,000                             | -                               | -                                 | 275,000                              | -                                  |
| VRA Infrastructure Revenue Bonds | 5,373,029                           | -                               | 57,963                            | 5,315,066                            | 60,890                             |
| Compensated absences             | 70,079                              | 25,765                          | 10,512                            | 85,332                               | 12,800                             |
| Virginia Revenue Refunding Bond  | 6,915,000                           | -                               | -                                 | 6,915,000                            | -                                  |
| Water and Sewer Refunding Bonds  | 11,695,000                          | -                               | -                                 | 11,695,000                           | 45,000                             |
| Deferred amount<br>on refunding  | (1,605,325)                         | -                               | (74,572)                          | (1,530,753)                          | -                                  |
| Premium on bonds payable         | 1,881,862                           | -                               | 88,976                            | 1,792,886                            | 88,976                             |
| Total                            | <u>\$ 25,105,760</u>                | <u>\$ 25,765</u>                | <u>\$ 127,696</u>                 | <u>\$ 25,003,829</u>                 | <u>\$ 252,483</u>                  |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 9—Long-Term Obligations: (Continued)

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

| Year<br>Ending<br>June 30, | VRA Water<br>Revenue Bond |                   | Virginia Revenue<br>Refunding Bond |                     |
|----------------------------|---------------------------|-------------------|------------------------------------|---------------------|
|                            | Principal                 | Interest          | Principal                          | Interest            |
| 2013                       | \$ -                      | \$ 14,025         | \$ -                               | \$ 329,161          |
| 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>294,525</u> | \$ <u>6,915,000</u>                | \$ <u>4,158,689</u> |

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

## Note 9—Long-Term Obligations: (Continued)

### King George County Service Authority: (Continued)

| Year<br>Ending<br>June 30, | Notes Payable |          | Water and Sewer<br>Refunding Bonds |              | VRA Infrastructure<br>Revenue Bonds |              |
|----------------------------|---------------|----------|------------------------------------|--------------|-------------------------------------|--------------|
|                            | Principal     | Interest | Principal                          | Interest     | Principal                           | Interest     |
| 2013                       | \$ 44,817     | \$ 2,258 | \$ 45,000                          | \$ 557,827   | \$ 60,890                           | \$ 266,782   |
| 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                      | \$ 456,298    | \$ 3,384 | \$ 11,695,000                      | \$ 7,157,023 | \$ 5,315,066                        | \$ 3,229,900 |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

### Note 9—Long-Term Obligations: (Continued)

#### King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

|                                                                                                                                                                                                                             | <u>Amount<br/>Outstanding</u> | <u>Due Within<br/>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%                                                                             | \$ 56,299                     | \$ 28,150                      |
| \$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%                                                                                            | 399,999                       | 16,667                         |
| \$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%      | 5,790,000                     | 45,000                         |
| \$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>2,227,166</u>              | <u>60,890</u>                  |
| Total long-term debt                                                                                                                                                                                                        | \$ 24,656,364                 | \$ 150,707                     |
| Compensated absences                                                                                                                                                                                                        | \$ <u>85,332</u>              | \$ <u>12,800</u>               |
| Premium on bonds payable                                                                                                                                                                                                    | \$ <u>1,792,886</u>           | \$ <u>88,976</u>               |
| Deferred amount on refunding                                                                                                                                                                                                | \$ <u>(1,530,753)</u>         | \$ <u>-</u>                    |
| Total long-term obligations                                                                                                                                                                                                 | \$ <u><u>25,003,829</u></u>   | \$ <u><u>252,483</u></u>       |

# COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (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, 2012:

|                                | <u>Balance</u><br><u>July 1, 2011</u> | <u>Issuances</u>  | <u>Retirements</u> | <u>Balance</u><br><u>June 30, 2012</u> | <u>Amounts</u><br><u>Due Within</u><br><u>One Year</u> |
|--------------------------------|---------------------------------------|-------------------|--------------------|----------------------------------------|--------------------------------------------------------|
| Capital Leases                 | \$ 198,606                            | \$ -              | \$ 134,919         | \$ 63,687                              | \$ 31,113                                              |
| Other post employment benefits | 184,426                               | 104,978           | 38,500             | 250,904                                | -                                                      |
| Compensated absences payable   | <u>284,609</u>                        | <u>95,576</u>     | <u>28,461</u>      | <u>351,724</u>                         | <u>35,172</u>                                          |
| Total                          | <u>\$ 667,641</u>                     | <u>\$ 200,554</u> | <u>\$ 201,880</u>  | <u>\$ 666,315</u>                      | <u>\$ 66,285</u>                                       |

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

| <u>Year</u><br><u>Ending</u><br><u>June 30,</u> | <u>Component Unit School Board</u> |                 |
|-------------------------------------------------|------------------------------------|-----------------|
|                                                 | <u>Capital Leases</u>              |                 |
|                                                 | <u>Principal</u>                   | <u>Interest</u> |
| 2013                                            | \$ 31,113                          | \$ 2,987        |
| 2014                                            | <u>32,574</u>                      | <u>1,527</u>    |
| Total                                           | <u>\$ 63,687</u>                   | <u>\$ 4,514</u> |

Details of long-term obligations are as follows:

|                                                                                                                                                      | <u>Amount</u><br><u>Outstanding</u> | <u>Due Within</u><br><u>One Year</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|
| Capital Lease Obligations:                                                                                                                           |                                     |                                      |
| \$148,910 lease obligation due in annual installments of \$34,100 through July 18, 2013, interest payable annually at 4.96%, secured by school buses | <u>63,687</u>                       | <u>31,113</u>                        |
| Total Capital Lease Obligations                                                                                                                      | <u>\$ 63,687</u>                    | <u>\$ 31,113</u>                     |
| Compensated Absences                                                                                                                                 | <u>\$ 351,724</u>                   | <u>\$ 35,172</u>                     |
| Other post employment benefits                                                                                                                       | <u>250,904</u>                      | <u>-</u>                             |
| Total                                                                                                                                                | <u>\$ 666,315</u>                   | <u>\$ 66,285</u>                     |

Assets acquired under capital leases:

|           | <u>Cost</u>       | <u>Depreciation</u><br><u>Expense</u> | <u>Accumulated</u><br><u>Depreciation</u> |
|-----------|-------------------|---------------------------------------|-------------------------------------------|
| Equipment | \$ 628,880        | \$ 52,407                             | \$ 249,626                                |
| Total     | <u>\$ 628,880</u> | <u>\$ 52,407</u>                      | <u>\$ 249,626</u>                         |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 10—Compensated Absences:

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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>725,485</u> |
| King George Service Authority | \$ <u>85,332</u>  |
| Component Unit School Board   | \$ <u>351,724</u> |

### Note 11—Deferred/Unearned Revenue:

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

|                                                                                                                                                                                                                  | <u>Government-wide Statements</u> |                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|
|                                                                                                                                                                                                                  | <u>Governmental Activities</u>    | <u>Business-Type Activities</u> |
| Deferred property tax revenue:                                                                                                                                                                                   |                                   |                                 |
| Deferred revenue representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.                                                                                 | \$ 6,835,136                      | \$ -                            |
| Prepaid connections                                                                                                                                                                                              | -                                 | 508,423                         |
| Total unearned revenue                                                                                                                                                                                           | \$ <u>6,835,136</u>               | \$ <u>508,423</u>               |
|                                                                                                                                                                                                                  | <u>Balance Sheet</u>              |                                 |
|                                                                                                                                                                                                                  | <u>Governmental Funds</u>         |                                 |
| Deferred property tax revenue:                                                                                                                                                                                   |                                   |                                 |
| Deferred 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. | \$ <u>7,932,020</u>               |                                 |
| Total deferred revenue                                                                                                                                                                                           | \$ <u>7,932,020</u>               |                                 |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### **Note 12–Litigation:**

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At June 30, 2012, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

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

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

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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 credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 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 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 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, 2012 (Continued)

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### Note 13—Defined Benefit Pension Plan:

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

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

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

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

#### B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be and has been assumed by the employer. 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 2012 were 8.06% and 7.09% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,157,671, \$706,283 and \$1,191,593 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010. The contribution rate from July 2009 through March 2010 was 8.81% while the rate was 0.00% for April through June 2010, 3.93% in 2011 and 6.33% in 2012.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### C. Annual Pension Cost:

For fiscal year 2012, the County's annual pension cost of \$666,316 was equal to the County's required and actual contributions.

For fiscal year 2012, the School Board's annual pension cost for the non-professional employees was \$161,394, which was equal to the Board's required and actual contributions.

| <u>Fiscal Year<br/>Ending</u> |    | <u>Annual<br/>Pension<br/>Cost (APC) (1)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> |    | <u>Net<br/>Pension<br/>Obligation</u> |
|-------------------------------|----|----------------------------------------------|----------------------------------------------|----|---------------------------------------|
| County:                       |    |                                              |                                              |    |                                       |
| June 30, 2012                 | \$ | 666,316                                      | 100%                                         | \$ | -                                     |
| June 30, 2011                 |    | 647,124                                      | 100%                                         |    | -                                     |
| June 30, 2010                 |    | 649,665                                      | 100%                                         |    | -                                     |
| School Board:                 |    |                                              |                                              |    |                                       |
| Non-professional:             |    |                                              |                                              |    |                                       |
| June 30, 2012                 | \$ | 161,394                                      | 100%                                         | \$ | -                                     |
| June 30, 2011                 |    | 155,974                                      | 100%                                         |    | -                                     |
| June 30, 2010                 |    | 174,060                                      | 100%                                         |    | -                                     |

(1) Employer portion only

The required FY2012 contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County 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, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 80.16% funded. The actuarial accrued liability for benefits was \$24,700,710, and the actuarial value of assets was \$19,800,798, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,899,912. The covered payroll (annual payroll of active employees covered by the plan) was \$8,019,625, and ratio of the UAAL to the covered payroll was 61.10%.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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#### **D. Funded Status and Funding Progress: (Continued)**

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 83.25% funded. The actuarial accrued liability for benefits was \$5,130,282, and the actuarial value of assets was \$4,270,771, resulting in an unfunded actuarial accrued liability (UAAL) of \$859,511. The covered payroll (annual payroll of active employees covered by the plan) was \$2,169,213, 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:**

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

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

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

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

### **Note 15–Landfill Closure and Postclosure Care Cost:**

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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, 2012 the County has set aside escrow funds in the amount of \$3,980,969 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors 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.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 16–Commitments and Contingencies:

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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:

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At June 30, 2012 expenditures exceeded appropriations as follows:

| <u>Fund</u>                    | <u>Appropriations</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------|-----------------------|---------------|-----------------|
| General Fund:                  |                       |               |                 |
| Recreation programs and events | \$ 376,100            | \$ 419,947    | \$ (43,847)     |
| Miscellaneous                  | 148,984               | 151,996       | (3,012)         |
| Interest and fiscal charges    | 3,242,754             | 3,354,917     | (112,163)       |
| Capital Projects Fund:         |                       |               |                 |
| Interest and fiscal charges    | -                     | 526,461       | (526,461)       |

### Note 18–Surety Bond:

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|                                                    | <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        |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 19—Construction Commitments:

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At June 30, 2012 the County has the following major project under construction:

| <u>Project</u>             | <u>Contract<br/>Amounts</u> | <u>Expenditures<br/>as of<br/>June 30, 2012</u> | <u>Contract<br/>Balance</u> |
|----------------------------|-----------------------------|-------------------------------------------------|-----------------------------|
| King George Sports Stadium | \$ 3,576,628                | \$ 2,152,926                                    | \$ 1,423,702                |
| Smoot Library Expansion    | <u>4,935,082</u>            | <u>3,168,578</u>                                | <u>1,766,504</u>            |
| Total                      | <u>\$ 8,511,710</u>         | <u>\$ 5,321,504</u>                             | <u>\$ 3,190,206</u>         |

### Note 20—Debt Refunding:

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On June 13, 2012 the County of King George, Virginia issued \$28,645,000 in VRA Lease Revenue Refunding Bonds, Series, 2012 with an effective interest rate ranging from 2.125% to 5.125%. The Series 2012 bonds were issued to refund \$30,645,000 of Lease Revenue Bonds. The bonds will be repaid in various installments beginning October 1, 2012 to October 1, 2035. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$2,700,873. The advance refunding reduced the total debt service payments over the next 24 years by \$3,760,466 and resulted in an economic gain of \$2,555,712. At June 30, 2012 the defeased bonds had balances outstanding of \$30,645,000.

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, 2012, \$17,219,450 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, 2012 (Continued)

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### **Note 21—Other Post-Employment Benefit Program:**

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#### **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               | \$ | 107,600               |
| Interest on net OPEB obligation            |    | 7,377                 |
| Adjustment to annual required contribution |    | <u>(9,999)</u>        |
| Annual OPEB cost (expense)                 | \$ | 104,978               |
| Contributions made                         |    | <u>(38,500)</u>       |
| Increase in net OPEB obligation            | \$ | 66,478                |
| Net OPEB obligation-beginning of year      |    | <u>184,426</u>        |
| Net OPEB obligation-end of year            | \$ | <u><u>250,904</u></u> |

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### Note 21—Other Post-Employment Benefit Program: (Continued)

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#### 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<br/>Year<br/>Ended</u> |    | <u>Annual<br/>Pension<br/>Cost</u> |    | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> |    | <u>Net<br/>Pension<br/>Obligation</u> |
|----------------------------------|----|------------------------------------|----|-----------------------------------------------------------|----|---------------------------------------|
| June 30, 2012                    | \$ | 104,978                            | \$ | 36.67%                                                    | \$ | 250,904                               |
| June 30, 2011                    |    | 102,774                            |    | 56.43%                                                    |    | 184,426                               |
| June 30, 2010                    |    | 108,452                            |    | 32.73%                                                    |    | 139,652                               |

#### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011 is as follows:

|                                                   |    |            |
|---------------------------------------------------|----|------------|
| Actuarial accrued liability (AAL)                 | \$ | 824,400    |
| Actuarial value of plan assets                    |    | -          |
| Unfunded actuarial accrued liability              |    | 824,400    |
| Funded ratio (actuarial value of plan assets/AAL) |    | -          |
| Covered payroll (active plan members)             |    | 21,202,100 |
| UAAL as a percentage of covered payroll           |    | 3.89%      |

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.

#### 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, 2012 (Continued)

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### **Note 21—Other Post-Employment Benefit Program: (Continued)**

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#### **C. Annual OPEB Cost and Net OPEB Obligation: (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, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% 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 6.40% initially, reduced by decrements to an ultimate rate of 4.70% after eighty years. Both rates included a 3.75% 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, 2011, was thirty years.

|                | <u>Unfunded</u> |
|----------------|-----------------|
| Discount rate  | \$ 4.00%        |
| Payroll growth | 3.75%           |

The County does not offer other post employment benefits to its employees.

## COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### **Note 22–Health Insurance Credit Program-Other Post-Employment Benefit Program (OPEB):**

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

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

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, 2012, 2011, and 2010 were \$109,732, \$107,830, and \$187,279 respectively and equaled the required contributions for each year.

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2012

| Fund, Function, Activity, Element               | General Fund       |                 |               | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------------|--------------------|-----------------|---------------|---------------------------------------------------------------|
|                                                 | Original<br>Budget | Final<br>Budget | Actual        |                                                               |
| Revenues:                                       |                    |                 |               |                                                               |
| General property taxes                          | \$ 18,206,299      | \$ 18,206,299   | \$ 18,847,313 | \$ 641,014                                                    |
| Other local taxes                               | 5,251,400          | 5,251,400       | 5,953,088     | 701,688                                                       |
| Permits, privilege fees and regulatory licenses | 433,150            | 433,150         | 395,795       | (37,355)                                                      |
| Fines and forfeitures                           | 292,000            | 292,000         | 183,108       | (108,892)                                                     |
| Revenue from use of money and property          | 292,245            | 292,245         | 206,623       | (85,622)                                                      |
| Charges for services                            | 428,597            | 428,597         | 468,606       | 40,009                                                        |
| Miscellaneous                                   | 160,000            | 248,425         | 317,617       | 69,192                                                        |
| Recovered costs                                 | 175,000            | 175,000         | -             | (175,000)                                                     |
| Intergovernmental revenue:                      |                    |                 |               |                                                               |
| Commonwealth                                    | 6,146,145          | 6,625,951       | 6,190,762     | (435,189)                                                     |
| Federal                                         | 953,437            | 1,131,111       | 1,020,986     | (110,125)                                                     |
| Total revenues                                  | \$ 32,338,273      | \$ 33,084,178   | \$ 33,583,898 | \$ 499,720                                                    |
| Expenditures:                                   |                    |                 |               |                                                               |
| General government administration:              |                    |                 |               |                                                               |
| Legislative:                                    |                    |                 |               |                                                               |
| Board of supervisors                            | \$ 67,643          | \$ 70,495       | \$ 70,417     | \$ 78                                                         |
| General and financial administration:           |                    |                 |               |                                                               |
| County administration                           | \$ 394,783         | \$ 399,188      | \$ 385,371    | \$ 13,817                                                     |
| Legal services                                  | 100,809            | 97,511          | 84,765        | 12,746                                                        |
| Human resources                                 | 27,619             | 39,119          | 38,961        | 158                                                           |
| Commissioner of the Revenue                     | 388,139            | 398,312         | 377,539       | 20,773                                                        |
| Treasurer                                       | 302,695            | 310,223         | 293,954       | 16,269                                                        |
| Information technology                          | 231,222            | 254,527         | 238,967       | 15,560                                                        |
| Department of finance                           | 797,887            | 819,361         | 795,813       | 23,548                                                        |
| Total general and financial administration      | \$ 2,243,154       | \$ 2,318,241    | \$ 2,215,370  | \$ 102,871                                                    |
| Board of Elections:                             |                    |                 |               |                                                               |
| Electoral board and officials                   | \$ 52,283          | \$ 55,727       | \$ 53,677     | \$ 2,050                                                      |
| Registrar                                       | 118,779            | 122,250         | 116,522       | 5,728                                                         |
| Total board of elections                        | \$ 171,062         | \$ 177,977      | \$ 170,199    | \$ 7,778                                                      |
| Total general government administration         | \$ 2,481,859       | \$ 2,566,713    | \$ 2,455,986  | \$ 110,727                                                    |

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2012 (Continued)

| Fund, Function, Activity, Element         | General Fund       |                 |              | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------|--------------------|-----------------|--------------|------------------------------------------------------------|
|                                           | Original<br>Budget | Final<br>Budget | Actual       |                                                            |
| Expenditures: (continued)                 |                    |                 |              |                                                            |
| Judicial administration:                  |                    |                 |              |                                                            |
| Courts:                                   |                    |                 |              |                                                            |
| Circuit court                             | \$ 24,900          | \$ 24,900       | \$ 20,446    | \$ 4,454                                                   |
| Combined courts                           | 22,537             | 22,537          | 15,576       | 6,961                                                      |
| Magistrates                               | 3,650              | 3,650           | 2,224        | 1,426                                                      |
| Clerk of the circuit court                | 427,517            | 466,280         | 421,836      | 44,444                                                     |
| Law library                               | 3,500              | 3,500           | -            | 3,500                                                      |
| Victim assistance program                 | 22,838             | 23,651          | 22,441       | 1,210                                                      |
| Total courts                              | \$ 504,942         | \$ 544,518      | \$ 482,523   | \$ 61,995                                                  |
| Commonwealth's attorney:                  |                    |                 |              |                                                            |
| Commonwealth's attorney                   | \$ 532,685         | \$ 548,190      | \$ 542,561   | \$ 5,629                                                   |
| Total judicial administration             | \$ 1,037,627       | \$ 1,092,708    | \$ 1,025,084 | \$ 67,624                                                  |
| Public safety:                            |                    |                 |              |                                                            |
| Law enforcement and traffic control:      |                    |                 |              |                                                            |
| Sheriff                                   | \$ 3,163,104       | \$ 3,260,720    | \$ 3,119,514 | \$ 141,206                                                 |
| VJCCCA / CHINS                            | 55,279             | 56,929          | 36,379       | 20,550                                                     |
| E-911                                     | 588,260            | 602,400         | 557,875      | 44,525                                                     |
| Law enforcement                           | 24,000             | 26,500          | 18,383       | 8,117                                                      |
| Public safety grants                      | 29,342             | 104,705         | 82,602       | 22,103                                                     |
| Total law enforcement and traffic control | \$ 3,859,985       | \$ 4,051,254    | \$ 3,814,753 | \$ 236,501                                                 |
| Fire and rescue services:                 |                    |                 |              |                                                            |
| Emergency services                        | \$ 2,469,355       | \$ 2,432,698    | \$ 2,361,995 | \$ 70,703                                                  |
| Ambulance services                        | 26,480             | 36,080          | 36,060       | 20                                                         |
| Fire and rescue grants                    | 120,820            | 452,089         | 209,742      | 242,347                                                    |
| King George fire and rescue               | 376,211            | 390,950         | 361,647      | 29,303                                                     |
| Total fire and rescue services            | \$ 2,992,866       | \$ 3,311,817    | \$ 2,969,444 | \$ 342,373                                                 |
| Correction and detention:                 |                    |                 |              |                                                            |
| Juvenile detention                        | \$ 188,990         | \$ 188,990      | \$ 186,565   | \$ 2,425                                                   |
| Regional jail                             | 845,166            | 845,166         | 845,166      | -                                                          |
| Court service unit - juvenile court       | 3,179              | 3,179           | 3,179        | -                                                          |
| Total correction and detention            | \$ 1,037,335       | \$ 1,037,335    | \$ 1,034,910 | \$ 2,425                                                   |

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2012 (Continued)

| Fund, Function, Activity, Element                           | General Fund       |                 |              | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------------------------|--------------------|-----------------|--------------|------------------------------------------------------------|
|                                                             | Original<br>Budget | Final<br>Budget | Actual       |                                                            |
| Expenditures: (continued)                                   |                    |                 |              |                                                            |
| Public safety: (continued)                                  |                    |                 |              |                                                            |
| Other protection:                                           |                    |                 |              |                                                            |
| Animal control                                              | \$ 258,432         | \$ 269,416      | \$ 258,191   | \$ 11,225                                                  |
| Medical examiner                                            | -                  | 85              | 80           | 5                                                          |
| Total other protection                                      | \$ 258,432         | \$ 269,501      | \$ 258,271   | \$ 11,230                                                  |
| Total public safety                                         | \$ 8,148,618       | \$ 8,669,907    | \$ 8,077,378 | \$ 592,529                                                 |
| Public works:                                               |                    |                 |              |                                                            |
| Maintenance of highways, streets, bridges and<br>sidewalks: |                    |                 |              |                                                            |
| Engineering                                                 | \$ 106,706         | \$ 110,338      | \$ 95,638    | \$ 14,700                                                  |
| Sanitation and waste removal:                               |                    |                 |              |                                                            |
| Landfill                                                    | \$ 225,134         | \$ 234,820      | \$ 234,648   | \$ 172                                                     |
| Maintenance of general buildings and grounds:               |                    |                 |              |                                                            |
| General properties                                          | \$ 1,068,957       | \$ 1,085,916    | \$ 984,270   | \$ 101,646                                                 |
| Miscellaneous                                               | 70,000             | 148,984         | 151,996      | (3,012)                                                    |
| Citizen's center                                            | 61,300             | 62,775          | 57,498       | 5,277                                                      |
| Total maintenance of general buildings and<br>grounds       | \$ 1,200,257       | \$ 1,297,675    | \$ 1,193,764 | \$ 103,911                                                 |
| Total public works                                          | \$ 1,532,097       | \$ 1,642,833    | \$ 1,524,050 | \$ 118,783                                                 |
| 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                        | \$ 2,120,908       | \$ 2,103,613    | \$ 2,024,823 | \$ 78,790                                                  |
| Comprehensive services                                      | 1,710,435          | 2,297,288       | 2,297,184    | 104                                                        |
| Total welfare                                               | \$ 3,831,343       | \$ 4,400,901    | \$ 4,322,007 | \$ 78,894                                                  |
| Total health and welfare                                    | \$ 4,216,433       | \$ 4,785,991    | \$ 4,707,097 | \$ 78,894                                                  |

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2012 (Continued)

| Fund, Function, Activity, Element           | General Fund       |                 |               | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|---------------------------------------------|--------------------|-----------------|---------------|------------------------------------------------------------|
|                                             | Original<br>Budget | Final<br>Budget | Actual        |                                                            |
| Expenditures: (continued)                   |                    |                 |               |                                                            |
| Education:                                  |                    |                 |               |                                                            |
| Contributions to community colleges         | \$ 4,902           | \$ 4,902        | \$ 4,902      | \$ -                                                       |
| Contribution to Component Unit School Board | 11,720,732         | 12,257,835      | 11,853,614    | 404,221                                                    |
| Total education                             | \$ 11,725,634      | \$ 12,262,737   | \$ 11,858,516 | \$ 404,221                                                 |
| Parks, recreation and cultural:             |                    |                 |               |                                                            |
| Parks and recreation:                       |                    |                 |               |                                                            |
| Parks and recreation administration         | \$ 308,182         | \$ 315,948      | \$ 304,118    | \$ 11,830                                                  |
| Recreation programs and events              | 335,726            | 376,100         | 419,947       | (43,847)                                                   |
| Total parks and recreation                  | \$ 643,908         | \$ 692,048      | \$ 724,065    | \$ (32,017)                                                |
| Library:                                    |                    |                 |               |                                                            |
| Library                                     | \$ 495,041         | \$ 504,231      | \$ 470,596    | \$ 33,635                                                  |
| Total parks, recreation and cultural        | \$ 1,138,949       | \$ 1,196,279    | \$ 1,194,661  | \$ 1,618                                                   |
| Community development:                      |                    |                 |               |                                                            |
| Planning and community development:         |                    |                 |               |                                                            |
| Community development                       | \$ 717,510         | \$ 746,974      | \$ 691,301    | \$ 55,673                                                  |
| Economic development                        | 147,052            | 172,707         | 147,153       | 25,554                                                     |
| Planning / community zoning boards          | 26,739             | 204,235         | 186,506       | 17,729                                                     |
| Community organizations                     | 273,037            | 273,037         | 273,037       | -                                                          |
| Total planning and community development    | \$ 1,164,338       | \$ 1,396,953    | \$ 1,297,997  | \$ 98,956                                                  |
| Environmental management:                   |                    |                 |               |                                                            |
| Litter control                              | \$ 5,350           | \$ 5,350        | \$ 4,262      | \$ 1,088                                                   |
| Soil and water conservation district        | 32,248             | 32,248          | 32,248        | -                                                          |
| Total environmental management              | \$ 37,598          | \$ 37,598       | \$ 36,510     | \$ 1,088                                                   |

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2012 (Continued)

| Fund, Function, Activity, Element                 | General Fund       |                 |                | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|---------------------------------------------------|--------------------|-----------------|----------------|------------------------------------------------------------|
|                                                   | Original<br>Budget | Final<br>Budget | Actual         |                                                            |
| Expenditures: (continued)                         |                    |                 |                |                                                            |
| Community development: (continued)                |                    |                 |                |                                                            |
| Cooperative extension program:                    |                    |                 |                |                                                            |
| VPI extension                                     | \$ 109,079         | \$ 109,079      | \$ 75,693      | \$ 33,386                                                  |
| Total community development                       | \$ 1,311,015       | \$ 1,543,630    | \$ 1,410,200   | \$ 133,430                                                 |
| Debt service:                                     |                    |                 |                |                                                            |
| Principal retirement                              | \$ 2,948,585       | \$ 2,948,585    | \$ 2,712,585   | \$ 236,000                                                 |
| Interest and fiscal charges                       | 3,242,754          | 3,242,754       | 3,354,917      | (112,163)                                                  |
| Total debt service                                | \$ 6,191,339       | \$ 6,191,339    | \$ 6,067,502   | \$ 123,837                                                 |
| Total expenditures                                | \$ 37,783,571      | \$ 39,952,137   | \$ 38,320,474  | \$ 1,631,663                                               |
| Excess (deficiency) of revenues over expenditures | \$ (5,445,298)     | \$ (6,867,959)  | \$ (4,736,576) | \$ 2,131,383                                               |
| Other financing sources (uses):                   |                    |                 |                |                                                            |
| Operating transfers in                            | \$ 5,977,171       | \$ 4,016,506    | \$ 4,016,506   | \$ -                                                       |
| Operating transfers (out)                         | (46,980)           | (89,980)        | (89,980)       | -                                                          |
| Total other financing sources (uses)              | \$ 5,930,191       | \$ 3,926,526    | \$ 3,926,526   | \$ -                                                       |
| Net changes in fund balance                       | \$ 484,893         | \$ (2,941,433)  | \$ (810,050)   | \$ 2,131,383                                               |
| Fund balance at beginning of year                 | (484,893)          | 2,941,433       | 25,336,774     | 22,395,341                                                 |
| Fund balance at end of year                       | \$ -               | \$ -            | \$ 24,526,724  | \$ 24,526,724                                              |

Schedule of Pension and OPEB Funding Progress  
Last Three Fiscal Years

Virginia Retirement System:  
County:

| 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)                            |
| 6/30/2011      | \$ 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%                         |
| 6/30/2009      | 17,647,777                      | 20,356,701                        | 2,708,924                                            | 86.69%                 | 8,113,892              | 33.39%                         |

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

| 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)                            |
| 6/30/2011      | \$ 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%                         |
| 6/30/2009      | 3,715,531                       | 4,234,954                         | 519,423                                              | 87.73%                 | 2,193,292              | 23.68%                         |

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

| 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)                            |
| 1/1/2011       | \$ -                            | \$ 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 Improvements Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Year Ended June 30, 2012

|                                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</u> |
|-------------------------------------------------|----------------------------|-------------------------|---------------------|-----------------------------------------------------------------------|
| Revenues:                                       |                            |                         |                     |                                                                       |
| Revenue from local sources:                     |                            |                         |                     |                                                                       |
| Permits, privilege fees and regulatory licenses | \$ 6,790,000               | \$ 6,790,000            | \$ 6,791,883        | \$ 1,883                                                              |
| Revenue from use of money and property          | 200,000                    | 200,000                 | 169,179             | (30,821)                                                              |
| Miscellaneous                                   | -                          | -                       | 4,171               | 4,171                                                                 |
| Intergovernmental revenue:                      |                            |                         |                     |                                                                       |
| Contribution from the School Board              | -                          | 48,181                  | 48,181              | -                                                                     |
| Federal                                         | -                          | 680,000                 | 236,931             | (443,069)                                                             |
| Total revenues                                  | <u>\$ 6,990,000</u>        | <u>\$ 7,718,181</u>     | <u>\$ 7,250,345</u> | <u>\$ (467,836)</u>                                                   |
| Expenditures:                                   |                            |                         |                     |                                                                       |
| Capital outlay:                                 |                            |                         |                     |                                                                       |
| General government administration:              |                            |                         |                     |                                                                       |
| Equipment additions                             | \$ -                       | \$ 68,504               | \$ 43,864           | \$ 24,640                                                             |
| Total general government administration         | <u>\$ -</u>                | <u>\$ 68,504</u>        | <u>\$ 43,864</u>    | <u>\$ 24,640</u>                                                      |
| Public safety:                                  |                            |                         |                     |                                                                       |
| Equipment acquisition - EMS                     | \$ -                       | \$ 125,170              | \$ 7,298            | \$ 117,872                                                            |
| Equipment acquisition - Sheriff                 | -                          | 98,410                  | 97,110              | 1,300                                                                 |
| Vehicle acquisition - EMS                       | -                          | 417,732                 | 172,545             | 245,187                                                               |
| Total public safety                             | <u>\$ -</u>                | <u>\$ 641,312</u>       | <u>\$ 276,953</u>   | <u>\$ 364,359</u>                                                     |
| Capital projects:                               |                            |                         |                     |                                                                       |
| General government administration:              |                            |                         |                     |                                                                       |
| Construction program                            | \$ 883,234                 | \$ 964,061              | \$ -                | \$ 964,061                                                            |
| Operations and human services center            | -                          | 150,000                 | -                   | 150,000                                                               |
| County complex                                  | -                          | 1,131,258               | 76,893              | 1,054,365                                                             |
| Total general government administration         | <u>\$ 883,234</u>          | <u>\$ 2,245,319</u>     | <u>\$ 76,893</u>    | <u>\$ 2,168,426</u>                                                   |
| Judicial administration:                        |                            |                         |                     |                                                                       |
| Courthouse HVAC project                         | \$ -                       | \$ 87,826               | \$ -                | \$ 87,826                                                             |
| Courthouse improvements                         | -                          | 40,000                  | 34,116              | 5,884                                                                 |
| Total judicial administration                   | <u>\$ -</u>                | <u>\$ 127,826</u>       | <u>\$ 34,116</u>    | <u>\$ 93,710</u>                                                      |
| Public safety:                                  |                            |                         |                     |                                                                       |
| Sheriff's office at county complex              | \$ -                       | \$ 3,126,371            | \$ 2,622,388        | \$ 503,983                                                            |
| Animal pound                                    | -                          | 88,942                  | 812                 | 88,130                                                                |
| Total public safety                             | <u>\$ -</u>                | <u>\$ 3,215,313</u>     | <u>\$ 2,623,200</u> | <u>\$ 592,113</u>                                                     |
| Public works:                                   |                            |                         |                     |                                                                       |
| Purkins corner landfill site                    | \$ -                       | \$ 107,327              | \$ 80,613           | \$ 26,714                                                             |
| Vehicle maintenance facility                    | -                          | 1,291,605               | 19,652              | 1,271,953                                                             |
| Total public works                              | <u>\$ -</u>                | <u>\$ 1,398,932</u>     | <u>\$ 100,265</u>   | <u>\$ 1,298,667</u>                                                   |

## Capital Improvements Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual

Year Ended June 30, 2012 (Continued)

|                                                   | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|---------------------------------------------------|--------------------|-----------------|----------------|------------------------------------------------------------|
| Expenditures: (Continued)                         |                    |                 |                |                                                            |
| Capital projects: (Continued)                     |                    |                 |                |                                                            |
| Education:                                        |                    |                 |                |                                                            |
| Connecting roads high school/middle school        | \$ -               | \$ 25,000       | \$ 159         | \$ 24,841                                                  |
| New high school stadium                           | -                  | 3,770,075       | 2,282,799      | 1,487,276                                                  |
| New high school irrigation well                   | -                  | 1,800           | 1,520          | 280                                                        |
| Old middle school well                            | -                  | 150,000         | 1,858          | 148,142                                                    |
| Roof admin complex                                | -                  | 390,478         | 378,979        | 11,499                                                     |
| Middle school HVAC                                | -                  | 25,000          | -              | 25,000                                                     |
| School board office                               | -                  | 485,278         | 327,033        | 158,245                                                    |
| Potomac elementary school renovations             | -                  | 464,807         | 83,880         | 380,927                                                    |
| Ralph Bunche renovations                          | -                  | 139,512         | 36,165         | 103,347                                                    |
| Total education                                   | \$ -               | \$ 5,451,950    | \$ 3,112,393   | \$ 2,339,557                                               |
| Parks and recreation:                             |                    |                 |                |                                                            |
| Parks and recreation - sealston park              | \$ -               | \$ 834,460      | \$ 33,210      | \$ 801,250                                                 |
| Library expansion                                 | -                  | 5,682,882       | 3,357,404      | 2,325,478                                                  |
| Total parks and recreation                        | \$ -               | \$ 6,517,342    | \$ 3,390,614   | \$ 3,126,728                                               |
| Community development:                            |                    |                 |                |                                                            |
| Citizens center renovations                       | \$ -               | \$ 10,728       | \$ -           | \$ 10,728                                                  |
| Industrial park                                   | -                  | 400,000         | -              | 400,000                                                    |
| Anglewood project                                 | -                  | 762,381         | 243,090        | 519,291                                                    |
| Total community development                       | \$ -               | \$ 1,173,109    | \$ 243,090     | \$ 930,019                                                 |
| Debt service:                                     |                    |                 |                |                                                            |
| Interest and fiscal charges                       | \$ -               | \$ -            | \$ 526,461     | \$ (526,461)                                               |
| Total expenditures                                | \$ 883,234         | \$ 20,839,607   | \$ 10,427,849  | \$ 10,411,758                                              |
| Excess (deficiency) of revenues over expenditures | \$ 6,106,766       | \$ (13,121,426) | \$ (3,177,504) | \$ 9,943,922                                               |
| Other financing sources (uses):                   |                    |                 |                |                                                            |
| Transfers (out)                                   | \$ (6,106,766)     | \$ (4,146,101)  | \$ (4,146,101) | \$ -                                                       |
| Payment to refunded bond escrow agent             | -                  | -               | (33,345,873)   | (33,345,873)                                               |
| Issuance of refunding bonds                       | -                  | -               | 28,645,000     | 28,645,000                                                 |
| Long-term debt issued                             | -                  | -               | 5,000,000      | 5,000,000                                                  |
| Bond premium                                      | -                  | -               | 5,153,199      | 5,153,199                                                  |
| Net changes in fund balance                       | \$ -               | \$ (17,267,527) | \$ (1,871,279) | \$ 15,396,248                                              |
| Fund balance at beginning of year                 | -                  | 17,267,527      | 29,044,031     | 11,776,504                                                 |
| Fund balance at end of year                       | \$ -               | \$ -            | \$ 27,172,752  | \$ 27,172,752                                              |

Combining Statement of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2012

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|                                                         | <b>Special<br/>Welfare<br/>Fund</b> | <b>Payroll<br/>Taxes<br/>Fund</b> | <b>Landfill<br/>Escrow<br/>Fund</b> | <b>EDA<br/>Fund</b> | <b>Totals</b>       |
|---------------------------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|---------------------|---------------------|
| <b>Assets:</b>                                          |                                     |                                   |                                     |                     |                     |
| Cash and cash equivalents                               | \$ 72,158                           | \$ -                              | \$ 3,980,969                        | \$ 87,838           | \$ 4,140,965        |
| Accounts receivable                                     | <u>-</u>                            | <u>19,442</u>                     | <u>-</u>                            | <u>-</u>            | <u>19,442</u>       |
| Total assets                                            | <u>\$ 72,158</u>                    | <u>\$ 19,442</u>                  | <u>\$ 3,980,969</u>                 | <u>\$ 87,838</u>    | <u>\$ 4,160,407</u> |
| <b>Liabilities:</b>                                     |                                     |                                   |                                     |                     |                     |
| Accounts payable                                        | \$ -                                | \$ -                              | \$ -                                | \$ 3,411            | \$ 3,411            |
| Amounts held for others                                 | -                                   | 19,442                            | -                                   | 84,427              | 103,869             |
| Amounts held for landfill closure and postclosure costs | -                                   | -                                 | 3,980,969                           | -                   | 3,980,969           |
| Amounts held for social services' clients               | <u>72,158</u>                       | <u>-</u>                          | <u>-</u>                            | <u>-</u>            | <u>72,158</u>       |
| Total liabilities                                       | <u>\$ 72,158</u>                    | <u>\$ 19,442</u>                  | <u>\$ 3,980,969</u>                 | <u>\$ 87,838</u>    | <u>\$ 4,160,407</u> |

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2012

|                                                         | <b>Balance<br/>Beginning<br/>of Year</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>End of<br/>Year</b> |
|---------------------------------------------------------|------------------------------------------|------------------|------------------|------------------------------------|
| <b>Special Welfare Fund:</b>                            |                                          |                  |                  |                                    |
| <b>Assets:</b>                                          |                                          |                  |                  |                                    |
| Cash and cash equivalents                               | \$ 84,109                                | \$ 33,642        | \$ 45,593        | \$ 72,158                          |
| <b>Liabilities:</b>                                     |                                          |                  |                  |                                    |
| Amounts held for social services' clients               | \$ 84,109                                | \$ 33,642        | \$ 45,593        | \$ 72,158                          |
| <b>Payroll Taxes Fund:</b>                              |                                          |                  |                  |                                    |
| <b>Assets:</b>                                          |                                          |                  |                  |                                    |
| Cash and cash equivalents                               | \$ -                                     | \$ 1,291,207     | \$ 1,291,207     | \$ -                               |
| Accounts receivable                                     | 39,629                                   | 19,442           | 39,629           | 19,442                             |
| Total assets                                            | \$ 39,629                                | \$ 1,310,649     | \$ 1,330,836     | \$ 19,442                          |
| <b>Liabilities:</b>                                     |                                          |                  |                  |                                    |
| Amounts held for others                                 | \$ 39,629                                | \$ 1,310,649     | \$ 1,330,836     | \$ 19,442                          |
| <b>Landfill Escrow Fund:</b>                            |                                          |                  |                  |                                    |
| <b>Assets:</b>                                          |                                          |                  |                  |                                    |
| Cash and cash equivalents                               | \$ 3,986,582                             | \$ -             | \$ 5,613         | \$ 3,980,969                       |
| <b>Liabilities:</b>                                     |                                          |                  |                  |                                    |
| Amounts held for landfill closure and postclosure costs | \$ 3,986,582                             | \$ -             | \$ 5,613         | \$ 3,980,969                       |
| <b>EDA Fund:</b>                                        |                                          |                  |                  |                                    |
| <b>Assets:</b>                                          |                                          |                  |                  |                                    |
| Cash and cash equivalents                               | \$ 537,534                               | \$ 203,912       | \$ 653,608       | \$ 87,838                          |
| <b>Liabilities:</b>                                     |                                          |                  |                  |                                    |
| Accounts payable                                        | \$ 15,416                                | \$ 3,411         | \$ 15,416        | \$ 3,411                           |
| Amounts held for others                                 | 522,118                                  | 200,501          | 638,192          | 84,427                             |
| Total liabilities                                       | \$ 537,534                               | \$ 203,912       | \$ 653,608       | \$ 87,838                          |
| <b>Totals -- All agency funds</b>                       |                                          |                  |                  |                                    |
| <b>Assets:</b>                                          |                                          |                  |                  |                                    |
| Cash and cash equivalents                               | \$ 4,608,225                             | \$ 1,528,761     | \$ 1,996,021     | \$ 4,140,965                       |
| Accounts receivable                                     | 39,629                                   | 19,442           | 39,629           | 19,442                             |
| Total assets                                            | \$ 4,647,854                             | \$ 1,548,203     | \$ 2,035,650     | \$ 4,160,407                       |
| <b>Liabilities:</b>                                     |                                          |                  |                  |                                    |
| Accounts payable                                        | \$ 15,416                                | \$ 3,411         | \$ 15,416        | \$ 3,411                           |
| Amounts held for social services' clients               | 84,109                                   | 33,642           | 45,593           | 72,158                             |
| Amounts held for landfill closure and postclosure costs | 3,986,582                                | -                | 5,613            | 3,980,969                          |
| Amounts held for others                                 | 561,747                                  | 1,511,150        | 1,969,028        | 103,869                            |
| Total liabilities                                       | \$ 4,647,854                             | \$ 1,548,203     | \$ 2,035,650     | \$ 4,160,407                       |

**Discretely Presented Component Unit-School Board**

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Balance Sheet - Discretely Presented Component Unit - School Board  
At June 30, 2012

|                                     | <u>School<br/>Operating</u> | <u>School<br/>Cafeteria</u> | <u>Total</u>        |
|-------------------------------------|-----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                       |                             |                             |                     |
| Cash and cash equivalents           | \$ 2,000                    | \$ 170,622                  | \$ 172,622          |
| Due from primary government         | 2,002,716                   | -                           | 2,002,716           |
| Due from other governmental units   | <u>1,877,957</u>            | <u>29,323</u>               | <u>1,907,280</u>    |
| Total assets                        | \$ <u>3,882,673</u>         | \$ <u>199,945</u>           | \$ <u>4,082,618</u> |
| <b>LIABILITIES</b>                  |                             |                             |                     |
| Accounts payable                    | \$ 236,071                  | \$ 399                      | \$ 236,470          |
| Accrued liabilities                 | <u>3,644,602</u>            | <u>90,087</u>               | <u>3,734,689</u>    |
| Total liabilities                   | \$ <u>3,880,673</u>         | \$ <u>90,486</u>            | \$ <u>3,971,159</u> |
| <b>FUND BALANCES</b>                |                             |                             |                     |
| Committed - cafeteria               | \$ -                        | \$ 109,459                  | \$ 109,459          |
| Unassigned                          | <u>2,000</u>                | <u>-</u>                    | <u>2,000</u>        |
| Total fund balances                 | \$ <u>2,000</u>             | \$ <u>109,459</u>           | \$ <u>111,459</u>   |
| Total liabilities and fund balances | \$ <u>3,882,673</u>         | \$ <u>199,945</u>           | \$ <u>4,082,618</u> |

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

Total fund balances, balance sheet, governmental funds \$ 111,459

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 School Board as a whole.

27,326,731

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 assets.

(666,315)

Net assets of Governmental Activities \$ 26,771,875

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2012

|                                                   | <u>School<br/>Operating</u> | <u>School<br/>Cafeteria</u> | <u>Total</u>             |
|---------------------------------------------------|-----------------------------|-----------------------------|--------------------------|
| Revenues:                                         |                             |                             |                          |
| Revenue from use of money and property            | \$ 11,070                   | \$ -                        | \$ 11,070                |
| Charges for services                              | 44,842                      | 615,606                     | 660,448                  |
| Miscellaneous                                     | 186,941                     | 15,174                      | 202,115                  |
| Intergovernmental revenue:                        |                             |                             |                          |
| County contribution to School Board               | 11,805,433                  | -                           | 11,805,433               |
| Commonwealth                                      | 18,569,579                  | 18,140                      | 18,587,719               |
| Federal                                           | <u>3,224,804</u>            | <u>648,858</u>              | <u>3,873,662</u>         |
| Total revenues                                    | \$ <u>33,842,669</u>        | \$ <u>1,297,778</u>         | \$ <u>35,140,447</u>     |
| Expenditures:                                     |                             |                             |                          |
| Current:                                          |                             |                             |                          |
| Education                                         | \$ 33,698,320               | \$ 1,297,606                | \$ 34,995,926            |
| Debt service:                                     |                             |                             |                          |
| Principal retirement                              | 134,919                     | -                           | 134,919                  |
| Interest and fiscal charges                       | <u>9,430</u>                | <u>-</u>                    | <u>9,430</u>             |
| Total expenditures                                | \$ <u>33,842,669</u>        | \$ <u>1,297,606</u>         | \$ <u>35,140,275</u>     |
| Excess (deficiency) of revenues over expenditures | \$ <u>-</u>                 | \$ <u>172</u>               | \$ <u>172</u>            |
| Net changes in fund balances                      | \$ -                        | \$ 172                      | \$ 172                   |
| Fund balances at beginning of year                | <u>2,000</u>                | <u>109,287</u>              | <u>111,287</u>           |
| Fund balances at end of year                      | \$ <u><u>2,000</u></u>      | \$ <u><u>109,459</u></u>    | \$ <u><u>111,459</u></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, 2012

**Component  
Unit  
School  
Board**

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

Net changes in fund balances - total governmental funds \$ 172

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:

|                      |                    |           |
|----------------------|--------------------|-----------|
| Capital additions    | \$ 350,368         |           |
| Depreciation expense | <u>(1,162,982)</u> | (812,614) |

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:

|                                                |          |
|------------------------------------------------|----------|
| Other post employment benefits                 | (66,478) |
| Principal retired on capital lease obligations | 134,919  |

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. This amount reflects the change in accrued leave.

(67,115)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board

1,564,439

Change in net assets of governmental activities

\$ 753,323

**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, 2012

|                                                   | <b>School Operating Fund</b> |                         |               | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------------|------------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
|                                                   | <b>Original<br/>Budget</b>   | <b>Final<br/>Budget</b> | <b>Actual</b> |                                                                       |
| Revenues:                                         |                              |                         |               |                                                                       |
| Revenue from use of money and property            | \$ 25,000                    | \$ 25,000               | \$ 11,070     | \$ (13,930)                                                           |
| Charges for services                              | 95,000                       | 95,000                  | 44,842        | (50,158)                                                              |
| Miscellaneous                                     | 130,000                      | 192,463                 | 186,941       | (5,522)                                                               |
| Intergovernmental revenue:                        |                              |                         |               |                                                                       |
| County contribution to School Board               | 11,720,733                   | 12,209,655              | 11,805,433    | (404,222)                                                             |
| Commonwealth                                      | 18,440,992                   | 18,444,892              | 18,569,579    | 124,687                                                               |
| Federal                                           | 2,536,420                    | 3,305,852               | 3,224,804     | (81,048)                                                              |
| Total revenues                                    | \$ 32,948,145                | \$ 34,272,862           | \$ 33,842,669 | \$ (430,193)                                                          |
| Expenditures:                                     |                              |                         |               |                                                                       |
| Current:                                          |                              |                         |               |                                                                       |
| Instruction                                       | \$ 24,688,664                | \$ 25,474,135           | \$ 25,257,333 | \$ 216,802                                                            |
| Administration, attendance and health             | 1,063,789                    | 1,063,789               | 932,882       | 130,907                                                               |
| Pupil transportation                              | 2,210,117                    | 2,541,081               | 2,516,592     | 24,489                                                                |
| Operation and maintenance                         | 3,383,215                    | 3,602,709               | 3,556,547     | 46,162                                                                |
| School food service costs                         | -                            | -                       | -             | -                                                                     |
| Facilities                                        | 103,060                      | 150,662                 | 143,307       | 7,355                                                                 |
| Technology                                        | 1,354,951                    | 1,296,137               | 1,291,659     | 4,478                                                                 |
| Total education                                   | \$ 32,803,796                | \$ 34,128,513           | \$ 33,698,320 | \$ 430,193                                                            |
| Debt service:                                     |                              |                         |               |                                                                       |
| Principal retirement                              | 134,919                      | 134,919                 | 134,919       | -                                                                     |
| Interest and fiscal charges                       | 9,430                        | 9,430                   | 9,430         | -                                                                     |
| Total expenditures                                | \$ 32,948,145                | \$ 34,272,862           | \$ 33,842,669 | \$ 430,193                                                            |
| 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                      | \$ -                         | \$ -                    | \$ 2,000      | \$ 2,000                                                              |

Exhibit 18

| School Cafeteria Fund |                 |              |                                                            |
|-----------------------|-----------------|--------------|------------------------------------------------------------|
| Original<br>Budget    | Final<br>Budget | Actual       | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
| \$ -                  | \$ -            | \$ -         | \$ -                                                       |
| 782,364               | 782,364         | 615,606      | (166,758)                                                  |
| 9,000                 | 9,000           | 15,174       | 6,174                                                      |
| -                     | -               | -            | -                                                          |
| 19,400                | 19,400          | 18,140       | (1,260)                                                    |
| 510,000               | 510,000         | 648,858      | 138,858                                                    |
| \$ 1,320,764          | \$ 1,320,764    | \$ 1,297,778 | \$ (22,986)                                                |
| \$ -                  | \$ -            | \$ -         | \$ -                                                       |
| -                     | -               | -            | -                                                          |
| -                     | -               | -            | -                                                          |
| -                     | -               | -            | -                                                          |
| 1,320,764             | 1,320,764       | 1,297,606    | 23,158                                                     |
| -                     | -               | -            | -                                                          |
| -                     | -               | -            | -                                                          |
| \$ 1,320,764          | \$ 1,320,764    | \$ 1,297,606 | \$ 23,158                                                  |
| -                     | -               | -            | -                                                          |
| -                     | -               | -            | -                                                          |
| \$ 1,320,764          | \$ 1,320,764    | \$ 1,297,606 | \$ 23,158                                                  |
| \$ -                  | \$ -            | \$ 172       | \$ 172                                                     |
| \$ -                  | \$ -            | \$ 172       | \$ 172                                                     |
| -                     | -               | 109,287      | 109,287                                                    |
| \$ -                  | \$ -            | \$ 109,459   | \$ 109,459                                                 |

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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, 2012

| <b>Fund, Major and Minor Revenue Source</b>           | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Primary Government:                                   |                            |                         |               |                                                                       |
| General Fund:                                         |                            |                         |               |                                                                       |
| Revenue from local sources:                           |                            |                         |               |                                                                       |
| General property taxes:                               |                            |                         |               |                                                                       |
| Real property taxes                                   | \$ 12,424,392              | \$ 12,424,392           | \$ 13,215,577 | \$ 791,185                                                            |
| Public service taxes                                  | 1,478,139                  | 1,478,139               | 1,302,009     | (176,130)                                                             |
| Personal property taxes                               | 3,796,700                  | 3,796,700               | 3,675,353     | (121,347)                                                             |
| Mobile home taxes                                     | 23,520                     | 23,520                  | 22,592        | (928)                                                                 |
| Machinery and tools taxes                             | 169,148                    | 169,148                 | 282,881       | 113,733                                                               |
| Penalties                                             | 200,400                    | 200,400                 | 224,572       | 24,172                                                                |
| Interest                                              | 114,000                    | 114,000                 | 124,329       | 10,329                                                                |
| Total general property taxes                          | \$ 18,206,299              | \$ 18,206,299           | \$ 18,847,313 | \$ 641,014                                                            |
| Other local taxes:                                    |                            |                         |               |                                                                       |
| Local sales and use taxes                             | \$ 1,344,000               | \$ 1,344,000            | \$ 1,909,760  | \$ 565,760                                                            |
| Consumer utility taxes                                | 240,000                    | 240,000                 | 226,865       | (13,135)                                                              |
| Local consumption tax                                 | 65,000                     | 65,000                  | 66,756        | 1,756                                                                 |
| Business license taxes                                | 1,450,000                  | 1,450,000               | 1,195,950     | (254,050)                                                             |
| Motor vehicle licenses                                | 500,760                    | 500,760                 | 520,137       | 19,377                                                                |
| Bank franchise taxes                                  | 63,000                     | 63,000                  | 83,368        | 20,368                                                                |
| Recordation taxes                                     | 275,000                    | 275,000                 | 232,533       | (42,467)                                                              |
| Local tax from clerk                                  | 67,000                     | 67,000                  | 48,493        | (18,507)                                                              |
| Interest on fines                                     | 2,640                      | 2,640                   | 4,145         | 1,505                                                                 |
| Transient occupancy tax                               | 126,000                    | 126,000                 | 125,562       | (438)                                                                 |
| Meals tax                                             | 768,000                    | 768,000                 | 878,555       | 110,555                                                               |
| Ambulance fees                                        | 350,000                    | 350,000                 | 660,964       | 310,964                                                               |
| Total other local taxes                               | \$ 5,251,400               | \$ 5,251,400            | \$ 5,953,088  | \$ 701,688                                                            |
| Permits, privilege fees and regulatory licenses:      |                            |                         |               |                                                                       |
| Animal licenses                                       | \$ 7,000                   | \$ 7,000                | \$ 5,595      | \$ (1,405)                                                            |
| Building and related permits                          | 155,100                    | 155,100                 | 122,534       | (32,566)                                                              |
| Landfill inspection fees                              | 188,000                    | 188,000                 | 194,308       | 6,308                                                                 |
| Other permits and licenses                            | 83,050                     | 83,050                  | 73,358        | (9,692)                                                               |
| Total permits, privilege fees and regulatory licenses | \$ 433,150                 | \$ 433,150              | \$ 395,795    | \$ (37,355)                                                           |
| Fines and Forfeitures:                                |                            |                         |               |                                                                       |
| Court and other fines and forfeitures                 | \$ 292,000                 | \$ 292,000              | \$ 183,108    | \$ (108,892)                                                          |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Primary Government: (Continued)              |                            |                         |               |                                                                       |
| General Fund: (Continued)                    |                            |                         |               |                                                                       |
| Revenue from local sources: (Continued)      |                            |                         |               |                                                                       |
| Revenue from use of money and property:      |                            |                         |               |                                                                       |
| Revenue from use of money                    | \$ 233,195                 | \$ 233,195              | \$ 145,888    | \$ (87,307)                                                           |
| Revenue from use of property                 | 59,050                     | 59,050                  | 60,735        | 1,685                                                                 |
| Total revenue from use of money and property | \$ 292,245                 | \$ 292,245              | \$ 206,623    | \$ (85,622)                                                           |
| Charges for services:                        |                            |                         |               |                                                                       |
| Sheriff's fees                               | \$ 921                     | \$ 921                  | \$ 921        | \$ -                                                                  |
| Law library fees                             | 3,500                      | 3,500                   | 4,361         | 861                                                                   |
| Local court appointed attorney fees          | 2,200                      | 2,200                   | 3,255         | 1,055                                                                 |
| Courthouse maintenance fees                  | 20,000                     | 20,000                  | 24,115        | 4,115                                                                 |
| Commonwealth attorney fees                   | 1,250                      | 1,250                   | 3,648         | 2,398                                                                 |
| Courthouse security personnel fee            | 61,200                     | 61,200                  | 40,200        | (21,000)                                                              |
| Jail admission fee                           | 3,300                      | 3,300                   | 3,422         | 122                                                                   |
| Charges for parks and recreation             | 335,726                    | 335,726                 | 387,063       | 51,337                                                                |
| Charges for maps / publications              | 500                        | 500                     | 388           | (112)                                                                 |
| Other charges for services                   | -                          | -                       | 1,233         | 1,233                                                                 |
| Total charges for services                   | \$ 428,597                 | \$ 428,597              | \$ 468,606    | \$ 40,009                                                             |
| Miscellaneous revenue:                       |                            |                         |               |                                                                       |
| Miscellaneous                                | \$ 150,000                 | \$ 183,425              | \$ 136,959    | \$ (46,466)                                                           |
| Wireless board                               | -                          | -                       | 78,288        | 78,288                                                                |
| Insurance recoveries                         | 10,000                     | 65,000                  | 102,370       | 37,370                                                                |
| Total miscellaneous revenue                  | \$ 160,000                 | \$ 248,425              | \$ 317,617    | \$ 69,192                                                             |
| Recovered costs:                             |                            |                         |               |                                                                       |
| Service authority cost allocation            | \$ 175,000                 | \$ 175,000              | \$ -          | \$ (175,000)                                                          |
| Total revenue from local sources             | \$ 25,238,691              | \$ 25,327,116           | \$ 26,372,150 | \$ 1,045,034                                                          |

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b> | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Primary Government: (Continued)             |                            |                         |               |                                                                       |
| General Fund: (Continued)                   |                            |                         |               |                                                                       |
| Intergovernmental revenue:                  |                            |                         |               |                                                                       |
| Revenue from the Commonwealth:              |                            |                         |               |                                                                       |
| Noncategorical aid:                         |                            |                         |               |                                                                       |
| Rolling stock tax                           | \$ 3,000                   | \$ 3,000                | \$ 3,229      | \$ 229                                                                |
| Mobile home titling taxes                   | 13,000                     | 13,000                  | 4,113         | (8,887)                                                               |
| Recordation tax                             | 90,000                     | 90,000                  | 91,225        | 1,225                                                                 |
| Auto rental tax                             | 25,000                     | 25,000                  | 35,528        | 10,528                                                                |
| Communication tax                           | 400,000                    | 400,000                 | 394,920       | (5,080)                                                               |
| PPTRA                                       | 2,147,868                  | 2,147,868               | 2,147,868     | -                                                                     |
| Total noncategorical aid                    | \$ 2,678,868               | \$ 2,678,868            | \$ 2,676,883  | \$ (1,985)                                                            |
| Categorical aid:                            |                            |                         |               |                                                                       |
| Shared expenses:                            |                            |                         |               |                                                                       |
| Commonwealth's attorney                     | \$ 259,179                 | \$ 259,179              | \$ 245,931    | \$ (13,248)                                                           |
| Sheriff                                     | 927,324                    | 927,324                 | 887,596       | (39,728)                                                              |
| Commissioner of the Revenue                 | 107,378                    | 107,378                 | 106,489       | (889)                                                                 |
| Treasurer                                   | 82,156                     | 82,156                  | 80,111        | (2,045)                                                               |
| Registrar/electoral board                   | 38,900                     | 38,900                  | 42,314        | 3,414                                                                 |
| Clerk of the Circuit Court                  | 203,431                    | 203,431                 | 197,821       | (5,610)                                                               |
| Total shared expenses                       | \$ 1,618,368               | \$ 1,618,368            | \$ 1,560,262  | \$ (58,106)                                                           |
| Other categorical aid:                      |                            |                         |               |                                                                       |
| Welfare administration and assistance       | \$ 526,037                 | \$ 526,037              | \$ 410,884    | \$ (115,153)                                                          |
| Litter control                              | 5,350                      | 5,350                   | 5,383         | 33                                                                    |
| Four for life funds                         | 25,000                     | 25,000                  | 24,179        | (821)                                                                 |
| Comprehensive services                      | 1,030,430                  | 1,392,680               | 1,204,855     | (187,825)                                                             |
| VJCCCA grant                                | 15,258                     | 15,258                  | 14,409        | (849)                                                                 |
| Fire programs                               | 48,000                     | 48,000                  | 63,045        | 15,045                                                                |

## Governmental Funds and Discretely Presented Component Unit - School Board

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>           | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Primary Government: (Continued)                       |                            |                         |               |                                                                       |
| General Fund: (Continued)                             |                            |                         |               |                                                                       |
| Revenue from the Commonwealth: (Continued)            |                            |                         |               |                                                                       |
| Other categorical aid: (Continued)                    |                            |                         |               |                                                                       |
| DCJS - Victim witness assistance grant                | \$ 19,896                  | \$ 19,896               | \$ 19,674     | \$ (222)                                                              |
| Library grant                                         | 88,938                     | 116,235                 | 110,692       | (5,543)                                                               |
| RAOOY my life grant                                   | -                          | 71,250                  | 66,302        | (4,948)                                                               |
| Technology trust funds                                | 30,000                     | 30,000                  | 16,105        | (13,895)                                                              |
| Other categorical aid                                 | 60,000                     | 79,009                  | 18,089        | (60,920)                                                              |
| Total other categorical aid                           | \$ 1,848,909               | \$ 2,328,715            | \$ 1,953,617  | \$ (375,098)                                                          |
| Total categorical aid                                 | \$ 3,467,277               | \$ 3,947,083            | \$ 3,513,879  | \$ (433,204)                                                          |
| Total revenue from the Commonwealth                   | \$ 6,146,145               | \$ 6,625,951            | \$ 6,190,762  | \$ (435,189)                                                          |
| Revenue from the federal government:                  |                            |                         |               |                                                                       |
| Categorical aid:                                      |                            |                         |               |                                                                       |
| Welfare administration and assistance                 | \$ 929,174                 | \$ 929,174              | \$ 894,513    | \$ (34,661)                                                           |
| Department of homeland security grant                 | -                          | 18,000                  | 38,648        | 20,648                                                                |
| FEMA grant                                            | -                          | 25,010                  | 14,250        | (10,760)                                                              |
| Hazardous materials grant                             | -                          | 24,000                  | 20,000        | (4,000)                                                               |
| Law enforcement grants                                | 11,443                     | 122,107                 | 53,575        | (68,532)                                                              |
| Other categorical aid                                 | 12,820                     | 12,820                  | -             | (12,820)                                                              |
| Total revenue from the federal government             | \$ 953,437                 | \$ 1,131,111            | \$ 1,020,986  | \$ (110,125)                                                          |
| Total General Fund                                    | \$ 32,338,273              | \$ 33,084,178           | \$ 33,583,898 | \$ 499,720                                                            |
| Capital Improvements Fund:                            |                            |                         |               |                                                                       |
| Revenue from local sources:                           |                            |                         |               |                                                                       |
| Permits, privilege fees and regulatory licenses:      |                            |                         |               |                                                                       |
| Landfill host fees                                    | \$ 6,400,000               | \$ 6,400,000            | \$ 6,498,630  | \$ 98,630                                                             |
| Landfill fees - beneficial use                        | 240,000                    | 240,000                 | 141,221       | (98,779)                                                              |
| Power plant revenue                                   | 150,000                    | 150,000                 | 152,032       | 2,032                                                                 |
| Total permits, privilege fees and regulatory licenses | \$ 6,790,000               | \$ 6,790,000            | \$ 6,791,883  | \$ 1,883                                                              |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Primary Government: (Continued)              |                            |                         |               |                                                                       |
| Capital Improvements Fund: (Continued)       |                            |                         |               |                                                                       |
| Revenue from local sources: (Continued)      |                            |                         |               |                                                                       |
| Revenue from use of money and property:      |                            |                         |               |                                                                       |
| Revenue from use of money                    | \$ 200,000                 | \$ 200,000              | \$ 169,179    | \$ (30,821)                                                           |
| Miscellaneous revenue:                       |                            |                         |               |                                                                       |
| Miscellaneous                                | \$ -                       | \$ -                    | \$ 4,171      | \$ 4,171                                                              |
| Total miscellaneous revenue                  | \$ -                       | \$ -                    | \$ 4,171      | \$ 4,171                                                              |
| Total revenue from local sources             | \$ 6,990,000               | \$ 6,990,000            | \$ 6,965,233  | \$ (24,767)                                                           |
| Intergovernmental revenue:                   |                            |                         |               |                                                                       |
| Contribution from the School Board           | \$ -                       | \$ 48,181               | \$ 48,181     | \$ -                                                                  |
| Revenue from the federal government:         |                            |                         |               |                                                                       |
| Categorical aid:                             |                            |                         |               |                                                                       |
| QSCB interest subsidy                        | \$ -                       | \$ -                    | \$ 97,986     | \$ 97,986                                                             |
| Community development block grant            | -                          | 680,000                 | 138,945       | (541,055)                                                             |
| Total revenue from the federal government    | \$ -                       | \$ 680,000              | \$ 236,931    | \$ (443,069)                                                          |
| Total Capital Improvements Fund              | \$ 6,990,000               | \$ 7,718,181            | \$ 7,250,345  | \$ (467,836)                                                          |
| Permanent Fund:                              |                            |                         |               |                                                                       |
| Revenue from use of money and property:      |                            |                         |               |                                                                       |
| Revenue from use of money                    | \$ -                       | \$ -                    | \$ 30,750     | \$ 30,750                                                             |
| Wireless Authority Fund:                     |                            |                         |               |                                                                       |
| Revenue from use of money and property:      |                            |                         |               |                                                                       |
| Revenue from use of money                    | \$ -                       | \$ -                    | \$ 373        | \$ 373                                                                |
| Grand Total Revenues -- Primary Government   | \$ 39,328,273              | \$ 40,802,359           | \$ 40,865,366 | \$ 63,007                                                             |
| Component Unit -- School Board:              |                            |                         |               |                                                                       |
| Special Revenue Funds:                       |                            |                         |               |                                                                       |
| School Operating Fund:                       |                            |                         |               |                                                                       |
| Revenue from local sources:                  |                            |                         |               |                                                                       |
| Revenue from use of money and property:      |                            |                         |               |                                                                       |
| Revenue from use of property                 | \$ 25,000                  | \$ 25,000               | \$ 11,070     | \$ (13,930)                                                           |
| Total revenue from use of money and property | \$ 25,000                  | \$ 25,000               | \$ 11,070     | \$ (13,930)                                                           |
| Charges for services:                        |                            |                         |               |                                                                       |
| Charges for education                        | \$ 95,000                  | \$ 95,000               | \$ 44,842     | \$ (50,158)                                                           |
| Total charges for services                   | \$ 95,000                  | \$ 95,000               | \$ 44,842     | \$ (50,158)                                                           |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b> | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Component Unit -- School Board: (Continued) |                            |                         |               |                                                                       |
| Special Revenue Funds: (Continued)          |                            |                         |               |                                                                       |
| School Operating Fund: (Continued)          |                            |                         |               |                                                                       |
| Revenue from local sources: (Continued)     |                            |                         |               |                                                                       |
| Miscellaneous revenue:                      |                            |                         |               |                                                                       |
| Miscellaneous                               | \$ 100,000                 | \$ 104,605              | \$ 103,677    | \$ (928)                                                              |
| Other reimbursements and recoveries         | 30,000                     | 87,858                  | 83,264        | (4,594)                                                               |
| Total miscellaneous revenue                 | \$ 130,000                 | \$ 192,463              | \$ 186,941    | \$ (5,522)                                                            |
| Total revenue from local sources            | \$ 250,000                 | \$ 312,463              | \$ 242,853    | \$ (69,610)                                                           |
| Intergovernmental revenue:                  |                            |                         |               |                                                                       |
| County contribution to School Board         | \$ 11,720,733              | \$ 12,209,655           | \$ 11,805,433 | \$ (404,222)                                                          |
| Revenue from the Commonwealth:              |                            |                         |               |                                                                       |
| Categorical aid:                            |                            |                         |               |                                                                       |
| Share of state sales tax                    | \$ 3,691,776               | \$ 3,691,776            | \$ 4,116,393  | \$ 424,617                                                            |
| Basic school aid                            | 11,055,670                 | 11,055,670              | 10,784,926    | (270,744)                                                             |
| Remedial education                          | 170,306                    | 170,306                 | 159,860       | (10,446)                                                              |
| Vocational education SOQ                    | 124,552                    | 124,552                 | 122,121       | (2,431)                                                               |
| Special education                           | 1,176,888                  | 1,176,888               | 1,153,923     | (22,965)                                                              |
| Fringe benefits                             | 1,199,766                  | 1,199,766               | 1,176,353     | (23,413)                                                              |
| Technology grant                            | 180,000                    | 180,000                 | 180,000       | -                                                                     |
| Gifted education                            | 114,384                    | 114,384                 | 112,152       | (2,232)                                                               |
| School construction                         | -                          | -                       | 323,049       | 323,049                                                               |
| Other state funds                           | 727,650                    | 731,550                 | 440,802       | (290,748)                                                             |
| Total categorical aid                       | \$ 18,440,992              | \$ 18,444,892           | \$ 18,569,579 | \$ 124,687                                                            |
| Total revenue from the Commonwealth         | \$ 18,440,992              | \$ 18,444,892           | \$ 18,569,579 | \$ 124,687                                                            |
| Revenue from the federal government:        |                            |                         |               |                                                                       |
| Categorical aid:                            |                            |                         |               |                                                                       |
| Title I                                     | \$ 376,523                 | \$ 618,905              | \$ 525,561    | \$ (93,344)                                                           |
| ARRA - Title I                              | 358,344                    | 392,437                 | 34,092        | (358,345)                                                             |
| ARRA - Title I school improvement           | -                          | -                       | 358,334       | 358,334                                                               |
| Title VI - B                                | 785,267                    | 1,138,216               | 1,034,409     | (103,807)                                                             |
| ARRA - Title VI - B                         | -                          | 11,734                  | 11,733        | (1)                                                                   |
| ARRA - Jobs fund                            | 817,727                    | 830,141                 | 830,142       | 1                                                                     |
| Title II - A                                | 113,526                    | 119,388                 | 116,432       | (2,956)                                                               |
| Other federal assistance                    | 85,033                     | 195,031                 | 314,101       | 119,070                                                               |
| Total categorical aid                       | \$ 2,536,420               | \$ 3,305,852            | \$ 3,224,804  | \$ (81,048)                                                           |
| Total revenue from the federal government   | \$ 2,536,420               | \$ 3,305,852            | \$ 3,224,804  | \$ (81,048)                                                           |
| Total School Operating Fund                 | \$ 32,948,145              | \$ 34,272,862           | \$ 33,842,669 | \$ (430,193)                                                          |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| Component Unit -- School Board: (Continued)       |                            |                         |               |                                                                       |
| Special Revenue Funds: (Continued)                |                            |                         |               |                                                                       |
| School Cafeteria Fund:                            |                            |                         |               |                                                                       |
| Revenue from local sources:                       |                            |                         |               |                                                                       |
| Charges for services:                             |                            |                         |               |                                                                       |
| Cafeteria sales                                   | \$ 782,364                 | \$ 782,364              | \$ 615,606    | \$ (166,758)                                                          |
| Miscellaneous revenue:                            |                            |                         |               |                                                                       |
| Miscellaneous                                     | \$ 9,000                   | \$ 9,000                | \$ 15,174     | \$ 6,174                                                              |
| Revenue from the Commonwealth:                    |                            |                         |               |                                                                       |
| Categorical aid:                                  |                            |                         |               |                                                                       |
| School food                                       | \$ 19,400                  | \$ 19,400               | \$ 18,140     | \$ (1,260)                                                            |
| Revenue from the federal government:              |                            |                         |               |                                                                       |
| Categorical aid:                                  |                            |                         |               |                                                                       |
| School food                                       | \$ 510,000                 | \$ 510,000              | \$ 648,858    | \$ 138,858                                                            |
| Total School Cafeteria Fund                       | \$ 1,320,764               | \$ 1,320,764            | \$ 1,297,778  | \$ (22,986)                                                           |
| Grand Total Revenues--Component Unit-School Board | \$ 34,268,909              | \$ 35,593,626           | \$ 35,140,447 | \$ (453,179)                                                          |

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# COUNTY OF KING GEORGE, VIRGINIA

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**COUNTY OF KING GEORGE, VIRGINIA**

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

|                                                 | <u>2003</u>          | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities:                        |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 1,731,053         | \$ 3,327,685         | \$ 8,164,881         | \$ 10,144,772        | \$ 14,446,035        |
| Restricted                                      | 8,336,059            | 19,676,870           | 1,090,604            | 1,095,309            | 1,113,229            |
| Unrestricted                                    | <u>12,648,884</u>    | <u>13,502,050</u>    | <u>34,789,461</u>    | <u>34,535,361</u>    | <u>34,057,246</u>    |
| Total governmental activities net assets        | <u>\$ 22,715,996</u> | <u>\$ 36,506,605</u> | <u>\$ 44,044,946</u> | <u>\$ 45,775,442</u> | <u>\$ 49,616,510</u> |
| Business-type activities:                       |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 5,505,139         | \$ 9,507,244         | \$ 10,843,832        | \$ 11,307,604        | \$ 16,032,120        |
| Unrestricted                                    | <u>1,063,433</u>     | <u>(851,067)</u>     | <u>(495,069)</u>     | <u>1,424,196</u>     | <u>1,047,467</u>     |
| Total business-type net assets                  | <u>\$ 6,568,572</u>  | <u>\$ 8,656,177</u>  | <u>\$ 10,348,763</u> | <u>\$ 12,731,800</u> | <u>\$ 17,079,587</u> |
| Primary government:                             |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 7,236,192         | \$ 12,834,929        | \$ 19,008,713        | \$ 21,452,376        | \$ 30,478,155        |
| Restricted                                      | 8,336,059            | 19,676,870           | 1,090,604            | 1,095,309            | 1,113,229            |
| Unrestricted                                    | <u>13,712,317</u>    | <u>12,650,983</u>    | <u>34,294,392</u>    | <u>35,959,557</u>    | <u>35,104,713</u>    |
| Total primary government net assets             | <u>\$ 29,284,568</u> | <u>\$ 45,162,782</u> | <u>\$ 54,393,709</u> | <u>\$ 58,507,242</u> | <u>\$ 66,696,097</u> |

Table 1

|    | 2008              | 2009              | 2010              | 2011              | 2012              |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 14,166,206        | \$ 13,355,755     | \$ 12,019,419     | \$ 14,637,383     | \$ 16,779,466     |
|    | 3,335,777         | 3,354,693         | 3,350,043         | 3,789,880         | 3,565,698         |
|    | <u>35,118,549</u> | <u>38,353,717</u> | <u>42,461,130</u> | <u>38,269,130</u> | <u>37,759,750</u> |
| \$ | <u>52,620,532</u> | <u>55,064,165</u> | <u>57,830,592</u> | <u>56,696,393</u> | <u>58,104,914</u> |
|    |                   |                   |                   |                   |                   |
| \$ | 16,422,476        | \$ 16,166,998     | \$ 14,228,621     | \$ 12,286,312     | \$ 12,899,785     |
|    | 809,229           | 835,327           | 2,084,383         | 3,344,086         | 2,165,953         |
| \$ | <u>17,231,705</u> | <u>17,002,325</u> | <u>16,313,004</u> | <u>15,630,398</u> | <u>15,065,738</u> |
|    |                   |                   |                   |                   |                   |
| \$ | 30,588,682        | \$ 29,522,753     | \$ 26,248,040     | \$ 26,923,695     | \$ 29,679,251     |
|    | 3,335,777         | 3,354,693         | 3,350,043         | 3,789,880         | 3,565,698         |
|    | <u>35,927,778</u> | <u>39,189,044</u> | <u>44,545,513</u> | <u>41,613,216</u> | <u>39,925,703</u> |
| \$ | <u>69,852,237</u> | <u>72,066,490</u> | <u>74,143,596</u> | <u>72,326,791</u> | <u>73,170,652</u> |

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

|                                                 | 2003            | 2004           | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            |
|-------------------------------------------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Expenses:</b>                                |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities:                        |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| General government administration               | \$ 1,670,290    | \$ 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    |
| Judicial administration                         | 525,825         | 677,795        | 690,419         | 822,200         | 1,029,314       | 759,823         | 1,140,286       | 1,100,016       | 1,031,293       | 1,052,619       |
| Public safety                                   | 3,915,821       | 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       |
| Public works                                    | 1,686,464       | 640,060        | 829,157         | 817,142         | 2,473,860       | 1,518,581       | 1,328,152       | 1,238,734       | 1,348,751       | 1,550,883       |
| Health and welfare                              | 2,081,684       | 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       |
| Education                                       | 22,783,569      | 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      |
| Parks, recreation, and cultural                 | 954,301         | 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       |
| Community development                           | 865,855         | 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       |
| Capital outlays                                 | 150,747         | -              | -               | -               | -               | -               | -               | -               | -               | -               |
| Interest and other fiscal charges               | 753,898         | 1,178,484      | 1,991,875       | 2,159,093       | 2,727,195       | 2,918,611       | 3,329,074       | 3,541,420       | 3,431,545       | 2,957,662       |
| Total governmental activities expenses          | \$ 35,388,454   | \$ 17,887,429  | \$ 25,533,984   | \$ 35,771,933   | \$ 35,320,670   | \$ 40,459,317   | \$ 37,171,539   | \$ 36,654,001   | \$ 40,028,164   | \$ 39,253,743   |
| Business-type activities:                       |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Water and sewer                                 | 2,282,953       | 2,687,122      | 2,741,913       | 3,139,797       | 4,696,891       | 5,238,869       | 5,091,165       | 5,012,413       | 4,964,308       | 5,235,841       |
| Total primary government expenses               | \$ 37,671,407   | \$ 20,574,551  | \$ 28,275,897   | \$ 38,911,730   | \$ 40,017,561   | \$ 45,698,186   | \$ 42,262,704   | \$ 41,666,414   | \$ 44,992,472   | \$ 44,489,584   |
| <b>Program revenues:</b>                        |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities:                        |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services:                           |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Judicial administration                         | \$ 205,779      | \$ 237,879     | \$ 334,301      | \$ 390,426      | \$ 321,648      | \$ 258,458      | \$ 274,113      | \$ 291,302      | \$ 275,441      | \$ 218,487      |
| Public safety                                   | 308,009         | 397,896        | 444,281         | 468,579         | 399,206         | 302,013         | 74,689          | 77,782          | 63,301          | 51,371          |
| Public works                                    | 7,568,193       | 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       |
| Parks, recreation, and cultural                 | 153,859         | 186,397        | 206,766         | 304,635         | 329,970         | 364,795         | 326,969         | 355,557         | 412,729         | 387,063         |
| Community development                           | 77,859          | 166,228        | 177,588         | 203,819         | 305,066         | 90,253          | 100,864         | 94,038          | 81,273          | 73,746          |
| Operating grants and contributions:             |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| General government administration               | 205,563         | 201,783        | 221,922         | 224,212         | 266,564         | 296,199         | 272,914         | 260,936         | 286,613         | 228,914         |
| Judicial administration                         | 294,437         | 432,244        | 434,475         | 528,744         | 611,895         | 551,648         | 514,220         | 491,009         | 467,991         | 459,857         |
| Public safety                                   | 1,006,160       | 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       |
| Public works                                    | 1,840           | 4,495          | 4,375           | 6,568           | -               | -               | -               | -               | -               | -               |
| Health and welfare                              | 1,362,179       | 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       |
| Education                                       | 170,027         | -              | -               | -               | -               | -               | -               | -               | -               | 97,986          |
| Parks, recreation, and cultural                 | 59,878          | 80,051         | 68,120          | 75,624          | 103,747         | 96,339          | 107,412         | 104,949         | 96,862          | 110,692         |
| Community development                           | 15,815          | 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         |
| Total governmental activities program revenues  | \$ 11,429,598   | \$ 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   |
| Business-type activities:                       |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services:                           |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Water and sewer                                 | \$ 1,657,299    | \$ 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    |
| Operating grants and contributions              | -               | -              | -               | -               | 12,093          | 10,650          | -               | -               | -               | -               |
| Capital grants and contributions                | 1,790,706       | 1,328,038      | 63,290          | -               | 3,286,792       | -               | 1,340,934       | -               | -               | -               |
| Total business-type activities program revenues | \$ 3,448,005    | \$ 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    |
| Total primary government program revenues       | \$ 14,877,603   | \$ 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   |
| Net (expense) / revenue                         |                 |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                         | \$ (23,958,856) | \$ (6,404,461) | \$ (13,166,345) | \$ (22,014,828) | \$ (22,641,869) | \$ (26,762,832) | \$ (25,020,710) | \$ (23,907,671) | \$ (28,157,988) | \$ (26,642,555) |
| Business-type activities                        | 1,165,052       | 1,188,610      | (728,180)       | (508,353)       | 1,710,806       | (1,975,383)     | (1,231,554)     | (1,351,387)     | (1,268,862)     | (1,022,865)     |
| Total primary government net expense            | \$ (22,793,804) | \$ (5,215,851) | \$ (13,894,525) | \$ (22,523,181) | \$ (20,931,063) | \$ (28,738,215) | \$ (26,252,264) | \$ (25,259,058) | \$ (29,426,850) | \$ (27,665,420) |

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

|                                                              | 2003           | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011           | 2012          |
|--------------------------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| <b>General Revenues and Other Changes in Net Assets</b>      |                |               |               |               |               |               |               |               |                |               |
| Governmental activities:                                     |                |               |               |               |               |               |               |               |                |               |
| General property taxes                                       | \$ 11,685,962  | \$ 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 |
| Local sales and use taxes                                    | 947,874        | 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     |
| Communication sales taxes                                    | -              | -             | -             | -             | -             | 450,124       | 403,435       | -             | -              | -             |
| Consumer utility taxes                                       | 306,359        | 324,936       | 334,509       | 372,235       | 301,276       | 229,585       | 238,428       | 245,177       | 246,993        | 226,865       |
| Business license taxes                                       | 881,947        | 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     |
| Motor vehicle licenses                                       | 395,760        | 426,854       | 456,906       | 483,352       | 446,312       | 493,466       | 522,202       | 509,925       | 552,436        | 520,137       |
| Recordation taxes                                            | 173,998        | 241,285       | 485,706       | 741,770       | 607,113       | 434,099       | 290,079       | 275,511       | 231,589        | 232,533       |
| Meals tax                                                    | 457,174        | 520,961       | 640,118       | 635,687       | 674,535       | 702,153       | 752,391       | 769,662       | 793,459        | 878,555       |
| E-911 taxes                                                  | 219,806        | 223,770       | 227,575       | 230,387       | 200,141       | -             | -             | -             | -              | -             |
| Ambulance fees                                               | -              | -             | -             | -             | -             | -             | 490,866       | 518,275       | 454,554        | 660,964       |
| Other local taxes                                            | 246,301        | 336,802       | 416,180       | 450,673       | 522,896       | 575,123       | 324,239       | 335,476       | 348,366        | 328,324       |
| Grants and contributions not restricted to specific programs | 1,957,494      | 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     |
| Unrestricted revenues from use of money and property         | 626,202        | 399,015       | 1,341,213     | 2,653,602     | 3,980,793     | 3,160,698     | 1,515,653     | 802,389       | 469,926        | 406,925       |
| Miscellaneous                                                | 126,611        | 860,599       | 390,189       | 427,254       | 557,181       | 2,470,865     | 899,705       | 405,413       | 202,740        | 321,788       |
| Transfers                                                    | -              | (706,477)     | (1,678,298)   | (1,699,783)   | (1,108,173)   | (569,857)     | (455,885)     | (365,507)     | (328,214)      | (172,595)     |
| Total governmental activities                                | \$ 18,025,488  | \$ 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 |
| 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      |
| Miscellaneous                                                | -              | 361,451       | 574,623       | 1,211,493     | 1,318,584     | 1,424,469     | 525,385       | 285,501       | 253,974        | 283,305       |
| Transfers                                                    | -              | 706,477       | 1,678,298     | 1,699,783     | 1,108,173     | 569,857       | 455,885       | 365,507       | 328,214        | 172,595       |
| 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    |
| Total primary government                                     | \$ 18,025,488  | \$ 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 |
| <b>Change in Net Assets</b>                                  |                |               |               |               |               |               |               |               |                |               |
| Governmental activities                                      | \$ (5,933,368) | \$ 13,103,631 | \$ 7,538,342  | \$ 1,730,496  | \$ 3,841,068  | \$ 3,004,022  | \$ 2,443,633  | \$ 2,766,427  | \$ (1,134,199) | \$ 1,408,521  |
| Business-type activities                                     | 1,165,052      | 2,355,969     | 1,691,686     | 2,514,902     | 4,347,787     | 152,118       | (229,380)     | (689,321)     | (682,606)      | (564,660)     |
| Total primary government                                     | \$ (4,768,316) | \$ 15,459,600 | \$ 9,230,028  | \$ 4,245,398  | \$ 8,188,855  | \$ 3,156,140  | \$ 2,214,253  | \$ 2,077,106  | \$ (1,816,805) | \$ 843,861    |

**COUNTY OF KING GEORGE, VIRGINIA**

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

|                                            | <u>2003</u>          | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund                               |                      |                      |                      |                      |                      |
| Reserved                                   | \$ 1,381,447         | \$ 1,703,385         | \$ 1,450,717         | \$ 1,261,813         | \$ 1,113,229         |
| Unreserved                                 | 12,532,709           | 13,755,238           | 19,059,078           | 17,619,894           | 18,312,583           |
| Restricted                                 | -                    | -                    | -                    | -                    | -                    |
| Committed                                  | -                    | -                    | -                    | -                    | -                    |
| Assigned                                   | -                    | -                    | -                    | -                    | -                    |
| Unassigned                                 | -                    | -                    | -                    | -                    | -                    |
| Total General Fund                         | <u>\$ 13,914,156</u> | <u>\$ 15,458,623</u> | <u>\$ 20,509,795</u> | <u>\$ 18,881,707</u> | <u>\$ 19,425,812</u> |
| All other Governmental Funds               |                      |                      |                      |                      |                      |
| Reserved for capital projects              | \$ 6,323,709         | \$ 17,196,042        | \$ 53,871,288        | \$ 53,852,195        | \$ 51,546,624        |
| Reserved for natatorium                    | -                    | -                    | -                    | -                    | -                    |
| Reserved for library operations            | 719,816              | 1,149,272            | 1,086,385            | 1,073,649            | 1,078,067            |
| Reserved for wireless authority operations | -                    | -                    | -                    | -                    | -                    |
| Unreserved - capital projects fund         | -                    | -                    | -                    | -                    | -                    |
| Nonspendable                               | -                    | -                    | -                    | -                    | -                    |
| Restricted                                 | -                    | -                    | -                    | -                    | -                    |
| Committed                                  | -                    | -                    | -                    | -                    | -                    |
| Assigned                                   | -                    | -                    | -                    | -                    | -                    |
| Total all other governmental funds         | <u>\$ 7,043,525</u>  | <u>\$ 18,345,314</u> | <u>\$ 54,957,673</u> | <u>\$ 54,925,844</u> | <u>\$ 52,624,691</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>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 1,135,777         | \$ 1,154,693         | \$ 1,150,043         | \$ -                 | \$ -                 |
| 20,434,481           | 22,317,265           | 25,603,932           | -                    | -                    |
| -                    | -                    | -                    | 1,401,766            | 1,399,650            |
| -                    | -                    | -                    | 695,197              | 1,080,525            |
| -                    | -                    | -                    | 6,050,000            | 4,324,700            |
| -                    | -                    | -                    | 17,189,811           | 17,721,849           |
| <u>\$ 21,570,258</u> | <u>\$ 23,471,958</u> | <u>\$ 26,753,975</u> | <u>\$ 25,336,774</u> | <u>\$ 24,526,724</u> |
| \$ 15,228,296        | \$ 18,379,524        | \$ 13,737,529        | \$ -                 | \$ -                 |
| 2,200,000            | 2,200,000            | 2,200,000            | -                    | -                    |
| 768,694              | 810,644              | 830,362              | -                    | -                    |
| 560,243              | 265,008              | 239,552              | -                    | -                    |
| 12,298,990           | 20,299,755           | 18,939,413           | -                    | -                    |
| -                    | -                    | -                    | 700,000              | 700,000              |
| -                    | -                    | -                    | 14,093,832           | 12,221,348           |
| -                    | -                    | -                    | 5,109,150            | 5,157,272            |
| -                    | -                    | -                    | 10,202,302           | 10,163,107           |
| <u>\$ 31,056,223</u> | <u>\$ 41,954,931</u> | <u>\$ 35,946,856</u> | <u>\$ 30,105,284</u> | <u>\$ 28,241,727</u> |

**COUNTY OF KING GEORGE, VIRGINIA**

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

|                                                         | <u>2003</u>                  | <u>2004</u>                 | <u>2005</u>                 | <u>2006</u>                  | <u>2007</u>                  |
|---------------------------------------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Revenues:                                               |                              |                             |                             |                              |                              |
| General property taxes                                  | \$ 11,644,240                | \$ 12,391,790               | \$ 13,555,599               | \$ 14,424,491                | \$ 15,174,874                |
| Other local taxes                                       | 3,629,219                    | 4,149,001                   | 4,717,346                   | 5,271,801                    | 5,214,995                    |
| Permits, privilege fees and regulatory licenses         | 7,866,325                    | 7,553,367                   | 7,437,075                   | 7,563,053                    | 7,301,776                    |
| Fines and forfeitures                                   | 187,635                      | 193,299                     | 292,217                     | 332,871                      | 300,583                      |
| Revenue from use of money and property                  | 626,202                      | 399,015                     | 1,341,213                   | 2,653,602                    | 3,980,793                    |
| Charges for services                                    | 259,739                      | 243,307                     | 271,847                     | 372,406                      | 396,444                      |
| Miscellaneous                                           | 126,611                      | 860,599                     | 260,832                     | 427,254                      | 557,181                      |
| Recovered costs                                         | -                            | 129,953                     | 159,314                     | 177,900                      | -                            |
| Intergovernmental:                                      |                              |                             |                             |                              |                              |
| School Board                                            | 170,027                      | -                           | 141,685                     | -                            | -                            |
| Commonwealth                                            | 4,099,294                    | 4,669,116                   | 4,858,819                   | 6,758,941                    | 5,642,960                    |
| Federal                                                 | 804,072                      | 1,008,321                   | 1,033,529                   | 1,367,429                    | 1,495,401                    |
| Total revenues                                          | \$ <u>29,413,364</u>         | \$ <u>31,597,768</u>        | \$ <u>34,069,476</u>        | \$ <u>39,349,748</u>         | \$ <u>40,065,007</u>         |
| Expenditures:                                           |                              |                             |                             |                              |                              |
| General government administration                       | \$ 1,526,946                 | \$ 1,691,011                | \$ 2,432,055                | \$ 2,413,529                 | \$ 3,834,032                 |
| Judicial administration                                 | 523,670                      | 631,216                     | 684,282                     | 818,117                      | 1,025,967                    |
| Public safety                                           | 3,826,071                    | 4,552,953                   | 7,697,855                   | 7,049,962                    | 11,176,769                   |
| Public works                                            | 761,308                      | 724,495                     | 947,689                     | 982,312                      | 1,594,220                    |
| Health and welfare                                      | 2,077,203                    | 2,462,346                   | 2,670,886                   | 3,285,612                    | 3,518,011                    |
| Education                                               | 21,190,220                   | 8,850,378                   | 12,464,331                  | 11,919,739                   | 22,034,801                   |
| Parks, recreation, and cultural                         | 928,529                      | 952,483                     | 1,238,568                   | 1,149,277                    | 1,216,147                    |
| Community development                                   | 864,064                      | 898,036                     | 1,021,505                   | 5,887,223                    | 1,519,877                    |
| Capital outlays and projects                            | 2,097,260                    | 2,737,547                   | -                           | -                            | -                            |
| Debt service:                                           |                              |                             |                             |                              |                              |
| Principal retirement                                    | 1,230,829                    | 1,161,983                   | 1,119,800                   | 1,194,852                    | 1,959,618                    |
| Interest and other fiscal charges                       | 782,048                      | 882,588                     | 889,860                     | 2,666,216                    | 2,721,295                    |
| Total expenditures                                      | \$ <u>35,808,148</u>         | \$ <u>25,545,036</u>        | \$ <u>31,166,831</u>        | \$ <u>37,366,839</u>         | \$ <u>50,600,737</u>         |
| Excess (deficiency) of revenues over expenditures       | \$ <u>(6,394,784)</u>        | \$ <u>6,052,732</u>         | \$ <u>2,902,645</u>         | \$ <u>1,982,909</u>          | \$ <u>(10,535,730)</u>       |
| Other financing sources (uses):                         |                              |                             |                             |                              |                              |
| Transfers in                                            | \$ 279,900                   | \$ 1,583,277                | \$ 3,077,927                | \$ 1,568,980                 | \$ 2,823,173                 |
| Transfers (out)                                         | (1,142,378)                  | (2,289,754)                 | (4,756,225)                 | (3,268,763)                  | (3,931,346)                  |
| Sale of property                                        | -                            | -                           | 145,561                     | -                            | -                            |
| Premium on bonds issued                                 | -                            | -                           | 444,067                     | -                            | -                            |
| Early retirement of indebtedness                        | -                            | -                           | -                           | (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                    |
| Total other financing sources (uses)                    | \$ <u>(862,478)</u>          | \$ <u>6,793,523</u>         | \$ <u>38,760,886</u>        | \$ <u>(3,642,826)</u>        | \$ <u>8,778,682</u>          |
| Net changes in fund balances                            | \$ <u><u>(7,257,262)</u></u> | \$ <u><u>12,846,255</u></u> | \$ <u><u>41,663,531</u></u> | \$ <u><u>(1,659,917)</u></u> | \$ <u><u>(1,757,048)</u></u> |
| Debt service as a percentage of noncapital expenditures | <u>9.50%</u>                 | <u>9.02%</u>                | <u>8.19%</u>                | <u>10.79%</u>                | <u>13.45%</u>                |

Table 4

|    | 2008         | 2009           | 2010           | 2011           | 2012           |
|----|--------------|----------------|----------------|----------------|----------------|
| \$ | 17,092,704   | \$ 17,381,006  | \$ 17,776,623  | \$ 18,354,709  | \$ 18,847,313  |
|    | 5,311,646    | 5,656,482      | 5,452,334      | 5,420,801      | 5,953,088      |
|    | 7,936,085    | 7,112,084      | 7,424,894      | 6,947,613      | 7,187,678      |
|    | 236,338      | 255,499        | 257,999        | 237,714        | 183,108        |
|    | 3,160,698    | 1,515,653      | 802,389        | 469,926        | 406,925        |
|    | 441,050      | 410,123        | 460,555        | 509,685        | 468,606        |
|    | 2,470,865    | 899,705        | 405,413        | 202,740        | 321,788        |
|    | 175,200      | -              | 175,000        | -              | -              |
|    | -            | 226,971        | -              | -              | 48,181         |
|    | 6,414,676    | 5,740,816      | 6,231,998      | 5,878,173      | 6,190,762      |
|    | 984,460      | 969,895        | 1,089,059      | 979,399        | 1,257,917      |
| \$ | 44,223,722   | \$ 40,168,234  | \$ 40,076,264  | \$ 39,000,760  | \$ 40,865,366  |
| \$ | 3,994,241    | \$ 2,898,289   | \$ 2,766,421   | \$ 2,425,229   | \$ 2,576,743   |
|    | 1,086,764    | 1,127,473      | 1,087,706      | 1,027,700      | 1,059,200      |
|    | 7,903,243    | 8,349,727      | 12,618,491     | 11,981,523     | 10,977,531     |
|    | 1,685,536    | 1,779,055      | 1,255,124      | 2,587,135      | 1,624,315      |
|    | 3,530,265    | 4,001,766      | 4,382,789      | 4,100,525      | 4,707,097      |
|    | 36,189,527   | 16,985,114     | 11,040,558     | 14,317,559     | 14,970,909     |
|    | 1,885,728    | 1,717,251      | 1,265,906      | 1,369,021      | 4,585,275      |
|    | 1,391,591    | 1,666,723      | 1,414,185      | 1,284,213      | 1,723,671      |
|    | -            | -              | -              | -              | -              |
|    | 2,401,440    | 2,685,742      | 3,054,211      | 2,713,288      | 2,712,585      |
|    | 2,957,614    | 3,195,197      | 3,551,424      | 3,500,026      | 3,881,378      |
| \$ | 63,025,949   | \$ 44,406,337  | \$ 42,436,815  | \$ 45,306,219  | \$ 48,818,704  |
| \$ | (18,802,227) | \$ (4,238,103) | \$ (2,360,551) | \$ (6,305,459) | \$ (7,953,338) |
| \$ | 4,969,447    | \$ 5,763,828   | \$ 6,636,320   | \$ 5,792,544   | \$ 4,063,486   |
|    | (5,539,304)  | (6,219,713)    | (7,001,827)    | (6,120,758)    | (4,236,081)    |
|    | -            | -              | -              | -              | -              |
|    | 343,349      | 181,528        | -              | -              | 5,153,199      |
|    | (7,500,000)  | -              | -              | (2,781,000)    | -              |
|    | -            | (4,465,250)    | -              | -              | (33,345,873)   |
|    | 7,104,713    | 21,778,118     | -              | 2,155,900      | 33,645,000     |
| \$ | (621,795)    | \$ 17,038,511  | \$ (365,507)   | \$ (953,314)   | \$ 5,279,731   |
| \$ | (19,424,022) | \$ 12,800,408  | \$ (2,726,058) | \$ (7,258,773) | \$ (2,673,607) |
|    | 13.06%       | 15.89%         | 18.42%         | 15.92%         | 16.77%         |

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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         |
|-------------|------------------|-----------------|-------------------|-----------------|---------------------|----------------|-----------------------|---------------|
| 2002-03     | \$ 1,041,571,270 | \$ 0.72         | \$ 112,915,457    | \$ 3.10         | \$ 4,020,860        | \$ 304,800,899 | \$ 0.95               | 1,463,308,486 |
| 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            | 191,595,390       | 3.20            | 5,776,405           | 259,946,038    | 0.70                  | 3,041,556,297 |

(1) 100% fair market value.

Property Tax Rates (1)  
Last Ten Fiscal Years

| <u>Fiscal<br/>Years</u> | <u>Real Estate<br/>First Half</u> | <u>Real Estate<br/>Second Half</u> | <u>Personal<br/>Property</u> | <u>Farm<br/>Machinery<br/>and Tools</u> | <u>Machinery<br/>and Tools</u> | <u>Mobile<br/>Homes<br/>First Half</u> | <u>Mobile<br/>Homes<br/>Second Half</u> |
|-------------------------|-----------------------------------|------------------------------------|------------------------------|-----------------------------------------|--------------------------------|----------------------------------------|-----------------------------------------|
| 2002-03                 | \$ 0.72                           | \$ 0.72                            | \$ 3.10                      | \$ 1.00                                 | \$ 2.50                        | \$ 0.72                                | \$ 0.77                                 |
| 2003-04                 | 0.77                              | 0.72                               | 3.10                         | -                                       | 2.50                           | 0.77                                   | 0.72                                    |
| 2004-05                 | 0.77                              | 0.77                               | 3.10                         | -                                       | 2.50                           | 0.77                                   | 0.77                                    |
| 2005-06                 | 0.77                              | 0.40                               | 3.10                         | -                                       | 2.50                           | 0.77                                   | 0.40                                    |
| 2006-07                 | 0.40                              | 0.44                               | 3.20                         | -                                       | 2.50                           | 0.40                                   | 0.44                                    |
| 2007-08                 | 0.44                              | 0.45                               | 3.20                         | -                                       | 2.50                           | 0.44                                   | 0.45                                    |
| 2008-09                 | 0.45                              | 0.45                               | 3.20                         | -                                       | 2.50                           | 0.45                                   | 0.45                                    |
| 2009-10                 | 0.45                              | 0.50                               | 3.20                         | -                                       | 2.50                           | 0.45                                   | 0.50                                    |
| 2010-11                 | 0.50                              | 0.50                               | 3.20                         | -                                       | 2.50                           | 0.50                                   | 0.50                                    |
| 2011-12                 | 0.50                              | 0.53                               | 3.20                         | -                                       | 2.50                           | 0.50                                   | 0.53                                    |

(1) Per \$100 of assessed value.

## Principal Taxpayers

Current Year and Nine Years Prior

| Taxpayer                           | Fiscal Year 2012    |                       |                               | Fiscal Year 2003    |                       |                               |
|------------------------------------|---------------------|-----------------------|-------------------------------|---------------------|-----------------------|-------------------------------|
|                                    | Taxes Paid          | Assessed Valuation    | % of Total Assessed Valuation | Taxes Paid          | Assessed Valuation    | % of Total Assessed Valuation |
| Birchwood Power Partners, LP       | \$ 976,020          | \$ 184,154,809        | 6.50%                         | \$ 1,796,379        | \$ 249,497,054        | 21.65%                        |
| Virginia Electric & Power Company  | 151,608             | 28,605,285            | 1.01%                         | 150,380             | 20,886,167            | 1.81%                         |
| Horti-Group USA LLC                | 85,598              | 16,150,600            | 0.57%                         | N/A                 | N/A                   | N/A                           |
| Verizon South, Inc.                | 79,026              | 14,910,472            | 0.53%                         | 142,385             | 19,775,650            | 1.72%                         |
| Hilliard & Bartko                  | 49,805              | 9,397,170             | 0.33%                         | 33,322              | 4,628,000             | 0.40%                         |
| Northern Neck Electric Cooperative | 41,316              | 7,795,440             | 0.28%                         | N/A                 | N/A                   | N/A                           |
| Wal-Mart Real Estate Trust         | 46,824              | 8,834,702             | 0.31%                         | N/A                 | N/A                   | N/A                           |
| Dahlgren Office Building, LLC      | 39,957              | 7,539,000             | 0.27%                         | 28,767              | 3,995,400             | 0.35%                         |
| Monmouth Woods Associates          | 39,169              | 7,390,302             | 0.26%                         | 57,583              | 7,997,600             | 0.69%                         |
| Dahlgren Office Building, LLC      | 32,809              | 6,190,400             | 0.22%                         | N/A                 | N/A                   | N/A                           |
| King George Shopping Center        | 31,687              | 5,978,600             | 0.21%                         | N/A                 | N/A                   | N/A                           |
| CC&F Dahlgren Associates           | 27,207              | 5,133,302             | 0.18%                         | N/A                 | N/A                   | N/A                           |
| Heritage Hall LLC                  | 26,599              | 5,018,702             | 0.18%                         | N/A                 | N/A                   | N/A                           |
| Birchwood Power Partners, LLC      | N/A                 | N/A                   | N/A                           | 117,486             | 16,317,500            | 1.42%                         |
| Eqstein, Ben & Associates          | N/A                 | N/A                   | N/A                           | 30,890              | 4,290,278             | 0.37%                         |
| Level 3 Communications, LLC        | N/A                 | N/A                   | N/A                           | 29,170              | 4,051,352             | 0.35%                         |
| Dahlgren Office Building IV, LLC   | N/A                 | N/A                   | N/A                           | 33,939              | 4,713,700             | 0.41%                         |
| <b>TOTAL</b>                       | <b>\$ 1,627,625</b> | <b>\$ 307,098,784</b> | <b>10.85%</b>                 | <b>\$ 2,420,301</b> | <b>\$ 336,152,701</b> | <b>29.18%</b>                 |

Source - Commissioner of the Revenue.

**COUNTY OF KING GEORGE, VIRGINIA**Property Tax Levies and Collections  
Last Ten Fiscal Years

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| <b>Fiscal<br/>Year</b> | <b>Total (1)<br/>Tax Levy</b> | <b>Current<br/>Tax (1)(4)<br/>Collections</b> | <b>Percent<br/>of Levy<br/>Collected</b> | <b>Delinquent (1)<br/>Tax (2)<br/>Collections</b> |
|------------------------|-------------------------------|-----------------------------------------------|------------------------------------------|---------------------------------------------------|
| 2002-03                | \$ 13,414,768                 | \$ 12,932,809                                 | 96.41%                                   | \$ 231,815                                        |
| 2003-04                | 14,431,070                    | 13,909,897                                    | 96.39%                                   | 268,331                                           |
| 2004-05                | 15,673,264                    | 15,195,623                                    | 96.95%                                   | 461,807                                           |
| 2005-06                | 16,478,637                    | 16,138,236                                    | 97.93%                                   | 340,682                                           |
| 2006-07                | 17,388,433                    | 16,720,812                                    | 96.16%                                   | 389,443                                           |
| 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%                                   | 379,481                                           |
| 2010-11                | 20,270,753                    | 19,769,446                                    | 97.53%                                   | 394,767                                           |
| 2011-12                | 20,900,625                    | 20,140,541                                    | 96.36%                                   | -                                                 |

(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

| <b>Total<br/>Tax<br/>Collections</b> |            | <b>Percent of<br/>Total Tax<br/>Collections<br/>to Tax Levy</b> | <b>Outstanding<br/>Delinquent<br/>Taxes (1)(3)</b> | <b>Percent of<br/>Delinquent<br/>Taxes to<br/>Tax Levy</b> |
|--------------------------------------|------------|-----------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|
| \$                                   | 13,164,155 | 98.13%                                                          | \$ 918,312                                         | 6.85%                                                      |
|                                      | 14,178,228 | 98.25%                                                          | 1,014,078                                          | 7.03%                                                      |
|                                      | 15,657,430 | 99.90%                                                          | 1,103,844                                          | 7.04%                                                      |
|                                      | 16,478,918 | 100.00%                                                         | 1,131,343                                          | 6.87%                                                      |
|                                      | 17,110,255 | 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%                                                      |
|                                      | 19,434,910 | 99.83%                                                          | 1,743,426                                          | 8.96%                                                      |
|                                      | 20,164,213 | 99.47%                                                          | 1,691,138                                          | 8.34%                                                      |
|                                      | 20,140,541 | 96.36%                                                          | 1,876,766                                          | 8.98%                                                      |

**COUNTY OF KING GEORGE, VIRGINIA**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

| Fiscal<br>Year | Governmental Activities        |                            |                   | Business-Type Activities                |                  |                  |
|----------------|--------------------------------|----------------------------|-------------------|-----------------------------------------|------------------|------------------|
|                | General<br>Obligation<br>Bonds | State<br>Literary<br>Loans | Capital<br>Leases | Virginia<br>Water<br>Facilities<br>Loan | Revenue<br>Bonds | Notes<br>Payable |
| 2002-03        | \$ 9,715,000                   | \$ 4,224,000               | \$ 213,481        | \$ 867,825                              | \$ 18,730,000    | \$ 1,000,000     |
| 2003-04        | 8,945,000                      | 3,929,200                  | 7,645,371         | 766,457                                 | 20,495,986       | 948,165          |
| 2004-05        | 40,636,000                     | 3,634,400                  | 15,073,052        | 660,993                                 | 20,068,450       | 496,099          |
| 2005-06        | 45,365,957                     | 3,339,600                  | 7,500,000         | 551,269                                 | 19,627,374       | 725,198          |
| 2006-07        | 53,357,853                     | 3,044,800                  | 7,730,141         | 437,112                                 | 23,203,178       | 680,381          |
| 2007-08        | 58,432,640                     | 2,750,000                  | 153,427           | 318,343                                 | 22,569,525       | 635,564          |
| 2008-09        | 73,386,480                     | 2,500,000                  | 76,713            | 194,775                                 | 24,219,604       | 590,749          |
| 2009-10        | 71,004,232                     | 2,250,000                  | -                 | 66,215                                  | 24,523,982       | 545,932          |
| 2010-11        | 67,915,844                     | 2,000,000                  | -                 | -                                       | 24,258,029       | 501,115          |
| 2011-12        | 68,453,259                     | 1,750,000                  | -                 | -                                       | 24,200,066       | 456,298          |

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

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|    | <b>Total<br/>Primary<br/>Government</b> |    | <b>Per Capita<br/>Personal<br/>Income (1)</b> | <b>Percentage<br/>of Personal<br/>Income</b> | <b>Population<br/>(1)</b> |    | <b>Per<br/>Capita</b> |
|----|-----------------------------------------|----|-----------------------------------------------|----------------------------------------------|---------------------------|----|-----------------------|
| \$ | 34,750,306                              | \$ | N/A                                           | N/A                                          | 17,657                    | \$ | 1,968                 |
|    | 42,730,179                              |    | N/A                                           | N/A                                          | 18,213                    |    | 2,346                 |
|    | 80,568,994                              |    | 30,425                                        | 13.68%                                       | 19,355                    |    | 4,163                 |
|    | 77,109,398                              |    | 31,338                                        | 11.92%                                       | 20,637                    |    | 3,736                 |
|    | 88,453,465                              |    | 33,778                                        | 12.02%                                       | 21,780                    |    | 4,061                 |
|    | 84,859,499                              |    | 33,778                                        | 11.31%                                       | 22,205                    |    | 3,822                 |
|    | 100,968,321                             |    | 33,778                                        | 12.90%                                       | 23,170                    |    | 4,358                 |
|    | 98,390,361                              |    | 33,690                                        | 12.22%                                       | 23,891                    |    | 4,118                 |
|    | 94,674,988                              |    | 33,690                                        | 11.92%                                       | 23,584                    |    | 4,014                 |
|    | 94,859,623                              |    | 33,690                                        | 12.07%                                       | 23,333                    |    | 4,065                 |

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

| <b>Fiscal<br/>Year</b> | <b>Population<br/>(1)</b> | <b>Assessed<br/>Value<br/>(2)</b> | <b>Gross<br/>Bonded<br/>Debt</b> | <b>Less: Amounts<br/>Reserved for<br/>Debt Service</b> | <b>Total</b>  | <b>Percentage<br/>of Estimated<br/>Actual<br/>Taxable<br/>Value of<br/>Property</b> | <b>Per<br/>Capita</b> |
|------------------------|---------------------------|-----------------------------------|----------------------------------|--------------------------------------------------------|---------------|-------------------------------------------------------------------------------------|-----------------------|
| 2002-03                | 17,657                    | \$ 1,463,308,486                  | \$ 13,939,000                    | \$ -                                                   | \$ 13,939,000 | 0.95%                                                                               | \$ 789                |
| 2003-04                | 18,213                    | 1,531,612,125                     | 12,874,200                       | -                                                      | 12,874,200    | 0.84%                                                                               | 707                   |
| 2004-05                | 19,355                    | 1,590,070,189                     | 44,270,400                       | 1,090,604                                              | 43,179,796    | 2.72%                                                                               | 2,231                 |
| 2005-06                | 20,637                    | 2,201,826,217                     | 48,705,557                       | 1,095,309                                              | 47,610,248    | 2.16%                                                                               | 2,307                 |
| 2006-07                | 21,780                    | 2,941,002,174                     | 56,402,653                       | 1,113,229                                              | 55,289,424    | 1.88%                                                                               | 2,539                 |
| 2007-08                | 22,205                    | 3,074,677,546                     | 61,182,640                       | 1,135,777                                              | 60,046,863    | 1.95%                                                                               | 2,704                 |
| 2008-09                | 23,170                    | 3,133,234,239                     | 75,886,480                       | 1,154,693                                              | 74,731,787    | 2.39%                                                                               | 3,225                 |
| 2009-10                | 23,891                    | 2,959,203,992                     | 73,254,232                       | 1,150,043                                              | 72,104,189    | 2.44%                                                                               | 3,018                 |
| 2010-11                | 23,584                    | 3,036,965,841                     | 69,915,844                       | 1,149,880                                              | 68,765,964    | 2.26%                                                                               | 2,916                 |
| 2011-12                | 23,333                    | 3,041,556,297                     | 70,203,259                       | 1,149,880                                              | 69,053,379    | 2.27%                                                                               | 2,959                 |

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, 2012

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Direct: (1)

|                       |    |            |      |    |            |
|-----------------------|----|------------|------|----|------------|
| County of King George | \$ | 69,053,379 | 100% | \$ | 69,053,379 |
|-----------------------|----|------------|------|----|------------|

The County of King George has no overlapping debt.

Pledged-Revenue Coverage  
Last Ten Fiscal Years

| Fiscal<br>Year | Water and<br>Sewer<br>Charges<br>and Other |           | Less:<br>Operating<br>Expenses |           | Net<br>Available<br>Revenue |           | Debt Service |          | Coverage |           |      |
|----------------|--------------------------------------------|-----------|--------------------------------|-----------|-----------------------------|-----------|--------------|----------|----------|-----------|------|
|                |                                            |           |                                |           |                             |           | Principal    | Interest |          |           |      |
|                |                                            |           |                                |           |                             |           |              |          |          |           |      |
| 2002-03        | \$                                         | 2,413,565 | \$                             | 1,669,250 | \$                          | 744,315   | \$           | 342,432  | \$       | 364,531   | 1.05 |
| 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 |

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

| <b>Fiscal<br/>Year</b> | <b>Population</b> | <b>Unemployment<br/>Rate</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>Total<br/>Personal<br/>Income</b> | <b>Student<br/>Enrollment</b> |
|------------------------|-------------------|------------------------------|-------------------------------------------|--------------------------------------|-------------------------------|
| 2002-03                | 17,657            | 2.60                         | \$ N/A                                    | \$ N/A                               | 3,235                         |
| 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                         |

NA - Not available

Sources: [www.fedstats.gov](http://www.fedstats.gov), Department of Education, Weldon Cooper Center for Public Service, VEC

## Principal Employers

Current Year and Nine Years Prior

| Employer                                         | Fiscal Year 2012 |      | Fiscal Year 2003 |      |
|--------------------------------------------------|------------------|------|------------------|------|
|                                                  | Employees (1)    | Rank | Employees (1)    | Rank |
| U.S. Department of Defense                       | 1000 and over    | 1    | 1000 and over    | 1    |
| King George County Public School Board           | 500 to 750       | 2    | 250 to 499       | 2    |
| County of King George                            | 250 to 499       | 3    | -                | -    |
| Wal Mart                                         | 250 to 499       | 4    | 249 and under    | 10   |
| EG & G, Inc.                                     | 250 to 499       | 5    | 249 and under    | 5    |
| Northrop Grumman Corporation                     | 250 to 499       | 6    | -                | -    |
| Marconi Technology                               | 249 and under    | 7    | 249 and under    | 3    |
| Integrated Microcomputer System, Lockheed Martin | 249 and under    | 8    | -                | -    |
| Solutions Development Corporation                | 249 and under    | 9    | -                | -    |
| Tatitlek Training Services Inc.                  | 249 and under    | 10   | -                | -    |
| Village Farms of Virginia Inc.                   | -                | -    | 249 and under    | 7    |
| Syscon Corporation                               | -                | -    | 249 and under    | 9    |
| White Packing Company                            | -                | -    | 249 and under    | 6    |
| Computer Sciences Corporation                    | -                | -    | 249 and under    | 4    |
| Synetics                                         | -                | -    | 249 and under    | 8    |

Source: Virginia Employment Commission Quarterly Census of Employment and Wages 2nd Qtr 2012

(1) 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

| <b>Function</b>               | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government            | 29          | 27          | 31          | 30          | 29          | 29          | 29          | 29          | 29          | 29          |
| Judicial administration       | 7           | 8           | 9           | 10          | 13          | 12          | 12          | 12          | 12          | 12          |
| Public safety                 |             |             |             |             |             |             |             |             |             |             |
| Sheriffs department           | 36          | 36          | 39          | 38          | 43          | 43          | 43          | 43          | 43          | 43          |
| Fire & rescue                 | 9           | 14          | 17          | 20          | 21          | 25          | 25          | 25          | 25          | 28          |
| Animal control                | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Public works                  |             |             |             |             |             |             |             |             |             |             |
| General maintenance           | 6           | 3           | 5           | 9           | 9           | 9           | 9           | 9           | 11          | 11          |
| Landfill                      | 3           | 3           | 3           | 2           | 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          |
| Culture and recreation        |             |             |             |             |             |             |             |             |             |             |
| Parks and recreation          | 7           | 7           | 8           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Library                       | 3           | 3           | 3           | 3           | 4           | 4           | 4           | 4           | 4           | 4           |
| Community development         |             |             |             |             |             |             |             |             |             |             |
| Planning                      | 7           | 9           | 9           | 10          | 11          | 11          | 11          | 11          | 11          | 11          |
| Totals                        | <u>111</u>  | <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>  |

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

| Function                      | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Public safety                 |       |       |       |       |       |       |       |       |       |       |
| Sheriffs department:          |       |       |       |       |       |       |       |       |       |       |
| Physical arrests              | 1,341 | 2,129 | 1,410 | 908   | 892   | 652   | 601   | 856   | 1,313 | 1,382 |
| Traffic violations            | 2,354 | 2,882 | 3,744 | 5,418 | 3,093 | 3,038 | 3,172 | 3,847 | 2,724 | 3,713 |
| Civil papers                  | 7,077 | 7,125 | 6,994 | 7,713 | 7,940 | 7,914 | 7,800 | 8,146 | 8,051 | 7,441 |
| Fire and rescue:              |       |       |       |       |       |       |       |       |       |       |
| Number of calls answered      | N/A   | 1,668 | 2,828 | 3,188 | 3,256 | 3,291 | 3,005 | 2,782 | 2,921 | 3,354 |
| Building inspections:         |       |       |       |       |       |       |       |       |       |       |
| Permits issued                | 242   | 385   | 388   | 484   | 340   | 160   | 78    | 83    | 64    | 75    |
| Animal control:               |       |       |       |       |       |       |       |       |       |       |
| Number of calls answered      | 850   | 776   | 636   | 452   | 488   | 705   | 636   | 974   | 1039  | 903   |
| Public works                  |       |       |       |       |       |       |       |       |       |       |
| General maintenance:          |       |       |       |       |       |       |       |       |       |       |
| Trucks/vehicles               | 12    | 12    | 12    | 12    | 3     | 3     | 3     | 3     | 3     | 4     |
| Component Unit - School Board |       |       |       |       |       |       |       |       |       |       |
| Education:                    |       |       |       |       |       |       |       |       |       |       |
| School age population         | 3,163 | 3,400 | 3,524 | 3,830 | 3,791 | 3,882 | 3,997 | 4,029 | 4,075 | 4,072 |
| Number of teachers            | 260   | 255   | 257   | 257   | 283   | 285   | 279   | 282   | 283   | 290   |
| Local expenditures per pupil  | 7,107 | 7,178 | 7,084 | 7,529 | 7,823 | 9,281 | 8,585 | 8,438 | 7,465 | 8,604 |

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function  
Last Ten Fiscal Years

| Function                       | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General government             |        |        |        |        |        |        |        |        |        |        |
| Administration buildings       | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Vehicles                       | -      | -      | -      | -      | 1      | 1      | 1      | 1      | 1      | 1      |
| Public safety                  |        |        |        |        |        |        |        |        |        |        |
| Sheriff's department:          |        |        |        |        |        |        |        |        |        |        |
| Patrol units                   | 21     | 28     | 29     | 29     | 29     | 31     | 36     | 36     | 32     | 30     |
| Other vehicles                 | 4      | 6      | 7      | 7      | 7      | 7      | 7      | 8      | 8      | 8      |
| Building inspections:          |        |        |        |        |        |        |        |        |        |        |
| Vehicles                       | -      | -      | -      | -      | 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     | 12     | 3      | 3      | 3      | 3      | 4      | 4      |
| Landfill:                      |        |        |        |        |        |        |        |        |        |        |
| Vehicles                       | 1      | 1      | 1      | 1      | 2      | 2      | 2      | 2      | 2      | 1      |
| 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      | 5      | 6      | 6      | 6      | 6      | 6      | 5      |
| Culture and recreation         |        |        |        |        |        |        |        |        |        |        |
| Parks and recreation:          |        |        |        |        |        |        |        |        |        |        |
| Community centers              | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Vehicles                       | 10     | 10     | 10     | 10     | 6      | 6      | 6      | 6      | 6      | 6      |
| Parks acreage                  | 159.93 | 159.93 | 159.93 | 159.93 | 159.93 | 159.93 | 159.63 | 159.63 | 159.93 | 159.93 |
| Community development          |        |        |        |        |        |        |        |        |        |        |
| Planning:                      |        |        |        |        |        |        |        |        |        |        |
| Vehicles                       | 4      | 5      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 5      |
| Component Unit - School Board  |        |        |        |        |        |        |        |        |        |        |
| Education:                     |        |        |        |        |        |        |        |        |        |        |
| Schools                        | 7      | 7      | 8      | 8      | 8      | 8      | 10     | 10     | 17     | 17     |
| School buses                   | 57     | 62     | 64     | 67     | 58     | 65     | 71     | 74     | 60     | 64     |

Source: Individual county departments

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## **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  
King George, Virginia**

We have audited 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 the County of King George, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of County of King George, Virginia in a separate letter dated December 10, 2012.

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

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
December 10, 2012

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

### **Compliance**

We have audited the County of King George, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. The County of King George, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of King George, Virginia's management. Our responsibility is to express an opinion on the County of King George, Virginia's compliance based on our audit.

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

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

## **Internal Control Over Compliance**

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

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

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

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

December 10, 2012

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2012

| <b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>                                                   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Federal<br/>Expenditures</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------|---------------------------------|
| <b>PRIMARY GOVERNMENT:</b>                                                                                               |                                    |                                                           |                                 |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>                                                                      |                                    |                                                           |                                 |
| <u>Pass through payments:</u>                                                                                            |                                    |                                                           |                                 |
| Virginia Department of Housing and Community Development:<br>Community development block grants/entitlement programs     | 14.228                             | 53305-50790                                               | \$ 138,945                      |
| <u>DEPARTMENT OF CRIMINAL JUSTICE:</u>                                                                                   |                                    |                                                           |                                 |
| <u>Direct payments:</u>                                                                                                  |                                    |                                                           |                                 |
| Second chance act prisoner reentry initiative                                                                            | 16.812                             | N/A                                                       | \$ 45,279                       |
| <u>DEPARTMENT OF TRANSPORTATION:</u>                                                                                     |                                    |                                                           |                                 |
| <u>Pass through payments:</u>                                                                                            |                                    |                                                           |                                 |
| Department of Emergency Services:<br>Interagency hazardous materials public sector training and planning grants          | 20.703                             | 77501-52601                                               | \$ 20,000                       |
| Virginia Department of Rail and Public Transportation:<br>Alcohol impaired driving countermeasures incentive grants I    | 20.601                             | 60507-51329/52031                                         | 8,296                           |
| Total Department of Transportation                                                                                       |                                    |                                                           | \$ 28,296                       |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>                                                                             |                                    |                                                           |                                 |
| <u>Direct payments:</u>                                                                                                  |                                    |                                                           |                                 |
| Hazard mitigation grant                                                                                                  | 97.039                             | N/A                                                       | \$ 14,250                       |
| <u>Pass through payments:</u>                                                                                            |                                    |                                                           |                                 |
| Department of Emergency Services:<br>Disaster grants public assistance (presidentially declared disasters)               | 97.036                             | 77602-146                                                 | 3,648                           |
| Emergency management performance grants                                                                                  | 97.042                             | 77501-52740                                               | 35,000                          |
| Total U.S. Department of Homeland Security                                                                               |                                    |                                                           | \$ 52,898                       |
| <u>DEPARTMENT OF AGRICULTURE:</u>                                                                                        |                                    |                                                           |                                 |
| <u>Pass Through Payments:</u>                                                                                            |                                    |                                                           |                                 |
| Department of Social Services:<br>State administrative matching grants for the supplemental nutrition assistance program | 10.561                             | 0010111/0010112                                           | \$ 197,578                      |
| Total Department of Agriculture                                                                                          |                                    |                                                           | \$ 197,578                      |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>                                                                          |                                    |                                                           |                                 |
| <u>Pass Through Payments:</u>                                                                                            |                                    |                                                           |                                 |
| CCDF Cluster:                                                                                                            |                                    |                                                           |                                 |
| Child care and development block grant                                                                                   | 93.575                             | 0770110/0770111                                           | \$ 101,006                      |
| Child care mandatory and matching funds of the child care and development fund                                           | 93.596                             | 0760111/0760112                                           | 53,268                          |
| Total CCDF Cluster                                                                                                       |                                    |                                                           | \$ 154,274                      |
| Foster care-title IV-E                                                                                                   | 93.658                             | 1100111/1100112                                           | \$ 120,257                      |
| Adoption assistance                                                                                                      | 93.659                             | 1120111/1120112                                           | 41,010                          |
| Chafee education and training vouchers program                                                                           | 93.599                             | 9160111/9160112                                           | 8,361                           |
| Promoting safe and stable families                                                                                       | 93.556                             | 0950111/0950112                                           | 9,179                           |
| Temporary assistance for needy families                                                                                  | 93.558                             | 0400111/0400112                                           | 132,101                         |
| Refugee and entrant assistance - state administered programs                                                             | 93.566                             | 0500111/0500112                                           | 369                             |
| Low-income home energy assistance                                                                                        | 93.568                             | 0600411/0600412                                           | 10,950                          |
| Social services block grant                                                                                              | 93.667                             | 1000111/1000112                                           | 86,022                          |
| Stephanie Tubbs Jones child welfare services program                                                                     | 93.645                             | 0900111/0900111                                           | 420                             |
| Chafee foster care independence program                                                                                  | 93.674                             | 9150111/9150112                                           | 7,967                           |
| Children's health insurance program                                                                                      | 93.767                             | 0540111/0540112                                           | 5,951                           |
| Medical assistance program                                                                                               | 93.778                             | 1200111/1200112                                           | 120,074                         |
| Total Department of Health and Human Services                                                                            |                                    |                                                           | \$ 696,935                      |
| <b>Total Primary Government</b>                                                                                          |                                    |                                                           | <b>\$ 1,159,931</b>             |

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2012 (Continued)

| Federal Grantor/Pass - Through Grantor/Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|-----------------------------------------------------------------|---------------------------|-------------------------------------------------|-------------------------|
| <b>COMPONENT UNIT-SCHOOL BOARD:</b>                             |                           |                                                 |                         |
| <u>DEPARTMENT OF AGRICULTURE:</u>                               |                           |                                                 |                         |
| <u>Pass through payments:</u>                                   |                           |                                                 |                         |
| Child Nutrition Cluster:                                        |                           |                                                 |                         |
| Department of Agriculture and Consumer Services:                |                           |                                                 |                         |
| Food distribution                                               | 10.555                    | 10.555/2011/2012                                | \$ 69,266               |
| Department of Education:                                        |                           |                                                 |                         |
| National school lunch program                                   | 10.555                    | 10.555/2011/2012                                | 441,079                 |
| Total 10.555                                                    |                           |                                                 | \$ 510,345              |
| National school breakfast program                               | 10.553                    | 10.553/2011/2012                                | \$ 138,513              |
| Total Department of Agriculture                                 |                           |                                                 | \$ 648,858              |
| <u>DEPARTMENT OF DEFENSE:</u>                                   |                           |                                                 |                         |
| <u>Direct payments:</u>                                         |                           |                                                 |                         |
| ROTC Instruction                                                | 12.000                    | N/A                                             | \$ 68,974               |
| Department of defense impact aid                                | 12.558                    | N/A                                             | 57,453                  |
| Total Department of Defense                                     |                           |                                                 | \$ 126,427              |
| <u>DEPARTMENT OF EDUCATION:</u>                                 |                           |                                                 |                         |
| <u>Direct payments:</u>                                         |                           |                                                 |                         |
| Impact aid - facilities maintenance                             | 84.041                    | N/A                                             | \$ 78,621               |
| State longitudinal data systems                                 | 84.384                    | N/A                                             | 38,868                  |
| Grants for enhanced assessment instruments                      | 84.368                    | N/A                                             | 4,717                   |
| Total Direct Payments                                           |                           |                                                 | \$ 122,206              |
| <u>Pass through payments:</u>                                   |                           |                                                 |                         |
| The College of William and Mary:                                |                           |                                                 |                         |
| ARRA - education for homeless children and youth                | 84.387                    | G048ARRA                                        | \$ 3,830                |
| Department of Education:                                        |                           |                                                 |                         |
| Title I, Part A Cluster:                                        |                           |                                                 |                         |
| Title I grants to local educational agencies                    | 84.010                    | S010A090046/<br>S010A100046/<br>S011A100046     | \$ 525,561              |
| ARRA - Title I grants to local educational agencies             | 84.389                    | S389A090046                                     | 34,092                  |
| Total Title I, Part A Cluster                                   |                           |                                                 | \$ 559,653              |
| Special Education Cluster (IDEA):                               |                           |                                                 |                         |
| Special education - grants to states                            | 84.027                    | H027A100107/<br>H027A110107/                    | \$ 1,034,409            |
| Special education - preschool grants                            | 84.173                    | H173A100112                                     | 8,635                   |
| ARRA - special education - grants to states                     | 84.391                    | H391A090107                                     | 11,733                  |
| ARRA - special education - preschool grants                     | 84.392                    | H392A090112                                     | 6,533                   |
| Total Special Education Cluster (IDEA)                          |                           |                                                 | \$ 1,061,310            |
| Safe and drug-free schools and communities - state grants       | 84.186                    | Q186A090048/                                    | \$ 1,870                |
| ARRA - education jobs fund                                      | 84.410                    | S410A100047                                     | 830,142                 |
| ARRA - school improvement grants                                | 84.388                    | S388A090047                                     | 358,334                 |
| Improving teacher quality state grants                          | 84.367                    | S367A110044/<br>S367A100044                     | 116,432                 |
| Career and technical education - basic grants to states         | 84.048                    | V048A100046                                     | 44,600                  |
| Total Department of Education                                   |                           |                                                 | \$ 3,098,377            |
| <b>Total Component Unit School Board</b>                        |                           |                                                 | \$ 3,873,662            |
| <b>Total Expenditures of Federal Awards</b>                     |                           |                                                 | \$ 5,033,593            |

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, 2012

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### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King George, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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          | \$ | 1,020,986      |
| Capital Projects Fund |    | <u>138,945</u> |

|                          |    |                  |
|--------------------------|----|------------------|
| Total primary government | \$ | <u>1,159,931</u> |
|--------------------------|----|------------------|

Component Unit Public Schools:

|                       |    |                |
|-----------------------|----|----------------|
| School Operating Fund | \$ | 3,224,804      |
| School Cafeteria Fund |    | <u>648,858</u> |

|                                     |    |                  |
|-------------------------------------|----|------------------|
| Total component unit public schools | \$ | <u>3,873,662</u> |
|-------------------------------------|----|------------------|

|                                                           |    |                         |
|-----------------------------------------------------------|----|-------------------------|
| Total federal expenditures per basic financial statements | \$ | <u><u>5,033,593</u></u> |
|-----------------------------------------------------------|----|-------------------------|

|                                                                               |    |                         |
|-------------------------------------------------------------------------------|----|-------------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | \$ | <u><u>5,033,593</u></u> |
|-------------------------------------------------------------------------------|----|-------------------------|

## COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?

Identification of major .510 programs: No

| CFDA #        | Name of Federal Program or Cluster |
|---------------|------------------------------------|
| 84.388        | ARRA - school improvement grants   |
| 10.555/10.553 | Child Nutrition Cluster            |
| 84.410        | ARRA - education jobs fund         |

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.