



County of King George, Virginia



Comprehensive Annual Financial Report **Fiscal Year June 30, 2008**

COUNTY OF KING GEORGE, VIRGINIA
Comprehensive Annual
Financial Report
Year Ended June 30, 2008

PREPARED BY:

Donita Harper, Finance Director

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	ix
Directory of Principal Officials	xi
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	15
Exhibit 2 Statement of Activities	16-17
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	20
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	21
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	22
Exhibit 6 Statement of Net Assets—Proprietary Fund	23
Exhibit 7 Statement of Revenues, Expenses and Change in Net Assets—Proprietary Fund	24
Exhibit 8 Statement of Cash Flows—Proprietary Fund	25
Exhibit 9 Statement of Fiduciary Net Assets	26
Notes to Financial Statements	27-58

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
<u>Required Supplementary Information</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund	61-65
Exhibit 11 Schedule of Pension Funding Progress–Virginia Retirement System	66
<u>Other Supplementary Information</u>	
Combining and Individual Fund Statements and Schedules:	
Exhibit 12 Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual–Capital Improvements Fund	71-72
Exhibit 13 Combining Statement of Fiduciary Net Assets–Agency Funds	73
Exhibit 14 Combining Statement of Changes in Assets and Liabilities–Agency Funds	74
Discretely Presented Component Unit–School Board:	
Exhibit 15 Balance Sheet	76
Exhibit 16 Schedule of Revenues, Expenditures and Changes in Fund Balances	77
Exhibit 17 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	78-79
Exhibit 18 Reconciliation of Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	80
Supporting Schedule:	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds and Discretely Presented Component Unit	83-89

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

(Continued)

STATISTICAL SECTION		Page
Table 1	Net Assets by Component	93
Table 2	Changes in Net Assets	94-95
Table 3	Fund Balances of Governmental Funds	96-97
Table 4	Changes in Fund Balances of Governmental Funds	98-99
Table 5	Assessed Value of Taxable Property	101
Table 6	Property Tax Rates	102
Table 7	Principal Taxpayers	103
Table 8	Property Tax Levies and Collections	104-105
Table 9	Ratios of Outstanding Debt by Type	106-107
Table 10	Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	108
Table 11	Computation of Direct and Overlapping Bonded Debt	109
Table 12	Pledged–Revenue Coverage	110
Table 13	Demographic and Economic Statistics	111
Table 14	Principal Employers	112
Table 15	Full-time Equivalent County Government Employees by Function	113
Table 16	Operating Indicators by Function	114
Table 17	Capital Asset Statistics by Function	115
COMPLIANCE SECTION:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		117-118
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		119-120
Schedule of Expenditures of Federal Awards		121-122
Notes to Schedule of Expenditures of Federal Awards		123
Schedule of Findings and Questioned Costs		124

This page intentionally left blank

CEDELL BROOKS, JR.
Shiloh Election District

JOSEPH W. GRZEIKA
James Madison Election District

JAMES B. HOWARD
James Monroe Election District

JAMES F. MULLEN
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. 22485
Telephone: (540) 775-9181
Fax: (540) 775-5248
www.king-george.va.us

December 8, 2008

**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, 2008 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, 2008, 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. In addition, the County established a Wireless Authority during the current year to provide the citizens of King George access to internet services. See more detail under Major Initiatives.

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 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, 2008 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 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 6th among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 32.2% during the past decade with a total estimated population in 2007 of 22,205. Additionally, based upon annual estimates provided by the Weldon Cooper Center for Public Service, the County's population for the period of July 1, 2006 through July 1, 2007 grew by 4.8%. 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 Naval Network and Space Operations Command, the Joint Warfare Analysis Center, and the AEGIS Training and Readiness Center. NAVSWC has been instrumental in attracting a variety high technology software engineering firms to the County. Major services industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in 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, to include schools.

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.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

New High School: Year to date the County expended more than \$35 million for the construction of a new High School. The high school will hold 1,700 students and is expected to be completed by the end of calendar year 2008.

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. An Economic Development Director was hired during the current fiscal year with sole focus on recruiting for the industrial park, as well as, retaining current businesses in the County.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE: (CONTINUED)

In May 2008, the King George County Economic Development Authority sold 18.180 acres to Mid-Atlantic Precast, LLC. Mid-Atlantic will manufacture hollow-core precast concrete at their new plant resulting in an \$8.8 capital investment and an added workforce of approximately 18 production workers and 16 administrative staff. Plant construction will be complete in the spring/summer 2009; the plant will be capable of producing more than 4 million square feet of floor slabs and wall panels

The University of Mary Washington is currently developing the Dahlgren Education and Research Institute which 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 will consist of a 50,000 sq. ft. facility that will house full-time resident professors combining research and teaching. A groundbreaking is anticipated in January 2010 with occupancy the fall semester of 2011.

Gateway Medical Urgent Care Clinic: The Gateway Medical Urgent Care Clinic is under construction on Route 3 (Kings Highway) by Harenc Associates, L.L.C. The clinic is expected to open the first quarter of 2009. Highlights of the urgent care clinic, to be managed by SA Medical, will include nine patient exam rooms, two patient procedure/exam rooms, in addition to an ambulance patient "Pick-Up" entrance for patients whose condition exceeds the facility's health care treatment level.

New Restaurants/Dine-Dine Out Locations: Daily Grind, Vinny's Italian Grill and Pancho Villa

Government Center: The County is planning the construction of a new government center. Funding has been approved for construction of a new Sheriff's office, which will house the E-911 dispatch center, and also for the construction of a new animal control facility. The remaining facilities; a fleet maintenance facility and fuel depot (a facility serving both the county and school board), human services building (which will house the department of social services, the Virginia co-operative extension office and the health department) are currently on hold as the County is cognizant of its debt ratio, as well as, the economy. Other alternatives are also being considered to address these needs.

Wireless Authority: The County established a Wireless Authority (the Authority) during the fiscal year ended June 30, 2008. The same Board of Supervisors serves as the Board of Directors to the Authority. It is also included in the County's financial statements as a blended component unit. The purpose of the Authority is to provide a County-wide network that will provide access to the internet for the County, its agencies, residents and businesses. This will improve public safety, enhance educational opportunities, support economic and business development and improve the quality of life for the residents of the County.

The Authority has partnered with a third party vendor to install the necessary infrastructure as well as administer the services throughout the County. Phase one is expected to be complete by calendar year ending 2008.

RISK MANAGEMENT

The County of King George has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. Risks of loss are mitigated by insurance and safety policies.

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, 2007. 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.

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
County Administrator



Donita M. Harper, CPA
Finance Director

This page intentionally left blank

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King George
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

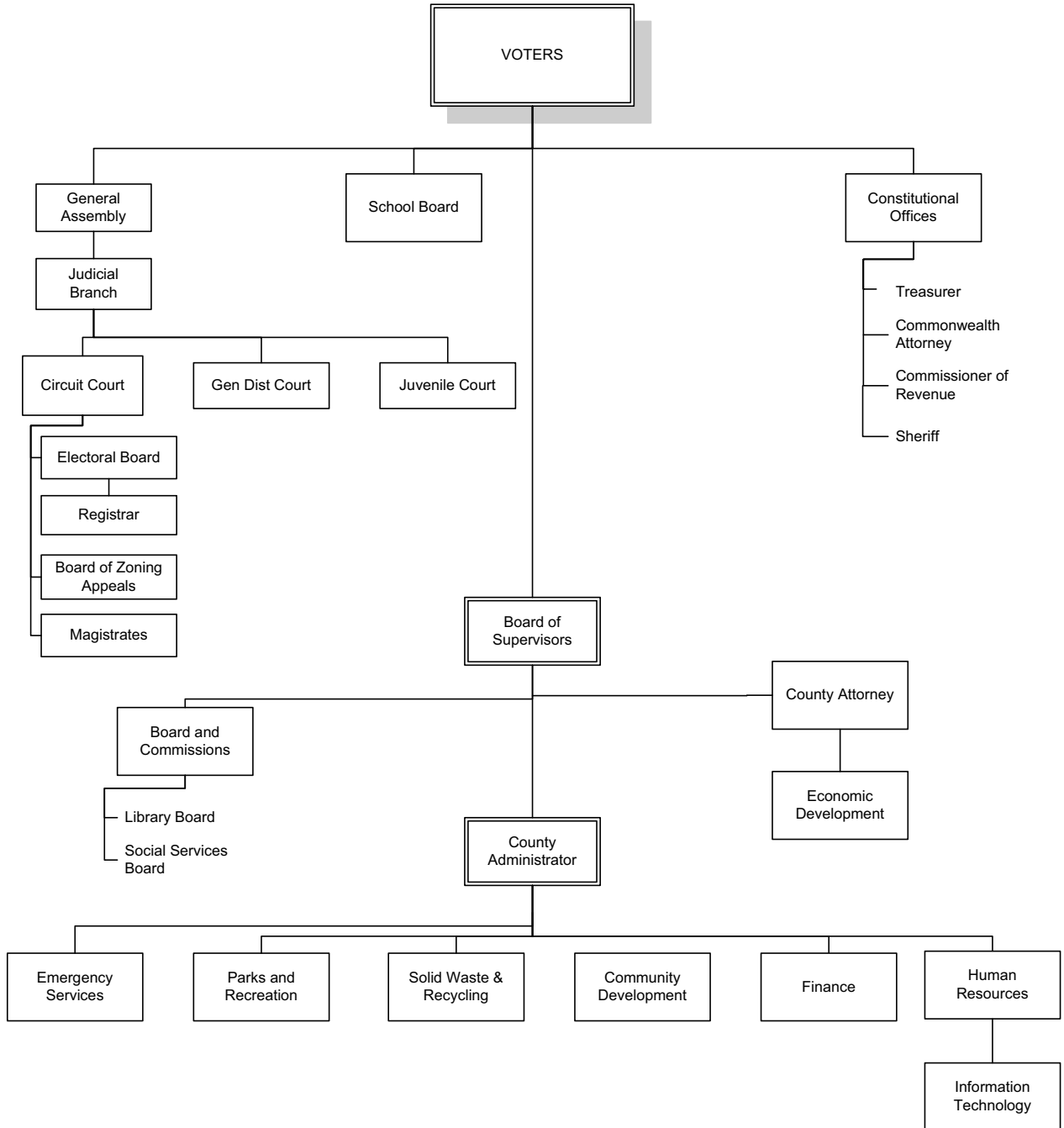
Jeffrey R. Emer

Executive Director

This page intentionally left blank



KING GEORGE COUNTY ORGANIZATIONAL CHART



This page intentionally left blank

COUNTY OF KING GEORGE, VIRGINIA

June 30, 2008

Board of Supervisors

Cedell Brooks, Jr., Chairman
Joseph W. Grzeika, Vice-Chairman
James B. Howard
James F. Mullen
Dale W. Sisson, Jr.

County School Board

Dennis Paulsen, Chairman
Sherrie Allwine, Vice-Chairman
Renee Parker
Payne Kilbourn
Lynn Pardee

Board of Social Services

Dale W. Sisson, Jr., Chairman
Audrey Brent
Carol Butler
Thelma Johnson
Melvin Tahir

Smoot Memorial Library Board of Trustees

Tina Sisson, Chairman
Robert Gates, Vice-Chairman

Ruby Brabo
Evelyn Durling
Leon J. Fontenot
Michael Gallier, Finance Officer

Linda Kramer
Dreda Newman
Cindy Sexton
Christine Steppe

Other Officials

County Attorney	Matthew J. Britton
Judge of the Circuit Court	Horace A. Revercomb, III
Clerk of the Circuit Court	Charles V. Mason
Commonwealth Attorney	Matthew J. Britton
Commissioner of the Revenue	Faye Lumpkin
Treasurer	Alice L. Moore
Judge of the General District Court	H. Harrison Braxton, Jr.
Judge of the Juvenile & Domestic Relations Courts	David S. Peterson
Clerk of the General and Juvenile & Domestic Relations Courts	Nancy L. Tierney
Sheriff	C. W. Dobson
Superintendent of Schools.....	Dr. Candace Brown
Director of Department of Social Services	David Coman
County Administrator	A. Travis Quesenberry

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 the County of King George, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of King 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; *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. 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 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, 2008, 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 8, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County of King George, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of King George, Virginia. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. 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 08 by \$52.6 million (net assets). This represents an increase of \$3 million over prior fiscal year.
- Of the total net assets \$3.3 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$52.6 million a decrease of \$19.4 million in comparison with the prior year.
- Approximately thirty-nine percent (39%) of this total amount, \$20.4 million is General Fund unreserved fund balance and available for spending at the County's discretion (unreserved fund balance).
- The County's net debt decreased by \$2.5 million during the current fiscal year. The increase was a result of new debt of \$6.4 million of VPSA debt for the new high school and \$.74 million for the Wireless Authority project, less principal payments in the amount of \$10 million.

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)

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 \$52.6 million at the close of fiscal year 08.

The County's net investment in capital assets such as land, buildings and equipment totals \$14.2 million at June 30, 2008, a decrease of \$.3 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, 2008 and 2007**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 64,478,316	\$ 78,576,582	\$ 6,381,667	\$ 7,137,622	\$ 70,859,983	\$ 85,714,204
Capital assets	<u>61,920,339</u>	<u>41,962,191</u>	<u>36,079,327</u>	<u>36,486,210</u>	<u>97,999,666</u>	<u>78,448,401</u>
Total assets	<u>\$ 126,398,655</u>	<u>\$ 120,538,773</u>	<u>\$ 42,460,994</u>	<u>\$ 43,623,832</u>	<u>\$ 168,859,649</u>	<u>\$ 164,162,605</u>
Long-term liabilities outstanding	\$ 59,879,101	\$ 62,650,899	\$ 22,766,840	\$ 23,577,568	\$ 82,645,941	\$ 86,228,467
Current liabilities	<u>13,899,022</u>	<u>8,271,364</u>	<u>2,683,938</u>	<u>3,188,166</u>	<u>16,582,960</u>	<u>11,459,530</u>
Total liabilities	<u>\$ 73,778,123</u>	<u>\$ 70,922,263</u>	<u>\$ 25,450,778</u>	<u>\$ 26,765,734</u>	<u>\$ 99,228,901</u>	<u>\$ 97,687,997</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 14,166,206	\$ 14,446,035	\$ 16,422,476	\$ 16,032,120	\$ 30,588,682	\$ 30,478,155
Restricted	3,335,777	1,113,229	-	-	3,335,777	1,113,229
Unrestricted	<u>35,118,549</u>	<u>34,057,246</u>	<u>587,740</u>	<u>825,978</u>	<u>35,706,289</u>	<u>34,883,224</u>
Total net assets	<u>\$ 52,620,532</u>	<u>\$ 49,616,510</u>	<u>\$ 17,010,216</u>	<u>\$ 16,858,098</u>	<u>\$ 69,630,748</u>	<u>\$ 66,474,609</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, and for a natatorium donation. The County's restricted net assets amounts to \$3.3 million or thirty-five percent (6%) of total net assets.

Government-wide Financial Analysis: (Continued)

Governmental Activities – Governmental and business-type activities reflect changes in net assets of \$3 million and \$152,118 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, 2008 and 2007**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,613,473	\$ 7,998,803	\$ 3,252,836	\$ 2,887,323	\$ 11,866,309	\$ 10,886,126
Operating grants and contributions	4,284,574	4,283,164	10,650	12,093	4,295,224	4,295,257
Capital grants and contributions	798,438	396,834	-	3,286,792	798,438	3,683,626
General revenues:						
General property taxes	17,077,378	15,379,778	-	-	17,077,378	15,379,778
Other local taxes	5,311,646	5,214,995	-	-	5,311,646	5,214,995
Use of money and property	3,160,698	3,980,793	133,175	210,224	3,293,873	4,191,017
C/VA non-categorical aid	2,316,124	2,458,363	-	-	2,316,124	2,458,363
Other general revenues	2,470,865	557,181	1,424,469	1,318,584	3,895,334	1,875,765
Total revenues	<u>\$ 44,033,196</u>	<u>\$ 40,269,911</u>	<u>\$ 4,821,130</u>	<u>\$ 7,715,016</u>	<u>\$ 48,854,326</u>	<u>\$ 47,984,927</u>
Expenses:						
General government administration	\$ 2,920,975	\$ 2,150,214	\$ -	\$ -	\$ 2,920,975	\$ 2,150,214
Judicial administration	759,823	1,029,314	-	-	759,823	1,029,314
Public safety	7,977,187	10,514,774	-	-	7,977,187	10,514,774
Public works	1,518,581	2,473,860	-	-	1,518,581	2,473,860
Health and welfare	3,568,445	3,549,674	-	-	3,568,445	3,549,674
Education	18,229,598	10,140,846	-	-	18,229,598	10,140,846
Parks, recreation, and cultural	1,167,026	1,221,343	-	-	1,167,026	1,221,343
Community development	1,399,071	1,513,450	-	-	1,399,071	1,513,450
Interest and other fiscal charges	2,918,611	2,727,195	-	-	2,918,611	2,727,195
Water and sewer	-	-	5,238,869	4,696,891	5,238,869	4,696,891
Total expenses	<u>\$ 40,459,317</u>	<u>\$ 35,320,670</u>	<u>\$ 5,238,869</u>	<u>\$ 4,696,891</u>	<u>\$ 45,698,186</u>	<u>\$ 40,017,561</u>
Increase in net assets before transfers	\$ 3,573,879	\$ 4,949,241	\$ (417,739)	\$ 3,018,125	\$ 3,156,140	\$ 7,967,366
Transfers	<u>(569,857)</u>	<u>(1,108,173)</u>	<u>569,857</u>	<u>1,108,173</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 3,004,022	\$ 3,841,068	\$ 152,118	\$ 4,126,298	\$ 3,156,140	\$ 7,967,366
Net assets, July 1, 2007	<u>49,616,510</u>	<u>45,775,442</u>	<u>16,858,098</u>	<u>12,731,800</u>	<u>66,474,608</u>	<u>58,507,242</u>
Net assets, June 30, 2008	<u>\$ 52,620,532</u>	<u>\$ 49,616,510</u>	<u>\$ 17,010,216</u>	<u>\$ 16,858,098</u>	<u>\$ 69,630,748</u>	<u>\$ 66,474,608</u>

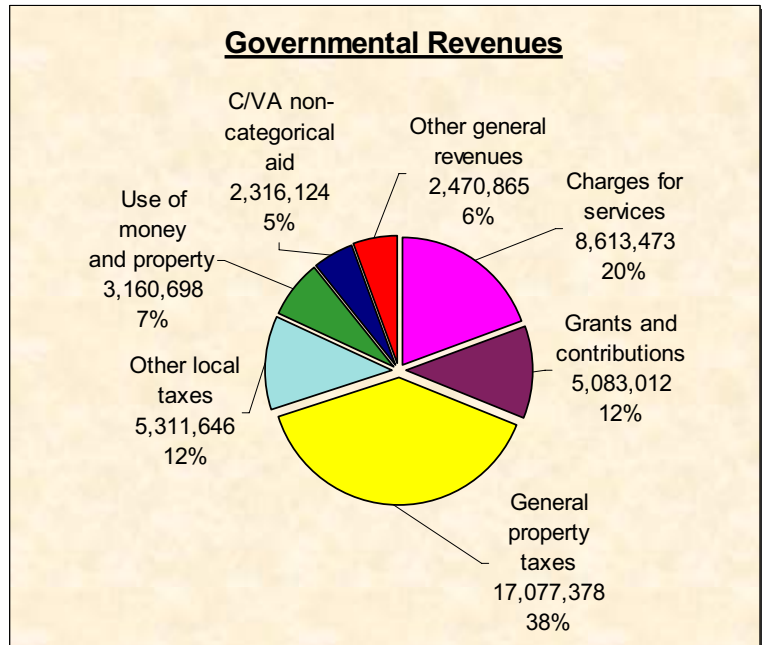
Government-wide Financial Analysis: (Continued)

Program and general revenues for governmental activities totaled \$44 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$17 million
- Charges for services totaled \$8.6 million (which includes \$7.4 million of landfill revenues)
- Other local taxes totaled \$5.3 million.
- Operating grants and contributions totaled \$4.3 million

The pie chart to the right provides an overview of revenues by program source.



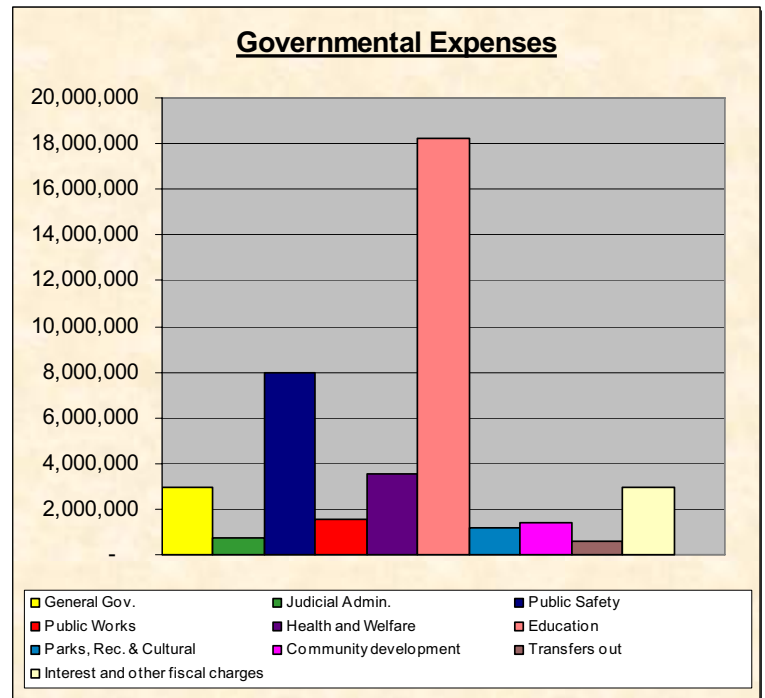
Expenses for governmental activities totaled \$40.4 million for the fiscal year. Major categories were as follows:

- Education totaled – \$18.2 million
- Public Safety totaled – \$7.9 million
- Health and Welfare totaled – \$3.5 million

The graph below denotes expenses by major categories.

Significant changes noted in revenues were:

- General property taxes increased \$1.7 million; most of this increase is due to the increase in the real tax rate from \$0.44 to \$0.45.
- Other General Revenues which increased \$2 million during the year. Most of this increase is due to reimbursement from the remaining expenditures for the Courthouse fire.
- Capital Grants and contributions decreased by \$2.8 million. This is mainly a result of decrease in capital expenses by the Service Authority (Business Type activities) due to completing projects.



Significant changes in expenses were:

- Education expenses increased by \$8 million as a result of transfer of debt service payment from primary government to the School Board for \$4.4 million and increase in capital expenses for the old high school renovations and salary increases.
- Public Safety expenses decreased by \$2.5 million due near completion of the courthouse fire repairs during the prior fiscal year.
- Public Works decreased by \$955,279 due to decrease in capital expenses.

Government-wide Financial Analysis: (Continued)

Business-type activities - Business-type activities net assets increased by \$152,188 during the current year. Major reasons are as follows:

- Operating revenues increased \$471,398 while operating expenses increased \$563,882 from FY 2007 levels.
- The increase in revenues consists primarily of sewer revenues and service fees which increased \$ 188,090 and \$165,652 respectfully. Water revenues only increased by \$11,771 in fiscal year 08.
- Operating expenses increased from \$3.5 million to \$4.1 million during the year.
- The largest increase noted in expenses was other operating expenses which increased by \$450,933. This was a result of additional debt service which was paid by the County in prior years being passed on to the Service Authority during the current year.
- Interest earned during the year decreased from by \$77,049.
- The County transferred \$569,857 to the business-type activities fund to assist in funding operating expenditures. This amount will decrease in 20% increments over the next three years and result in assisted funding on an as needed basis in the future.

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, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$52.6 million, a decrease of \$19.4 in comparison with the prior year. Approximately sixty-six percent (62%) of this amount (\$32.7 million) constitutes unreserved fund balance. General fund unreserved balance equals \$20.4 million which is available for spending at the County's discretion. \$12.3 million constitutes unreserved capital projects fund balance. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for library operations (\$768,694), debt service (\$1.1 million), Wireless Authority (\$560,243), natatorium (\$2.2 million) and for capital projects (\$15.2 million).

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$20.4 million, while the total fund balance was \$21.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents fifty-nine percent (59%) of total general fund expenditures, while total fund balance represents sixty-two percent (62%) of that same amount.

General Fund: The fund balance of the County's general fund increased by \$2.1 million during the current fiscal year. Some factors which are significant contributors to this increase are as follows:

- Increase in general property taxes of \$1.9 million due to increase in the tax assessments.
- Increase in use of money and property of \$170,536 due to interest earned on bond proceeds.

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

Capital Projects Fund: At the end of the current fiscal year the fund balance for the County's capital projects fund was \$29.7 million which fifty-one percent is reserved for future capital projects. The fund balance of the County's capital projects fund decreased by \$21.8 million during the current fiscal year. Some major factors are as follows:

- The County expended \$38.5 million on various school projects, mainly the new high school and refinanced \$6.3 million for completion of the new high school. Construction of the new high school is projected to be completed the later part of 2008 calendar year.
- Landfill fees collected in FY 08 totaled \$7.4 million.
- At the end of the current fiscal year the fund balance for the County's permanent fund was \$768,694 which is all reserved for library operations. The fund balance of the County's permanent fund decreased by \$309,373 during the current fiscal year. This was due to purchase of land for library expansion project.
- The newly established Wireless Authority project fund balance was \$560,243 at the end of the current fiscal year. Fiscal year 08 was the first year this fund was established.

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 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 budget and the final amended budget were relatively minor (\$1.4 million or less than 1% increase in appropriations). Significant budget variances are summarized as follows:

- Various public safety grants, additional state and federal funding totaling \$322,497.
- Primary government contribution to School Board increased by \$312,712.
- \$59,928 was due to increased usage of regional juvenile detention center.
- Public works increased by \$251,587 as a result of increase in utilities, fuel, etc.

Of this increase, grants came from Federal and State government with the balance to support these budgetary increases from available fund balance.

The actual revenues exceeded the amended budget by \$1.1 million, reference Exhibit 10. This was less than 1% increase.

The actual expenditures were \$2 million less than the amended budget. Major contributors were as follows:

- One factor is because of the economic challenges that were ahead the County Administrator implemented a spending freeze effective April 1, 2008.
- The largest savings was Welfare which had a favorable expenditure variance of \$564,596 made up primarily of expenditures relating to comprehensive services act for \$102,765 and \$461,431 related to Social Services Administration and Purchase of Services. Public safety also had a favorable expenditure variance of \$409,887 of which the majority was due to salaries due to vacancies.
- Schools returned \$329,208 to the General Fund due to remaining funds from transfer.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2008 totals \$61.9 million (net of accumulated depreciation). Governmental capital assets increased a total of \$19.9 million for the same period while business-type activities decreased \$406,883. Major highlights of governmental capital assets include:

- The County continues to expend significant sums of monies on construction of the new high school. To date the County has expended a total of \$35.5 million on the new high school; and \$3 million in renovations to the old high school.

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2008 totals \$36 million (net of accumulated depreciation). Investment in capital assets decreased \$406,883. This decrease is due to depreciation costs and no material projects completed. Details supporting changes in capital asset activity including construction in progress can be found in notes 5 and 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 \$62.6 million and the King George Service Authority has \$23.5 million. Of this amount \$61.1 million comprises debt backed by the full faith and credit of the County and \$44.7 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations increased \$2.5 million during the current fiscal year. The County refinanced general obligation bonds in the amount of \$6.3 million, Wireless Authority bonds in the amount of \$740,000 and reduced debt in the amount of \$10 million. The King George Service Authority reduced its long-term obligations by \$806,262 during the year.

The County received an A+ credit rating from Standard and Poor's, Fitch as well as Moody's during the prior year.

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 5.3 at June 30, 2008. The local unemployment rate compares favorably to the June 30, 2008 national rates. The County's favorable employment conditions are supported by the continued growth of jobs over the last seven years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 9,695 in 2008. In summary, local business indicators are continuing to indicate a good local economy.

The General Fund revenue budget for the fiscal year ending June 30, 2009 totals \$31.8 million which is an increase of \$1.9 million or 7% over the prior year. Revenue from the general property taxes accounts for the majority of this increase due to increases in assessments.

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, King George, Virginia 22485.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Assets
At June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 53,124,554	\$ 1,704,704	\$ 54,829,258	\$ 344,983
Receivables (net of allowance for uncollectibles):				
Property taxes	1,209,935	-	1,209,935	-
Accounts receivable	2,317,447	393,423	2,710,870	328
Notes receivable	635,566	-	635,566	-
Due from other governments	2,901,213	-	2,901,213	522,190
Restricted cash	3,335,777	3,999,756	7,335,533	-
Due from primary government	-	-	-	2,991,996
Total Current Assets	\$ 63,524,492	\$ 6,097,883	\$ 69,622,375	\$ 3,859,497
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,707,040	\$ 2,262,354	\$ 6,969,394	\$ 182,483
Infrastructure	-	32,601,693	32,601,693	-
Buildings	4,003,606	-	4,003,606	9,219,210
Equipment	3,873,606	362,468	4,236,074	1,556,479
Jointly owned assets	10,737,244	-	10,737,244	4,766,573
Construction in progress	38,598,843	852,812	39,451,655	8,648,972
Total capital assets	\$ 61,920,339	\$ 36,079,327	\$ 97,999,666	\$ 24,373,717
Other assets	953,824	283,784	1,237,608	-
Total Noncurrent Assets	\$ 62,874,163	\$ 36,363,111	\$ 99,237,274	\$ 24,373,717
Total Assets	\$ 126,398,655	\$ 42,460,994	\$ 168,859,649	\$ 28,233,214
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 7,062,689	\$ 527,859	\$ 7,590,548	\$ 246,986
Accrued liabilities	-	-	-	3,364,277
Due to component unit - School Board	2,991,996	-	2,991,996	-
Unearned revenue	-	1,009,511	1,009,511	-
Accrued interest payable	1,069,790	319,036	1,388,826	-
Current portion of long-term obligations	2,774,547	827,532	3,602,079	117,350
Total Current Liabilities	\$ 13,899,022	\$ 2,683,938	\$ 16,582,960	\$ 3,728,613
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	59,879,101	22,766,840	82,645,941	534,954
Total Liabilities	\$ 73,778,123	\$ 25,450,778	\$ 99,228,901	\$ 4,263,567
NET ASSETS				
Invested in capital assets, net of related debt	\$ 14,166,206	\$ 16,422,476	\$ 30,588,682	\$ 23,980,957
Restricted for:				
Debt service	1,135,777	-	1,135,777	-
Natorium	2,200,000	-	2,200,000	-
Unrestricted assets	35,118,549	587,740	35,706,289	(11,310)
Total Net Assets	\$ 52,620,532	\$ 17,010,216	\$ 69,630,748	\$ 23,969,647
Total Liabilities and Net Assets	\$ 126,398,655	\$ 42,460,994	\$ 168,859,649	\$ 28,233,214

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,920,975	\$ -	\$ 296,199	\$ -
Judicial administration	759,823	258,458	551,648	-
Public safety	7,977,187	302,013	1,250,193	-
Public works	1,518,581	7,597,954	-	-
Health and welfare	3,568,445	-	2,069,467	-
Education	18,229,598	-	-	798,438
Parks, recreation, and cultural	1,167,026	364,795	96,339	-
Community development	1,399,071	90,253	20,728	-
Interest on long-term debt	2,918,611	-	-	-
Total governmental activities	\$ 40,459,317	\$ 8,613,473	\$ 4,284,574	\$ 798,438
Business-type activities:				
Water and sewer	\$ 5,238,869	\$ 3,252,836	\$ 10,650	\$ -
Total primary government	\$ 45,698,186	\$ 11,866,309	\$ 4,295,224	\$ -
COMPONENT UNIT:				
School Board	\$ 32,340,771	\$ 716,847	\$ 20,098,520	\$ 146,245

- General revenues:
 - General property taxes
 - Local sales and use taxes
 - Communication sales taxes
 - Consumer utility taxes
 - Business license taxes
 - Motor vehicle licenses
 - Recordation taxes
 - Meals tax
 - 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			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (2,624,776)	\$ -	\$ (2,624,776)	\$ -
50,283	-	50,283	-
(6,424,981)	-	(6,424,981)	-
6,079,373	-	6,079,373	-
(1,498,978)	-	(1,498,978)	-
(17,431,160)	-	(17,431,160)	-
(705,892)	-	(705,892)	-
(1,288,090)	-	(1,288,090)	-
(2,918,611)	-	(2,918,611)	-
<u>\$ (26,762,832)</u>	<u>\$ -</u>	<u>\$ (26,762,832)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,975,383)</u>	<u>\$ (1,975,383)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,975,383)</u>	<u>\$ (28,738,215)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,379,159)</u>
17,077,378	-	17,077,378	-
1,224,072	-	1,224,072	-
450,124	-	450,124	-
229,585	-	229,585	-
1,203,024	-	1,203,024	-
493,466	-	493,466	-
434,099	-	434,099	-
702,153	-	702,153	-
575,123	-	575,123	-
2,316,124	-	2,316,124	-
3,160,698	133,175	3,293,873	22,097
-	-	-	17,899,310
2,470,865	1,424,469	3,895,334	145,208
(569,857)	569,857	-	-
<u>\$ 29,766,854</u>	<u>\$ 2,127,501</u>	<u>\$ 31,894,355</u>	<u>\$ 18,066,615</u>
<u>\$ 3,004,022</u>	<u>\$ 152,118</u>	<u>\$ 3,156,140</u>	<u>\$ 6,687,456</u>
<u>49,616,510</u>	<u>16,858,098</u>	<u>66,474,608</u>	<u>17,282,191</u>
<u>\$ 52,620,532</u>	<u>\$ 17,010,216</u>	<u>\$ 69,630,748</u>	<u>\$ 23,969,647</u>

This page intentionally left blank

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2008

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
ASSETS					
Cash and cash equivalents	\$ 20,867,172	\$ 30,888,175	\$ 768,694	\$ 600,513	\$ 53,124,554
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	1,209,935	-	-	-	1,209,935
Accounts	165,926	2,151,521	-	-	2,317,447
Note receivable	635,566	-	-	-	635,566
Restricted cash	1,135,777	2,200,000	-	-	3,335,777
Due from other governmental units	1,901,213	1,000,000	-	-	2,901,213
Total assets	\$ 25,915,589	\$ 36,239,696	\$ 768,694	\$ 600,513	\$ 63,524,492
LIABILITIES					
Accounts payable	\$ 510,009	\$ 6,512,410	\$ -	\$ 40,270	\$ 7,062,689
Due to component unit - School Board	2,991,996	-	-	-	2,991,996
Deferred revenue	843,326	-	-	-	843,326
Total liabilities	\$ 4,345,331	\$ 6,512,410	\$ -	\$ 40,270	\$ 10,898,011
FUND BALANCES					
Reserved for:					
Library operations	\$ -	\$ -	\$ 768,694	\$ -	\$ 768,694
Natatorium	-	2,200,000	-	-	2,200,000
Specific capital projects	-	15,228,296	-	-	15,228,296
Debt service	1,135,777	-	-	-	1,135,777
Wireless authority	-	-	-	560,243	560,243
Unreserved	20,434,481	12,298,990	-	-	32,733,471
Total fund balances	\$ 21,570,258	\$ 29,727,286	\$ 768,694	\$ 560,243	\$ 52,626,481
Total liabilities and fund balances	\$ 25,915,589	\$ 36,239,696	\$ 768,694	\$ 600,513	

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

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.	\$ 61,920,339
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.	953,824
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,069,790)
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.	843,326
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.	(62,653,648)
Net assets of governmental activities	\$ 52,620,532

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, 2008

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 17,092,704	\$ -	\$ -	\$ -	17,092,704
Other local taxes	5,311,646	-	-	-	5,311,646
Permits, privilege fees and regulatory licenses	520,464	7,415,621	-	-	7,936,085
Fines and forfeitures	236,338	-	-	-	236,338
Revenue from use of money and property	1,064,041	2,071,992	17,140	7,525	3,160,698
Charges for services	441,050	-	-	-	441,050
Miscellaneous	389,366	2,081,499	-	-	2,470,865
Recovered costs	175,200	-	-	-	175,200
Intergovernmental:					
Commonwealth	5,616,238	798,438	-	-	6,414,676
Federal	984,460	-	-	-	984,460
Total revenues	<u>\$ 31,831,507</u>	<u>\$ 12,367,550</u>	<u>\$ 17,140</u>	<u>\$ 7,525</u>	<u>\$ 44,223,722</u>
Expenditures:					
Current:					
General government administration	\$ 2,713,136	\$ 1,281,105	\$ -	\$ -	3,994,241
Judicial administration	1,056,075	30,689	-	-	1,086,764
Public safety	7,231,156	672,087	-	-	7,903,243
Public works	1,685,536	-	-	-	1,685,536
Health and welfare	3,530,265	-	-	-	3,530,265
Education	10,661,222	25,528,305	-	-	36,189,527
Parks, recreation, and cultural	1,144,576	414,639	326,513	-	1,885,728
Community development	1,105,372	13,879	-	272,340	1,391,591
Debt service:					
Principal retirement	2,401,440	-	-	-	2,401,440
Interest and other fiscal charges	2,957,614	-	-	-	2,957,614
Total expenditures	<u>\$ 34,486,392</u>	<u>\$ 27,940,704</u>	<u>\$ 326,513</u>	<u>\$ 272,340</u>	<u>\$ 63,025,949</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,654,885)</u>	<u>\$ (15,573,154)</u>	<u>\$ (309,373)</u>	<u>\$ (264,815)</u>	<u>\$ (18,802,227)</u>
Other financing sources (uses):					
Transfers in	\$ 4,884,389	\$ -	\$ -	\$ 85,058	4,969,447
Transfers out	(85,058)	(5,454,246)	-	-	(5,539,304)
Early retirement of indebtedness	-	(7,500,000)	-	-	(7,500,000)
Long-term debt issued	-	6,364,713	-	740,000	7,104,713
Bond premium	-	343,349	-	-	343,349
Total other financing sources (uses)	<u>\$ 4,799,331</u>	<u>\$ (6,246,184)</u>	<u>\$ -</u>	<u>\$ 825,058</u>	<u>\$ (621,795)</u>
Net changes in fund balances	\$ 2,144,446	\$ (21,819,338)	\$ (309,373)	\$ 560,243	\$ (19,424,022)
Fund balances at beginning of year	<u>19,425,812</u>	<u>51,546,624</u>	<u>1,078,067</u>	<u>-</u>	<u>72,050,503</u>
Fund balances at end of year	<u>\$ 21,570,258</u>	<u>\$ 29,727,286</u>	<u>\$ 768,694</u>	<u>\$ 560,243</u>	<u>\$ 52,626,481</u>

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, 2008

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (19,424,022)
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	\$ 21,981,890
Depreciation expense	<u>(1,199,060)</u> 20,782,830
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	(824,682)
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.	(15,326)
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	\$ (7,104,713)
Premium on bonds	(343,349)
Amortization of bond premium	23,394
Amortization of bond issuance costs	(34,065)
Principal retired on general obligation and lease revenue bonds	2,029,926
Principal retired on state literary fund loans	294,800
Principal retired on capital lease obligations	<u>7,576,714</u> 2,442,707
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	\$ (7,159)
Change in interest payable	<u>49,674</u> <u>42,515</u>
Change in net assets of governmental activities	\$ <u><u>3,004,022</u></u>

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

Statement of Net Assets - Proprietary Fund
At June 30, 2008

	<u>Business Type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,704,704
Receivables (net of allowance for uncollectibles):	
Accounts receivable	393,423
Restricted cash	<u>3,999,756</u>
Total Current Assets	\$ <u>6,097,883</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	38,944,206
Equipment	791,809
Construction in progress	852,812
Accumulated depreciation	<u>(6,771,854)</u>
Total Capital Assets	\$ <u>36,079,327</u>
Bond issue costs, net of amortization	\$ <u>283,784</u>
Total Noncurrent Assets	\$ <u>36,363,111</u>
Total Assets	\$ <u><u>42,460,994</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 527,859
Deferred revenue	1,009,511
Accrued interest payable	319,036
Current portion of long-term obligations	<u>827,532</u>
Total Current Liabilities	\$ 2,683,938
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>22,766,840</u>
Total Liabilities	\$ <u>25,450,778</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,422,476
Unrestricted assets	<u>587,740</u>
Total Net Assets	\$ <u>17,010,216</u>
Total Liabilities and Net Assets	\$ <u><u>42,460,994</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, 2008

	Business Type Activities
Operating revenues:	
Water revenues	\$ 751,808
Sewer revenues	994,843
Service fees	1,506,185
Other revenues	<u>1,424,469</u>
Total operating revenues	\$ <u>4,677,305</u>
Operating expenses:	
Personnel services	\$ 1,073,158
Fringe benefits	450,567
Contractual services	315,417
Depreciation and amortization	1,064,569
Other operating expenses	<u>1,199,898</u>
Total operating expenses	\$ <u>4,103,609</u>
Net income from operations	\$ <u>573,696</u>
Nonoperating revenues (expenses):	
Interest income	\$ 133,175
State and local grant funds	10,650
Interest expense	<u>(1,135,260)</u>
Total nonoperating revenues (expenses)	\$ <u>(991,435)</u>
Net income before transfers	\$ (417,739)
Transfers:	
Transfers in	<u>569,857</u>
Change in net assets	\$ 152,118
Net assets, beginning of year	<u>16,858,098</u>
Net assets, end of year	<u>\$ <u>17,010,216</u></u>

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

Statement of Cash Flows - Proprietary Fund
 Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,788,839
Payments to employees (including fringe benefits)	(1,512,936)
Payments for operating activities	<u>(1,153,452)</u>
Net cash provided by operating activities	<u>\$ 1,122,451</u>
Cash flows from non-capital financing activities:	
State, federal and local grant funds	<u>\$ 10,650</u>
Net cash provided by non-capital financing activities	<u>\$ 10,650</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (645,581)
Capital grants and contributions	569,857
Retirement of indebtedness	(797,239)
Interest paid on loans	<u>(1,145,464)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (2,018,427)</u>
Cash flows from investing activities:	
Interest received	<u>\$ 133,175</u>
Net increase (decrease) in cash and cash equivalents	\$ (752,151)
Cash and cash equivalents (including restricted) at beginning of year	<u>6,456,611</u>
Cash and cash equivalents (included restricted) at end of year	<u><u>\$ 5,704,460</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income from operations	\$ 573,696
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,064,569
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(8,301)
(Decrease) in accounts payable and accrued liabilities	361,863
(Decrease) in deferred revenue	(880,165)
Increase in compensated absences	<u>10,789</u>
Net cash provided by operating activities	<u><u>\$ 1,122,451</u></u>

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

Statement of Fiduciary Net Assets
At June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 6,007,628
Accounts receivable	<u>50,358</u>
Total assets	<u>\$ 6,057,986</u>
LIABILITIES	
Accounts payable	\$ 52,540
Amounts held for others	2,013,910
Amounts held for landfill closure and postclosure costs	3,968,833
Amounts held for social services' clients	<u>22,703</u>
Total liabilities	<u>\$ 6,057,986</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, 2008

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, 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, 2008 (Continued)

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

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 government’s revise their original budgets over the course of the year for a variety of reasons. Under the reporting model governments provide budgetary comparison information in their annual reports, including the original budget, final budget, and actual results.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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 Units - 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 Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2008.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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

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.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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

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

b. Capital Projects Fund

The Capital Improvements Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital improvements fund is considered a major fund for government-wide reporting purposes.

c. Permanent Fund

The Permanent Fund accounts for operations of the Smoot Library Endowment Fund. Transfers of income are made periodically to support library operations.

d. Wireless Authority Fund

The Wireless Authority Fund accounts for operations of the King George County Wireless Authority.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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

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.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

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.

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.

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.

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.

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 \$571,611 at June 30, 2008 and is comprised of the following:

Property taxes	\$ 527,913
Water & sewer accounts	<u>43,698</u>
Total	<u>\$ 571,611</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 5th and December 5th. The County bills and collects its own property taxes.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

I. Capital Assets:

Capital assets, which include property, plant and equipment, 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 assets lives 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.

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.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

J. Compensated Absences: (Continued)

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Retirement Plan:

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

N. Use of Estimates:

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

O. 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, 2008 totaled \$12,105 in the Enterprise funds and \$34,065 in the Governmental Funds.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

P. 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.

Q. 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.

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

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

In the Statement of Net 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.

Note 2—Deposits and Investments:

Deposits

All cash of the County and its component unit is maintained in accounts collateralized in accordance with the Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amount insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2008 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Locality's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AAA	AA	AA-
U.S. Agencies	\$ -	\$ 13,644,540	\$ -	\$ -
Local Government Investment Pool	4,483,611	-	-	-
State Non-Arbitrage Pool	11,435,277	-	-	-
U.S. Treasury Money Market Fund	18,160,167	-	-	-
U.S. Treasuries	-	2,151,414	-	-
Corporate Notes	-	1,494,560	795,142	255,998
Repurchase Agreements - Underlying:				
U.S. Agency Securities	-	13,801,292	-	-
Total	\$ 34,079,055	\$ 31,091,806	\$ 795,142	\$ 255,998

Interest Rate Risk

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

Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 10 Years
Repurchase Agreements	\$ 13,801,292	\$ 13,801,292	\$ -	\$ -
Corporate Notes	2,545,700	255,998	2,289,702	-
U.S. Agencies	13,644,540	3,346,384	9,537,105	761,051
U.S. Treasuries	2,151,414	-	2,151,414	-
Total	\$ 32,142,946	\$ 17,403,674	\$ 13,978,221	\$ 761,051

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools

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

Note 3—Due From Other Governments:

At June 30, 2008 the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	253,587
PPTRA	1,088,066	-
Local sales taxes	109,728	-
Communications tax	71,341	-
Public assistance	38,063	-
Shared expenses	207,700	-
CSA	276,966	-
Other	40,501	-
Federal Government:		
School funds	-	268,603
Homeland security	10,000	-
Public assistance	58,848	-
Totals	<u>\$ 2,901,213</u>	<u>\$ 522,190</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

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

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 2,991,996	\$ -
School	-	2,991,996
Totals	<u>\$ 2,991,996</u>	<u>\$ 2,991,996</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:

Interfund transfers for the year ended June 30, 2008 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 4,884,389	\$ 85,058
Service Authority	569,857	-
Wireless Project Fund	85,058	-
Capital Improvements Fund	-	5,454,246
Total	<u>\$ 5,539,304</u>	<u>\$ 5,539,304</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, 2008 (Continued)

Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2008:

Primary Government:

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,380,527	\$ 326,513	-	\$ 4,707,040
Construction in progress-jointly owned assets	12,403,363	19,093,704	-	31,497,067
Construction in progress	<u>5,137,323</u>	<u>1,964,453</u>	-	<u>7,101,776</u>
Total capital assets not being depreciated	<u>\$ 21,921,213</u>	<u>\$ 21,384,670</u>	<u>\$ -</u>	<u>\$ 43,305,883</u>
Capital assets being depreciated:				
Buildings	\$ 7,185,391	-	-	\$ 7,185,391
Equipment	6,662,264	597,220	148,014	7,111,470
Jointly owned assets	<u>13,413,652</u>	<u>-</u>	<u>1,094,726</u>	<u>12,318,926</u>
Total capital assets being depreciated	<u>\$ 27,261,307</u>	<u>\$ 597,220</u>	<u>\$ 1,242,740</u>	<u>\$ 26,615,787</u>
Less accumulated depreciation for:				
Buildings	\$ 3,067,331	114,454	-	\$ 3,181,785
Equipment	2,610,365	775,513	148,014	3,237,864
Jointly owned assets	<u>1,542,633</u>	<u>309,093</u>	<u>270,044</u>	<u>1,581,682</u>
Total accumulated depreciation	<u>\$ 7,220,329</u>	<u>\$ 1,199,060</u>	<u>\$ 418,058</u>	<u>\$ 8,001,331</u>
Total capital assets being depreciated, net	<u>\$ 20,040,978</u>	<u>\$ (601,840)</u>	<u>\$ 824,682</u>	<u>\$ 18,614,456</u>
Governmental activities capital assets, net	<u><u>\$ 41,962,191</u></u>	<u><u>\$ 20,782,830</u></u>	<u><u>\$ 824,682</u></u>	<u><u>\$ 61,920,339</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>238,427</u>	<u>614,385</u>	<u>-</u>	<u>852,812</u>
Total capital assets not being depreciated	<u>\$ 2,500,781</u>	<u>\$ 614,385</u>	<u>\$ -</u>	<u>\$ 3,115,166</u>
Capital assets being depreciated:				
Infrastructure	\$ 38,944,206	\$ -	\$ -	\$ 38,944,206
Equipment	<u>760,613</u>	<u>31,196</u>	<u>-</u>	<u>791,809</u>
Total capital assets being depreciated	<u>\$ 39,704,819</u>	<u>\$ 31,196</u>	<u>\$ -</u>	<u>\$ 39,736,015</u>
Less accumulated depreciation for:				
Infrastructure	\$ 5,359,784	\$ 982,729	\$ -	\$ 6,342,513
Equipment	<u>359,606</u>	<u>69,735</u>	<u>-</u>	<u>429,341</u>
Total accumulated depreciation	<u>\$ 5,719,390</u>	<u>\$ 1,052,464</u>	<u>\$ -</u>	<u>\$ 6,771,854</u>
Total capital assets being depreciated, net	<u>\$ 33,985,429</u>	<u>\$ (1,021,268)</u>	<u>\$ -</u>	<u>\$ 32,964,161</u>
Business-type activities capital assets, net	<u>\$ 36,486,210</u>	<u>\$ (406,883)</u>	<u>\$ -</u>	<u>\$ 36,079,327</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Beginning Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 182,483	\$ -	\$ -	\$ 182,483
Construction in progress	<u>2,641,900</u>	<u>6,007,072</u>	<u>-</u>	<u>8,648,972</u>
Total capital assets not being depreciated	<u>\$ 2,824,383</u>	<u>\$ 6,007,072</u>	<u>\$ -</u>	<u>\$ 8,831,455</u>
Capital assets, being depreciated:				
Buildings	\$ 17,575,049	\$ -	\$ -	\$ 17,575,049
Equipment	2,880,489	890,970	23,493	3,747,966
Jointly owned assets	<u>5,174,805</u>	<u>1,094,726</u>	<u>-</u>	<u>6,269,531</u>
Total capital assets being depreciated	<u>\$ 25,630,343</u>	<u>\$ 1,985,696</u>	<u>\$ 23,493</u>	<u>\$ 27,592,546</u>
Less accumulated depreciation for:				
Buildings	\$ 7,812,422	\$ 543,417	\$ -	\$ 8,355,839
Equipment	1,975,156	239,824	23,493	2,191,487
Jointly owned assets	<u>1,232,914</u>	<u>270,044</u>	<u>-</u>	<u>1,502,958</u>
Total accumulated depreciation	<u>\$ 11,020,492</u>	<u>\$ 1,053,285</u>	<u>\$ 23,493</u>	<u>\$ 12,050,284</u>
Total capital assets being depreciated, net	<u>\$ 14,609,851</u>	<u>\$ 932,411</u>	<u>\$ -</u>	<u>\$ 15,542,262</u>
School Board capital assets, net	<u>\$ 17,434,234</u>	<u>\$ 6,939,483</u>	<u>\$ -</u>	<u>\$ 24,373,717</u>

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

Net capital assets	<u>\$ 61,920,339</u>
Long-term debt applicable to capital assets at June 30, 2008	\$ 62,085,287
Less - debt proceeds received but not expended on capital assets at June 30, 2008	<u>(14,331,154)</u>
Net long-term debt, as adjusted	<u>\$ 47,754,133</u>
Net assets invested in capital assets, less related debt	<u>\$ 14,166,206</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 245,869
Judicial administration	8,904
Public safety	543,865
Public works	15,441
Health and Welfare	38,238
Education	309,093
Parks, recreation and cultural	26,733
Community development	<u>10,917</u>
Total	\$ <u>1,199,060</u>
Component Unit-School Board	\$ <u>783,241</u> (1)
King George Service Authority	\$ <u>1,052,464</u>
(1) Depreciation expense	\$ 783,241
Accumulated depreciation on Joint tenancy asset transfer	<u>270,044</u>
Total increase in accumulated depreciation, page 42	\$ <u>1,053,285</u>

Note 7—Restricted Assets:

Restricted assets at June 30, 2008 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 3,999,756
Natatorium donation	2,200,000
Cash reserves for debt service	<u>1,135,777</u>
Total	\$ <u>7,335,533</u>

Note 8—Other Assets:

Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 168,899
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>466,667</u>
Total notes receivable	\$ <u>635,566</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 8—Other Assets: (Continued)

Bond Issuance Costs:

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
2004 IDA Bonds	\$ <u>1,021,954</u>	30	\$ <u>34,065</u>	\$ <u>68,130</u>	\$ <u>953,824</u>

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Issuance costs:					
2001 VRA bonds	\$ 212,149	30	\$ 7,072	\$ 49,149	\$ 163,000
2002 VRA bonds	<u>150,982</u>	30	<u>5,033</u>	<u>30,198</u>	<u>120,784</u>
Total	\$ <u>363,131</u>		\$ <u>12,105</u>	\$ <u>79,347</u>	\$ <u>283,784</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, 2008:

	<u>Balance July 1, 2007</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bond	\$ 7,108,853	\$ 6,364,713	\$ 549,926	\$ 12,923,640	\$ 833,028
Lease Revenue Bonds	46,249,000	-	1,480,000	44,769,000	1,526,000
Wireless Authority Bonds	-	740,000	-	740,000	-
State Literary Fund Loans	3,044,800	-	294,800	2,750,000	250,000
Capital Leases	7,730,141	-	7,576,714	153,427	76,714
Compensated Absences	561,202	91,339	84,180	568,361	56,836
Premium on bonds payable	<u>429,265</u>	<u>343,349</u>	<u>23,394</u>	<u>749,220</u>	<u>31,969</u>
Total	\$ <u>65,123,261</u>	\$ <u>7,539,401</u>	\$ <u>10,009,014</u>	\$ <u>62,653,648</u>	\$ <u>2,774,547</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

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

Year Ending June 30,	Governmental Funds							
	General Obligation and Lease Revenue Bonds		Literary Loans		Capital Leases		Wireless Authority Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,359,028	\$ 2,733,626	\$ 250,000	\$ 82,500	\$ 76,714	\$ 6,994	-	\$ 34,701
2010	2,692,848	2,555,743	250,000	75,000	76,713	6,994	-	41,366
2011	2,377,791	2,441,995	250,000	67,500	-	-	-	41,366
2012	2,248,098	2,341,637	250,000	60,000	-	-	-	41,366
2013	2,303,010	2,246,150	250,000	52,500	-	-	740,000	41,366
2014	2,054,499	2,148,476	250,000	45,000	-	-	-	-
2015	2,103,107	2,061,886	250,000	37,500	-	-	-	-
2016	2,150,895	1,971,850	250,000	30,000	-	-	-	-
2017	1,821,144	1,885,789	250,000	22,500	-	-	-	-
2018	1,860,876	1,804,779	250,000	15,000	-	-	-	-
2019	1,906,117	1,720,035	250,000	7,500	-	-	-	-
2020	1,951,896	1,633,355	-	-	-	-	-	-
2021	2,008,237	1,535,612	-	-	-	-	-	-
2022	2,065,173	1,435,024	-	-	-	-	-	-
2023	2,126,431	1,332,865	-	-	-	-	-	-
2024	2,192,354	1,228,539	-	-	-	-	-	-
2025	2,259,681	1,120,059	-	-	-	-	-	-
2026	2,327,623	1,008,215	-	-	-	-	-	-
2027	2,022,672	906,696	-	-	-	-	-	-
2028	2,085,160	810,587	-	-	-	-	-	-
2029	1,774,000	721,329	-	-	-	-	-	-
2030	1,839,000	638,650	-	-	-	-	-	-
2031	1,909,000	547,490	-	-	-	-	-	-
2032	1,984,000	452,830	-	-	-	-	-	-
2033	1,685,000	363,500	-	-	-	-	-	-
2034	1,770,000	279,250	-	-	-	-	-	-
2035	1,860,000	190,750	-	-	-	-	-	-
2036	1,955,000	97,746	-	-	-	-	-	-
Total	\$ 57,692,640	\$ 38,214,463	\$ 2,750,000	\$ 495,000	\$ 153,427	\$ 13,988	\$ 740,000	\$ 200,165

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Lease Revenue Bonds:</u>		
\$2,476,000 IDA Loan Refunding Bonds issued March 29, 2005 payable in various principal annual installments from August 1, 2005 to August 1, 2015, interest at 3.61%	\$ 2,388,000	\$ 27,000
\$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%	1,305,000	235,000
\$4,480,000 IDA Lease Revenue Bonds Series 2006, payable in various annual installments through September 1, 2031, interest payable semiannually at 4.84%	4,300,000	180,000
\$5,100,000 IDA Lease Revenue Bonds Series 2006, payable in annual installments of \$204,000 through September 1, 2031, interest payable semiannually at 4.75%	4,896,000	204,000
\$5,000,000 IDA Lease Revenue Bonds Series 1996, payable in various installments through July 15, 2009, interest payable semiannually at rates ranging from 4.6% to 6.4%	535,000	260,000
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2036, interest payable semiannually at 4.76%	<u>31,345,000</u>	<u>620,000</u>
Total Lease Revenue Bonds	\$ <u>44,769,000</u>	\$ <u>1,526,000</u>

General Obligation Bonds:

\$1,840,000, Virginia Public School Authority bond issued August 30, 1990 due in various annual installments through July 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	\$ 350,000	\$ 110,000
\$1,015,000 Virginia Public School Authority bond issued April 25, 1991, due in various installments through December 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	165,000	55,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds: (Continued)</u>		
\$1,755,000, Virginia Public School Authority refunding bond issued December 15, 1993 due in various annual installments through December 15, 2009, interest payable semiannually at rates ranging from 6.76% to 7.2%	\$ 190,000	\$ 110,000
\$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%.	5,853,927	288,293
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 20207, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>6,364,713</u>	<u>269,735</u>
Total General Obligation Bonds	\$ <u>12,923,640</u>	\$ <u>833,028</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>57,692,640</u>	\$ <u>2,359,028</u>
<u>Wireless Authority Bonds:</u>		
\$740,000 Revenue Bonds dated January 28, 2008 due in annual installments of interest with principal due December 1, 2012, interest at 5.59%	\$ <u>740,000</u>	\$ <u>-</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%	\$ <u>2,750,000</u>	\$ <u>250,000</u>
<u>Capital Lease Obligations:</u>		
\$306,855 lease obligation due in annual installments of \$76,714 through November 1, 2010, interest payable annually at 5.98%, secured by mobile communications equipment	\$ <u>153,427</u>	\$ <u>76,714</u>
Compensated Absences	\$ <u>568,361</u>	\$ <u>56,836</u>
Premium on bonds payable	\$ <u>749,220</u>	\$ <u>31,969</u>
Total	\$ <u><u>62,653,648</u></u>	\$ <u><u>2,774,547</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 306,855	\$ 102,285	\$ 204,570
Total	<u>\$ 306,855</u>	<u>\$ 102,285</u>	<u>\$ 204,570</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, 2008:

<u>Proprietary Funds</u>	<u>Balance July 1, 2007</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Notes Payable	\$ 680,381	-	\$ 44,817	\$ 635,564	\$ 44,817
Virginia Water Facilities Loan	437,112	-	118,769	318,343	123,568
VRA Utility Revenue Bond	9,695,000	-	225,000	9,470,000	235,000
VRA Water Revenue Bond	7,580,000	-	170,000	7,410,000	175,000
Compensated absences	60,151	19,812	9,023	70,940	7,094
IDA Lease Revenue Bonds	4,030,000	-	161,200	3,868,800	161,200
Water & Sewer Revenue Bond	1,898,178	-	77,453	1,820,725	80,853
Total	<u>\$ 24,380,822</u>	<u>\$ 19,812</u>	<u>\$ 806,262</u>	<u>\$ 23,594,372</u>	<u>\$ 827,532</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

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

Year Ending June 30,	Virginia Water Facilities Loan		VRA Water Revenue Bond		VRA Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 123,568	\$ 11,510	\$ 175,000	\$ 351,868	\$ 235,000	\$ 478,095
2010	128,560	6,518	180,000	346,224	245,000	467,873
2011	66,215	1,324	185,000	340,104	255,000	457,215
2012	-	-	195,000	331,594	265,000	445,485
2013	-	-	205,000	322,624	280,000	431,970
2014	-	-	215,000	312,170	290,000	417,690
2015	-	-	220,000	303,356	305,000	402,900
2016	-	-	230,000	294,116	320,000	387,345
2017	-	-	240,000	284,224	335,000	371,025
2018	-	-	250,000	273,664	355,000	353,940
2019	-	-	265,000	262,416	370,000	335,835
2020	-	-	275,000	250,226	390,000	316,965
2021	-	-	285,000	237,232	410,000	297,075
2022	-	-	300,000	223,765	430,000	276,165
2023	-	-	315,000	209,365	450,000	254,235
2024	-	-	330,000	194,087	475,000	231,285
2025	-	-	345,000	178,083	500,000	207,060
2026	-	-	360,000	161,350	525,000	181,560
2027	-	-	380,000	143,890	550,000	154,785
2028	-	-	395,000	125,460	575,000	126,735
2029	-	-	415,000	105,315	605,000	97,410
2030	-	-	435,000	84,150	635,000	66,555
2031	-	-	460,000	61,965	670,000	34,170
2032	-	-	480,000	38,505	-	-
2033	-	-	275,000	14,025	-	-
Total	\$ <u>318,343</u>	\$ <u>19,352</u>	\$ <u>7,410,000</u>	\$ <u>5,449,778</u>	\$ <u>9,470,000</u>	\$ <u>6,793,373</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Year Ending June 30,	Notes Payable		Water and Sewer Revenue Bonds		IDA Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 44,817	\$ 6,774	\$ 80,853	\$ 79,930	\$ 161,200	\$ 183,349
2010	44,817	5,630	84,403	76,380	161,200	175,547
2011	44,817	4,504	88,108	72,676	161,200	167,745
2012	44,817	3,378	91,976	68,808	161,200	159,943
2013	44,817	2,258	96,014	64,770	161,200	152,141
2014	44,817	1,126	100,229	60,554	161,200	144,338
2015	16,667	-	104,629	56,154	161,200	136,536
2016	16,667	-	109,222	51,562	161,200	128,734
2017	16,667	-	114,017	46,766	161,200	120,932
2018	16,667	-	119,022	41,760	161,200	113,130
2019	16,667	-	124,247	36,536	161,200	105,328
2020	16,667	-	129,702	31,082	161,200	97,526
2021	16,667	-	135,396	25,388	161,200	89,724
2022	16,667	-	141,340	19,444	161,200	81,922
2023	16,667	-	147,545	13,238	161,200	74,120
2024	16,667	-	154,022	6,762	161,200	66,318
2025	16,667	-	-	-	161,200	58,516
2026	16,667	-	-	-	161,200	50,714
2027	16,667	-	-	-	161,200	42,911
2028	16,667	-	-	-	161,200	35,109
2029	16,667	-	-	-	161,200	27,307
2030	16,667	-	-	-	161,200	19,505
2031	16,667	-	-	-	161,200	11,703
2032	16,667	-	-	-	161,200	3,901
2033	16,667	-	-	-	-	-
2034	16,667	-	-	-	-	-
2035	16,667	-	-	-	-	-
2036	16,655	-	-	-	-	-
Total	\$ <u>635,564</u>	\$ <u>23,670</u>	\$ <u>1,820,725</u>	\$ <u>751,810</u>	\$ <u>3,868,800</u>	\$ <u>2,246,999</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$281,498 note payable issued February 2, 2004 payable in annual principal installments of \$28,150 through February 2, 2013, interest at 4.00%	\$ 168,898	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	466,666	16,667
\$1,816,890, Virginia Water Facilities Revolving Loan Fund issued April 1, 1991, payable in principal and interest semiannual installments of \$67,539 through September 2011, interest at 4%	318,343	123,568
\$10,700,000, Virginia Resources Authority bond issued December 14, 2001, payable in various principal annual installments through April 1, 2031, interest payable semiannually at 4.94%	9,470,000	235,000
\$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 rates ranging from 2.1% to 5.1%	7,410,000	175,000
\$2,115,986 Water and Sewer Revenue bond issued February 2, 2004, payable in various principal annual installments through February 2, 2024, interest payable semiannually at 4.39%	1,820,725	80,853
\$4,030,000 IDA Lease Revenue Bonds Series 2006 payable in annual principal installments of \$161,200 through September 1, 2031, interest payable semiannually at 4.84%	<u>3,868,800</u>	<u>161,200</u>
Total long-term debt	\$ 23,523,432	\$ 820,438
Compensated absences	<u>70,940</u>	<u>7,094</u>
Total long-term obligations	\$ <u><u>23,594,372</u></u>	\$ <u><u>827,532</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (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, 2008:

	<u>Amounts Payable</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable</u> <u>June 30, 2008</u>	<u>Amounts Due Within</u> <u>One Year</u>
Capital Leases	\$ -	\$ 479,970	\$ 87,210	\$ 392,760	\$ 91,396
Compensated absences payable	<u>256,868</u>	<u>41,206</u>	<u>38,530</u>	<u>259,544</u>	<u>25,954</u>
Total	<u>\$ 256,868</u>	<u>\$ 521,176</u>	<u>\$ 125,740</u>	<u>\$ 652,304</u>	<u>\$ 117,350</u>

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

<u>Year Ending</u> <u>June 30,</u>	<u>Component Unit School Board</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 91,396	\$ 18,853
2010	95,783	14,466
2011	100,381	9,868
2012	<u>105,200</u>	<u>5,049</u>
Total	<u>\$ 392,760</u>	<u>\$ 48,236</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Capital Lease Obligations:</u>		
\$479,970 lease obligation due in annual installments of \$110,249 through June 14, 2012, interest payable annually at 4.80%, secured by school buses	\$ 392,760	\$ 91,396
Compensated Absences	<u>\$ 259,544</u>	<u>\$ 25,954</u>
Total	<u>\$ 652,304</u>	<u>\$ 117,350</u>

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 479,970	\$ 39,998	\$ 39,998
Total	<u>\$ 479,970</u>	<u>\$ 39,998</u>	<u>\$ 39,998</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 10—Claims, Judgments, and Compensated Absences:

In accordance with GASB statement 16 “Accounting and Financial Reporting Principal for Claims and Judgments and 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>568,361</u>
King George Service Authority	\$ <u>70,940</u>
Component Unit School Board	\$ <u>259,544</u>

Note 11—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$1,852,837 is comprised of the following:

- A. Prepaid connections fees for the King George Service Authority totaled \$1,009,511 at June 30, 2008.
- B. Deferred property tax revenues totaled \$843,326 at June 30, 2008.

Note 12—Litigation:

At June 30, 2008, 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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 13—Defined Benefit Pension Plan:

A. Plan Description:

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

The County contributes to the Virginia Retirement System (VRS).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% 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 2008 were 8.16% and 5.16% of annual covered payroll, respectively.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 13—Defined Benefit Pension Plan: (Continued)

B. Funding Policy: (Continued)

The School Board’s contributions for professional employees were \$1,754,680, \$1,487,613 and \$957,006 to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007 and 2006, respectively and these contributions represented 10.3%, 9.20% and 6.62%, respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year 2008, the County’s annual pension cost of \$651,513 was equal to the County’s required and actual contributions.

For fiscal year 2008, the School Board’s annual pension cost for the non-professional employees was \$111,578, which was equal to the Board’s required and actual contributions.

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2008	\$	651,513	100%	\$	-
June 30, 2007		384,376	100%		-
June 30, 2006		265,480	100%		-
School Board:					
Non-professional:					
June 30, 2008	\$	111,578	100%	\$	-
June 30, 2007		109,550	100%		-
June 30, 2006		95,451	100%		-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County’s and the County 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’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the County's plan was 91.55% funded. The actuarial accrued liability for benefits was \$15,427,286, and the actuarial value of assets was \$14,123,472, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,303,814. The covered payroll (annual payroll of active employees covered by the plan) was \$7,562,646, and ratio of the UAAL to the covered payroll was 17.24%.

As of June 30, 2007, the most recent actuarial valuation date, the County School Board's plan was 81.73% funded. The actuarial accrued liability for benefits was \$3,511,893, and the actuarial value of assets was \$2,870,148, resulting in an unfunded actuarial accrued liability (UAAL) of \$641,745. The covered payroll (annual payroll of active employees covered by the plan) was \$2,134,539, and ratio of the UAAL to the covered payroll was 30.06%.

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

Note 14—Risk Management:

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 15—Landfill Closure and Postclosure Care Cost:

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2008 the County has set aside escrow funds in the amount of \$3,968,833 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.

Note 16—Commitments and Contingencies:

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

Note 17—Expenditures Over Appropriations:

At June 30, 2008 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
School Operating Fund:			
Pupil transportation	\$ 2,408,802	\$ 2,685,057	\$ (276,255)
School Cafeteria Fund:			
School food service costs	1,101,476	1,130,147	(28,671)

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2008 (Continued)

Note 18—Surety Bond:

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

Note 19—Construction Commitments:

At June 30, 2008 the County has several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2008</u>	<u>Contract Balance</u>
King George Fire and Rescue	\$ 3,382,970	\$ 3,363,739	\$ 19,231
New High School	38,301,205	35,268,265	3,032,940
Sealston Park Sports Complex	<u>890,332</u>	<u>366,332</u>	<u>524,000</u>
Total	<u>\$ 42,574,507</u>	<u>\$ 38,998,336</u>	<u>\$ 3,576,171</u>

Note 20—Debt Refunding:

On March 29, 2005 the County of King George, Virginia issued \$2,476,000 in General Obligation Refunding Bonds, Series, 2005 with an effective interest rate of 3.61%. The Series 2005 bonds were issued to refund \$2,476,000 of General Obligation Bonds, Series of 1996. The 2005 bonds will be repaid in various installments beginning January 15, 2008 to 2017. As a result, the 1996 bonds maturing annually on July 15, 2010 to January 15, 2016 are considered to be defeased in substance and the liability for those bonds have been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$166,288. The advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$727,664 and resulted in an economic gain of \$283,117. At June 30, 2008 the defeased bonds had balances outstanding of \$2,388,000.

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.

This page intentionally left blank

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2008

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 15,541,893	\$ 15,541,893	\$ 17,092,704	\$ 1,550,811
Other local taxes	5,684,450	5,684,450	5,311,646	(372,804)
Permits, privilege fees and regulatory licenses	846,199	846,199	520,464	(325,735)
Fines and forfeitures	336,220	351,220	236,338	(114,882)
Revenue from use of money and property	677,392	677,392	1,064,041	386,649
Charges for services	447,097	447,097	441,050	(6,047)
Miscellaneous	61,900	74,100	389,366	315,266
Recovered costs	175,000	175,000	175,200	200
Intergovernmental:				
Commonwealth	5,591,201	5,752,557	5,616,238	(136,319)
Federal	1,090,760	1,122,517	984,460	(138,057)
Total revenues	\$ 30,452,112	\$ 30,672,425	\$ 31,831,507	\$ 1,159,082
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 84,405	\$ 84,405	\$ 75,063	\$ 9,342
General and financial administration:				
County administration	\$ 545,784	\$ 551,284	\$ 525,789	\$ 25,495
Legal services	101,870	133,712	133,658	54
Human resources	57,560	57,560	39,344	18,216
Commissioner of the Revenue	385,235	385,235	367,842	17,393
Reassessment	-	150	108	42
Treasurer	314,017	329,017	320,894	8,123
Information technology	249,184	285,184	263,556	21,628
Department of finance	825,917	849,949	821,449	28,500
Total general and financial administration	\$ 2,479,567	\$ 2,592,091	\$ 2,472,640	\$ 119,451
Board of Elections:				
Electoral board and officials	\$ 35,332	\$ 57,546	\$ 57,507	\$ 39
Registrar	113,464	117,968	107,926	10,042
Total board of elections	\$ 148,796	\$ 175,514	\$ 165,433	\$ 10,081
Total general government administration	\$ 2,712,768	\$ 2,852,010	\$ 2,713,136	\$ 138,874

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 66,020	\$ 66,020	\$ 28,575	\$ 37,445
Combined courts	31,420	31,420	15,681	15,739
Magistrates	3,915	3,915	3,781	134
Clerk of the circuit court	439,701	487,731	468,762	18,969
Law library	4,300	4,300	1,656	2,644
Victim assistance program	26,389	26,389	23,065	3,324
Total courts	\$ 571,745	\$ 619,775	\$ 541,520	\$ 78,255
Commonwealth's attorney:				
Commonwealth's attorney	\$ 480,956	\$ 514,570	\$ 514,555	\$ 15
Total judicial administration	\$ 1,052,701	\$ 1,134,345	\$ 1,056,075	\$ 78,270
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,953,566	\$ 3,048,733	\$ 2,991,723	\$ 57,010
VJCCCA / CHINS	55,229	55,229	28,758	26,471
E-911	500,950	522,935	489,631	33,304
Law enforcement	22,200	16,650	3,485	13,165
Public safety grants	16,000	54,382	49,018	5,364
Total law enforcement and traffic control	\$ 3,547,945	\$ 3,697,929	\$ 3,562,615	\$ 135,314
Fire and rescue services:				
Emergency services	\$ 1,858,217	\$ 1,857,252	\$ 1,688,585	\$ 168,667
Ambulance services	-	50,830	50,734	96
Fire and rescue grants	-	146,957	65,770	81,187
King george fire and rescue	385,650	395,650	382,753	12,897
Total fire and rescue services	\$ 2,243,867	\$ 2,450,689	\$ 2,187,842	\$ 262,847
Correction and detention:				
Juvenile detention	\$ 313,546	\$ 373,474	\$ 363,036	\$ 10,438
Regional jail	751,872	751,872	751,872	-
Court service unit - juvenile court	3,083	3,083	3,083	-
Juvenile justice planner	16,549	16,549	16,549	-
Total correction and detention	\$ 1,085,050	\$ 1,144,978	\$ 1,134,540	\$ 10,438

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 197,614	\$ 197,614	\$ 196,509	\$ 1,105
Medical examiner	300	300	140	160
Miscellaneous public safety	139,433	149,533	149,510	23
Total other protection	\$ 337,347	\$ 347,447	\$ 346,159	\$ 1,288
Total public safety	\$ 7,214,209	\$ 7,641,043	\$ 7,231,156	\$ 409,887
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 286,998	\$ 346,392	\$ 300,468	\$ 45,924
Sanitation and waste removal:				
Landfill	\$ 221,245	\$ 224,245	\$ 223,843	\$ 402
Maintenance of general buildings and grounds:				
General properties	\$ 818,381	\$ 827,281	\$ 826,891	\$ 390
Miscellaneous	128,500	310,293	294,246	16,047
Citizen's center	68,084	66,584	40,088	26,496
Total maintenance of general buildings and grounds	\$ 1,014,965	\$ 1,204,158	\$ 1,161,225	\$ 42,933
Total public works	\$ 1,523,208	\$ 1,774,795	\$ 1,685,536	\$ 89,259
Health and welfare:				
Health:				
Local health department	\$ 258,771	\$ 258,771	\$ 258,771	\$ -
Mental health and mental retardation:				
Community services board	\$ 76,675	\$ 76,675	\$ 76,675	\$ -
Welfare:				
Administration and public assistance	\$ 2,239,458	\$ 2,259,415	\$ 1,797,584	\$ 461,831
Comprehensive services	1,500,000	1,500,000	1,397,235	102,765
Total welfare	\$ 3,739,458	\$ 3,759,415	\$ 3,194,819	\$ 564,596
Total health and welfare	\$ 4,074,904	\$ 4,094,861	\$ 3,530,265	\$ 564,596

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,666	\$ 4,666	\$ 4,666	\$ -
Contribution to Component Unit School Board	10,673,152	10,985,864	10,656,556	329,308
Total education	\$ 10,677,818	\$ 10,990,530	\$ 10,661,222	\$ 329,308
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 309,909	\$ 315,888	\$ 294,119	\$ 21,769
Bluemont concert series	8,000	8,000	8,000	-
Recreation programs and events	395,981	398,281	339,293	58,988
Total parks and recreation	\$ 713,890	\$ 722,169	\$ 641,412	\$ 80,757
Library:				
Library	\$ 514,379	\$ 514,379	\$ 503,164	\$ 11,215
Total parks, recreation and cultural	\$ 1,228,269	\$ 1,236,548	\$ 1,144,576	\$ 91,972
Community development:				
Planning and community development:				
Community development	\$ 827,305	\$ 827,977	\$ 777,535	\$ 50,442
Planning / community zoning boards	67,557	67,557	15,233	52,324
Welcome center	-	5,500	4,704	796
Community organizations	171,493	175,022	175,022	-
Total planning and community development	\$ 1,066,355	\$ 1,076,056	\$ 972,494	\$ 103,562
Environmental management:				
Litter control	\$ 5,575	\$ 5,575	\$ 3,488	\$ 2,087
Soil and water conservation district	21,216	21,216	21,216	-
Total environmental management	\$ 26,791	\$ 26,791	\$ 24,704	\$ 2,087

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Community development: (continued)				
Cooperative extension program:				
VPI extension	\$ 108,200	\$ 109,081	\$ 108,174	\$ 907
Total community development	\$ 1,201,346	\$ 1,211,928	\$ 1,105,372	\$ 106,556
Debt service:				
Principal retirement	\$ 2,485,926	\$ 2,485,926	\$ 2,401,440	\$ 84,486
Interest and fiscal charges	\$ 3,003,943	\$ 3,156,699	\$ 2,957,614	\$ 199,085
Total debt service	\$ 5,489,869	\$ 5,642,625	\$ 5,359,054	\$ 283,571
Total expenditures	\$ 35,175,092	\$ 36,578,685	\$ 34,486,392	\$ 2,092,293
Excess (deficiency) of revenues over expenditures	\$ (4,722,980)	\$ (5,906,260)	\$ (2,654,885)	\$ 3,251,375
Other financing sources (uses):				
Operating transfers in	\$ 4,710,780	\$ 4,884,389	\$ 4,884,389	\$ -
Operating transfers (out)	\$ -	\$ (85,058)	\$ (85,058)	\$ -
Total other financing sources (uses)	\$ 4,710,780	\$ 4,799,331	\$ 4,799,331	\$ -
Net changes in fund balance	\$ (12,200)	\$ (1,106,929)	\$ 2,144,446	\$ 3,251,375
Fund balance at beginning of year	12,200	1,106,929	19,425,812	18,318,883
Fund balance at end of year	\$ -	\$ -	\$ 21,570,258	\$ 21,570,258

Virginia Retirement System
 Schedule of Pension Funding Progress
 Last Three Fiscal Years

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability (4)	Funded Ratio (2) / (3)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 14,123,472	\$ 15,427,286	\$ 1,303,814	91.55%	\$ 7,562,646	17.24%
6/30/2006	11,936,751	13,661,148	1,724,397	87.38%	6,841,519	25.20%
6/30/2005	10,833,426	12,696,074	1,862,648	85.33%	6,134,088	30.37%

Discretely Presented Component Unit - School Board:

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Liability (4)	Funded Ratio (2) / (3)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 2,870,148	\$ 3,511,893	\$ 641,745	81.73%	\$ 2,134,539	30.06%
6/30/2006	2,432,984	3,027,255	594,271	80.37%	1,899,046	31.29%
6/30/2005	2,144,918	2,587,575	442,657	82.89%	1,698,635	26.06%

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank

Combining and Individual Fund Statements and Schedules

This page intentionally left blank

Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,494,200	\$ 6,494,200	\$ 7,415,621	\$ 921,421
Revenue from use of money and property	600,000	752,756	2,071,992	1,319,236
Miscellaneous	75,000	150,000	2,081,499	1,931,499
Intergovernmental:				
Commonwealth	-	-	798,438	798,438
Total revenues	\$ 7,169,200	\$ 7,396,956	\$ 12,367,550	\$ 4,970,594
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ -	\$ 659,760	\$ 53,712	\$ 606,048
Total general government administration	\$ -	\$ 659,760	\$ 53,712	\$ 606,048
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 83,212	\$ 64,225	\$ 18,987
Vehicle acquisition - EMS	-	485,000	275,152	209,848
Communications equipment - EMS	-	9,100	9,080	20
Communications equipment - sheriff	-	226,297	1,209	225,088
Vehicle acquisition - sheriff	-	61,000	-	61,000
Total public safety	\$ -	\$ 864,609	\$ 349,666	\$ 514,943
Capital projects:				
General government administration:				
Construction program	\$ -	\$ 930,413	\$ -	\$ 930,413
Land purchase	-	54,221	52,741	1,480
County complex	1,888,564	4,360,401	1,174,652	3,185,749
Total general government administration	\$ 1,888,564	\$ 5,345,035	\$ 1,227,393	\$ 4,117,642

Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 100,000	\$ 6,185	\$ 93,815
Courthouse roof project	-	24,504	24,504	-
Total judicial administration	\$ -	\$ 124,504	\$ 30,689	\$ 93,815
Public safety:				
Courthouse area fire and rescue project	\$ -	\$ 434,665	\$ 322,421	\$ 112,244
Total public safety	\$ -	\$ 434,665	\$ 322,421	\$ 112,244
Education:				
School construction - new high school	\$ -	\$ 31,660,279	\$ 24,636,692	\$ 7,023,587
Old high school renovations	-	1,418,391	436,271	982,120
High school vo-tech wing	-	786,239	455,213	331,026
Wireless between buildings	-	110,000	129	109,871
Total education	\$ -	\$ 33,974,909	\$ 25,528,305	\$ 8,446,604
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 1,171,656	\$ 410,039	\$ 761,617
Library expansion	-	311,142	4,600	306,542
Rt. 206 biking & pedestrian	-	200,000	-	200,000
Total parks and recreation	\$ -	\$ 1,682,798	\$ 414,639	\$ 1,268,159
Community development:				
Kings highway project	\$ -	\$ 13,880	\$ 13,879	\$ 1
Total community development	\$ -	\$ 13,880	\$ 13,879	\$ 1
Total expenditures	\$ 1,888,564	\$ 43,100,160	\$ 27,940,704	\$ 15,159,456
Excess (deficiency) of revenues over expenditures	\$ 5,280,636	\$ (35,703,204)	\$ (15,573,154)	\$ 20,130,050
Other financing sources (uses):				
Transfers (out)	\$ (5,280,636)	\$ (5,454,246)	\$ (5,454,246)	-
Early retirement of indebtedness	-	-	(7,500,000)	(7,500,000)
Long-term debt issued	-	-	6,364,713	6,364,713
Bond premium	-	-	343,349	343,349
Total other financing sources (uses):	\$ (5,280,636)	\$ (5,454,246)	\$ (6,246,184)	\$ (791,938)
Net changes in fund balance	\$ -	\$ (41,157,450)	\$ (21,819,338)	\$ 19,338,112
Fund balance at beginning of year	-	41,157,450	51,546,624	10,389,174
Fund balance at end of year	\$ -	\$ -	\$ 29,727,286	\$ 29,727,286

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2008

	<u>Special Welfare Fund</u>	<u>Payroll Taxes Fund</u>	<u>Landfill Escrow Fund</u>	<u>EDA Fund</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 22,703	\$ -	\$ 3,968,833	\$ 2,016,092	\$ 6,007,628
Accounts receivable	<u>-</u>	<u>50,358</u>	<u>-</u>	<u>-</u>	<u>50,358</u>
Total assets	<u>\$ 22,703</u>	<u>\$ 50,358</u>	<u>\$ 3,968,833</u>	<u>\$ 2,016,092</u>	<u>\$ 6,057,986</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 52,540	\$ 52,540
Amounts held for others	-	50,358	-	1,963,552	2,013,910
Amounts held for landfill closure and postclosure costs	-	-	3,968,833	-	3,968,833
Amounts held for social services' clients	<u>22,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,703</u>
Total liabilities	<u>\$ 22,703</u>	<u>\$ 50,358</u>	<u>\$ 3,968,833</u>	<u>\$ 2,016,092</u>	<u>\$ 6,057,986</u>

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 24,044	\$ 34,466	\$ 35,807	\$ 22,703
Liabilities:				
Amounts held for social services' clients	\$ 24,044	\$ 34,466	\$ 35,807	\$ 22,703
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,887,232	\$ 2,887,232	\$ -
Accounts receivable	39,045	50,358	39,045	50,358
Total assets	\$ 39,045	\$ 2,937,590	\$ 2,926,277	\$ 50,358
Liabilities:				
Amounts held for others	\$ 39,045	\$ 2,937,590	\$ 2,926,277	\$ 50,358
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,848,347	\$ 120,486	\$ -	\$ 3,968,833
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,848,347	\$ 120,486	\$ -	\$ 3,968,833
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ 2,949,129	\$ 601,377	\$ 1,534,414	\$ 2,016,092
Liabilities:				
Accounts payable	\$ 32,903	\$ 52,540	\$ 32,903	\$ 52,540
Amounts held for others	2,916,226	548,837	1,501,511	1,963,552
Total liabilities	\$ 2,949,129	\$ 601,377	\$ 1,534,414	\$ 2,016,092
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 6,821,520	\$ 3,643,561	\$ 4,457,453	\$ 6,007,628
Accounts receivable	39,045	50,358	39,045	50,358
Total assets	\$ 6,860,565	\$ 3,693,919	\$ 4,496,498	\$ 6,057,986
Liabilities:				
Accounts payable	\$ 32,903	\$ 52,540	\$ 32,903	\$ 52,540
Amounts held for social services' clients	24,044	34,466	35,807	22,703
Amounts held for landfill closure and postclosure costs	3,848,347	120,486	-	3,968,833
Amounts held for others	2,955,271	3,486,427	4,427,788	2,013,910
Total liabilities	\$ 6,860,565	\$ 3,693,919	\$ 4,496,498	\$ 6,057,986

Discretely Presented Component Unit-School Board

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2008

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 118,012	\$ 226,971	\$ 344,983
Receivables (Net of allowance for uncollectibles):				
Accounts	328	-	-	328
Due from primary government	2,991,996	-	-	2,991,996
Due from other governmental units	522,190	-	-	522,190
	<u>3,514,514</u>	<u>118,012</u>	<u>226,971</u>	<u>3,859,497</u>
Total assets	<u>\$ 3,514,514</u>	<u>\$ 118,012</u>	<u>\$ 226,971</u>	<u>\$ 3,859,497</u>
LIABILITIES				
Accounts payable	\$ 246,880	\$ 106	\$ -	\$ 246,986
Accrued liabilities	3,265,634	98,643	-	3,364,277
	<u>3,512,514</u>	<u>98,749</u>	<u>-</u>	<u>3,611,263</u>
Total liabilities	<u>\$ 3,512,514</u>	<u>\$ 98,749</u>	<u>\$ -</u>	<u>\$ 3,611,263</u>
FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ -	\$ 226,971	\$ 226,971
Unreserved:				
Undesignated	2,000	19,263	-	21,263
	<u>2,000</u>	<u>19,263</u>	<u>226,971</u>	<u>248,234</u>
Total fund balances	<u>\$ 2,000</u>	<u>\$ 19,263</u>	<u>\$ 226,971</u>	<u>\$ 248,234</u>
Total liabilities and fund balances	<u>\$ 3,514,514</u>	<u>\$ 118,012</u>	<u>\$ 226,971</u>	

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

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.

24,373,717

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.

(652,304)

Net assets of Governmental Activities

\$ 23,969,647

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2008

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 22,097	\$ -	\$ -	\$ 22,097
Charges for services	30,105	686,742	-	716,847
Miscellaneous	137,484	7,724	-	145,208
Intergovernmental:				
County contribution to School Board	10,532,410	124,146	-	10,656,556
Commonwealth	18,664,546	16,684	-	18,681,230
Federal	1,125,275	438,260	-	1,563,535
 Total revenues	 \$ 30,511,917	 \$ 1,273,556	 \$ -	 \$ 31,785,473
Expenditures:				
Current:				
Education	\$ 30,881,638	\$ 1,130,147	\$ -	\$ 32,011,785
Debt service:				
Principal retirement	87,210	-	-	87,210
Interest and fiscal charges	23,039	-	-	23,039
 Total expenditures	 \$ 30,991,887	 \$ 1,130,147	 \$ -	 \$ 32,122,034
 Excess (deficiency) of revenues over expenditures	 \$ (479,970)	 \$ 143,409	 \$ -	 \$ (336,561)
Other financing sources (uses):				
Capital lease proceeds	\$ 479,970	\$ -	\$ -	\$ 479,970
 Total other financing sources (uses)	 \$ 479,970	 \$ -	 \$ -	 \$ 479,970
 Net changes in fund balances	 \$ -	 \$ 143,409	 \$ -	 \$ 143,409
 Fund balances at beginning of year	 2,000	 (124,146)	 226,971	 104,825
 Fund balances at end of year	 \$ 2,000	 \$ 19,263	 \$ 226,971	 \$ 248,234

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, 2008

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 22,097	\$ 2,097
Charges for services	65,000	65,000	30,105	(34,895)
Miscellaneous	205,000	223,600	137,484	(86,116)
Intergovernmental:				
County contribution to School Board	10,673,152	10,861,718	10,532,410	(329,308)
Commonwealth	19,185,592	19,196,701	18,664,546	(532,155)
Federal	1,178,173	1,318,948	1,125,275	(193,673)
Total revenues	\$ 31,326,917	\$ 31,685,967	\$ 30,511,917	\$ (1,174,050)
Expenditures:				
Current:				
Instruction	\$ 23,403,842	\$ 23,788,292	\$ 22,915,298	\$ 872,994
Administration, attendance and health	1,010,090	1,010,090	945,855	64,235
Pupil transportation	2,408,802	2,408,802	2,685,057	(276,255)
Operation and maintenance	2,923,756	3,067,356	3,064,118	3,238
School food service costs	-	-	-	-
Facilities	188,711	188,711	166,148	22,563
Technology	1,341,716	1,222,716	1,105,162	117,554
Total education	\$ 31,276,917	\$ 31,685,967	\$ 30,881,638	\$ 804,329
Debt service:				
Principal retirement	-	-	87,210	(87,210)
Interest and fiscal charges	-	-	23,039	(23,039)
Total expenditures	\$ 31,276,917	\$ 31,685,967	\$ 30,991,887	\$ 694,080
Excess (deficiency) of revenues over expenditures	\$ 50,000	\$ -	\$ (479,970)	\$ (479,970)
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ -	\$ 479,970	\$ 479,970
Transfers (out)	(50,000)	-	-	-
Total other financing sources (uses)	\$ (50,000)	\$ -	\$ 479,970	\$ 479,970
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 17

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	-
739,298	739,298	686,742	(52,556)
3,000	3,000	7,724	4,724
-	124,146	124,146	-
14,178	14,178	16,684	2,506
<u>345,000</u>	<u>345,000</u>	<u>438,260</u>	<u>93,260</u>
<u>\$ 1,101,476</u>	<u>\$ 1,225,622</u>	<u>\$ 1,273,556</u>	<u>\$ 47,934</u>
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
1,101,476	1,101,476	1,130,147	(28,671)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,101,476</u>	<u>\$ 1,101,476</u>	<u>\$ 1,130,147</u>	<u>\$ (28,671)</u>
\$ -	\$ 124,146	\$ 143,409	\$ 19,263
\$ -	\$ -	\$ -	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	-
\$ -	\$ 124,146	\$ 143,409	\$ 19,263
-	(124,146)	(124,146)	-
<u>-</u>	<u>(124,146)</u>	<u>(124,146)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,263</u>	<u>\$ 19,263</u>

Reconciliation of Schedule of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2008

**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 \$ 143,409

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	\$ 6,898,042	
Depreciation expense	<u>(783,241)</u>	6,114,801

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:

Capital lease	(479,970)
Principal retired on capital lease obligations	87,210

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. (2,676)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 824,682

Change in net assets of governmental activities \$ 6,687,456

Supporting Schedule

This page intentionally left blank

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,649,647	\$ 10,649,647	\$ 11,704,181	\$ 1,054,534
Public service taxes	1,217,800	1,217,800	1,154,156	(63,644)
Personal property taxes	3,278,431	3,278,431	3,741,776	463,345
Mobile home taxes	18,337	18,337	21,615	3,278
Machinery and tools taxes	129,668	129,668	135,461	5,793
Penalties	150,780	150,780	223,675	72,895
Interest	97,230	97,230	111,840	14,610
Total general property taxes	<u>\$ 15,541,893</u>	<u>\$ 15,541,893</u>	<u>\$ 17,092,704</u>	<u>\$ 1,550,811</u>
Other local taxes:				
Local sales and use taxes	\$ 1,289,710	\$ 1,289,710	\$ 1,224,072	\$ (65,638)
Communication tax	243,650	243,650	450,124	206,474
Consumer utility taxes	392,740	392,740	229,585	(163,155)
Local consumption tax	60,720	60,720	69,169	8,449
Business license taxes	1,200,000	1,200,000	1,203,024	3,024
Cable TV franchise license taxes	35,510	35,510	21,594	(13,916)
Motor vehicle licenses	497,680	497,680	493,466	(4,214)
Bank franchise taxes	98,710	98,710	72,301	(26,409)
Recordation taxes	758,000	758,000	434,099	(323,901)
Local tax from clerk	149,390	149,390	96,937	(52,453)
Interest on fines	5,930	5,930	2,699	(3,231)
Transient occupancy tax	119,470	119,470	121,203	1,733
Meals tax	707,940	707,940	702,153	(5,787)
Ambulance fees	125,000	125,000	191,220	66,220
Total other local taxes	<u>\$ 5,684,450</u>	<u>\$ 5,684,450</u>	<u>\$ 5,311,646</u>	<u>\$ (372,804)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,700	\$ 3,700	\$ 7,303	\$ 3,603
Building and related permits	432,626	432,626	240,707	(191,919)
Landfill inspection fees	184,150	184,150	182,333	(1,817)
Other permits and licenses	225,723	225,723	90,121	(135,602)
Total permits, privilege fees and regulatory licenses	<u>\$ 846,199</u>	<u>\$ 846,199</u>	<u>\$ 520,464</u>	<u>\$ (325,735)</u>
Fines and Forfeitures:				
Court and other fines and forfeitures	<u>\$ 336,220</u>	<u>\$ 351,220</u>	<u>\$ 236,338</u>	<u>\$ (114,882)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 639,484	\$ 639,484	\$ 990,925	\$ 351,441
Revenue from use of property	37,908	37,908	73,116	35,208
Total revenue from use of money and property	<u>\$ 677,392</u>	<u>\$ 677,392</u>	<u>\$ 1,064,041</u>	<u>\$ 386,649</u>
Charges for services:				
Sheriff's fees	\$ 920	\$ 920	\$ 921	\$ 1
Law library fees	2,680	2,680	3,063	383
Local court appointed attorney fees	2,770	2,770	1,721	(1,049)
Courthouse maintenance fees	15,740	15,740	15,967	227
Commonwealth attorney fees	1,270	1,270	1,369	99
Courthouse security personnel fee	47,990	47,990	49,316	1,326
Jail admission fee	3,000	3,000	3,215	215
Charges for parks and recreation	372,097	372,097	364,795	(7,302)
Charges for maps / publications	630	630	132	(498)
Other charges for services	-	-	551	551
Total charges for services	<u>\$ 447,097</u>	<u>\$ 447,097</u>	<u>\$ 441,050</u>	<u>\$ (6,047)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 51,900	\$ 50,100	\$ 195,188	\$ 145,088
Insurance recoveries	10,000	24,000	194,178	170,178
Total miscellaneous revenue	<u>\$ 61,900</u>	<u>\$ 74,100</u>	<u>\$ 389,366</u>	<u>\$ 315,266</u>
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ 175,200	\$ 200
Total revenue from local sources	<u>\$ 23,770,151</u>	<u>\$ 23,797,351</u>	<u>\$ 25,230,809</u>	<u>\$ 1,433,458</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Wine taxes	10,000	10,000	-	(10,000)
Rolling stock tax	3,500	3,500	3,886	386
Mobile home titling taxes	29,720	29,720	18,094	(11,626)
Recordation tax	152,270	152,270	122,755	(29,515)
Auto rental tax	25,000	25,000	23,521	(1,479)
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	\$ 2,377,358	\$ 2,377,358	\$ 2,316,124	\$ (61,234)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 238,500	\$ 269,502	\$ 276,105	\$ 6,603
Sheriff	922,176	922,176	1,016,168	93,992
Commissioner of the Revenue	112,330	112,330	127,987	15,657
Treasurer	90,804	90,804	107,242	16,438
Medical examiner	180	180	-	(180)
Registrar/electoral board	43,363	57,613	60,970	3,357
Clerk of the Circuit Court	174,430	184,338	275,543	91,205
Total shared expenses	\$ 1,581,783	\$ 1,636,943	\$ 1,864,015	\$ 227,072
Other categorical aid:				
Welfare administration and assistance	\$ 441,580	\$ 441,580	\$ 407,496	\$ (34,084)
Litter control	4,500	4,500	-	(4,500)
Four for life funds	18,000	18,000	36,249	18,249
Health department	4,950	4,950	-	(4,950)
Comprehensive services	955,950	955,950	727,355	(228,595)
VJCCCA grant	22,140	22,140	20,791	(1,349)
VA commission of the arts	4,000	4,000	4,000	-
Fire programs	-	97,196	97,196	-
Welcome center grant	-	5,500	20,728	15,228
Drug asset seizure	-	-	2,039	2,039

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,600	\$ 19,600	\$ 26,319	\$ 6,719
Library grant	91,060	91,060	87,671	(3,389)
DUI enforcement grant	11,530	11,530	-	(11,530)
Public safety grants	44,950	44,950	2,117	(42,833)
Other categorical aid	13,800	17,300	4,138	(13,162)
Total other categorical aid	<u>\$ 1,632,060</u>	<u>\$ 1,738,256</u>	<u>\$ 1,436,099</u>	<u>\$ (302,157)</u>
Total categorical aid	<u>\$ 3,213,843</u>	<u>\$ 3,375,199</u>	<u>\$ 3,300,114</u>	<u>\$ (75,085)</u>
Total revenue from the Commonwealth	<u>\$ 5,591,201</u>	<u>\$ 5,752,557</u>	<u>\$ 5,616,238</u>	<u>\$ (136,319)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,085,760	\$ 1,085,760	\$ 934,616	\$ (151,144)
US Fish and wildlife service	5,000	5,000	4,668	(332)
Emergency management grant	-	15,944	15,943	(1)
Ground transportation system grant	-	-	11,201	11,201
Law enforcement grants	-	10,000	18,032	8,032
Other categorical aid	-	5,813	-	(5,813)
Total revenue from the federal government	<u>\$ 1,090,760</u>	<u>\$ 1,122,517</u>	<u>\$ 984,460</u>	<u>\$ (138,057)</u>
Total General Fund	<u>\$ 30,452,112</u>	<u>\$ 30,672,425</u>	<u>\$ 31,831,507</u>	<u>\$ 1,159,082</u>
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,450,000	\$ 6,450,000	\$ 7,220,579	\$ 770,579
Landfill fees - beneficial use	44,200	44,200	195,042	150,842
Total permits, privilege fees and regulatory licenses	<u>\$ 6,494,200</u>	<u>\$ 6,494,200</u>	<u>\$ 7,415,621</u>	<u>\$ 921,421</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Improvements Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 600,000	\$ 752,756	\$ 2,071,992	\$ 1,319,236
Miscellaneous revenue:				
Donations	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Miscellaneous	75,000	150,000	81,499	(68,501)
Total miscellaneous revenue	\$ 75,000	\$ 150,000	\$ 2,081,499	\$ 1,931,499
Total revenue from local sources	\$ 7,169,200	\$ 7,396,956	\$ 11,569,112	\$ 4,172,156
Revenue from the Commonwealth:				
Categorical aid:				
VPSA subsidy	\$ -	\$ -	\$ 798,438	\$ 798,438
Total revenue from the Commonwealth	\$ -	\$ -	\$ 798,438	\$ 798,438
Total Capital Improvements Fund	\$ 7,169,200	\$ 7,396,956	\$ 12,367,550	\$ 4,970,594
Grand Total Revenues -- Primary Government	\$ 37,621,312	\$ 38,069,381	\$ 44,199,057	\$ 6,129,676
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	\$ 20,000	\$ 20,000	\$ 22,097	\$ 2,097
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 22,097	\$ 2,097
Charges for services:				
Charges for tuition	\$ 65,000	\$ 65,000	\$ 30,105	\$ (34,895)
Total charges for services	\$ 65,000	\$ 65,000	\$ 30,105	\$ (34,895)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 154,000	\$ 154,000	\$ 108,320	\$ (45,680)
Other reimbursements and recoveries	51,000	69,600	29,164	(40,436)
Total miscellaneous revenue	<u>\$ 205,000</u>	<u>\$ 223,600</u>	<u>\$ 137,484</u>	<u>\$ (86,116)</u>
Total revenue from local sources	<u>\$ 290,000</u>	<u>\$ 308,600</u>	<u>\$ 189,686</u>	<u>\$ (118,914)</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 10,673,152</u>	<u>\$ 10,861,718</u>	<u>\$ 10,532,410</u>	<u>\$ (329,308)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,096,683	\$ 3,096,683	\$ 2,954,605	\$ (142,078)
Basic school aid	11,064,397	11,064,397	10,806,491	(257,906)
Remedial education	-	-	141,279	141,279
Textbook	238,498	238,498	232,253	(6,245)
Vocational education SOQ	121,294	121,294	118,118	(3,176)
Special education	1,034,567	1,034,567	1,007,481	(27,086)
Fringe benefits	1,336,614	1,336,614	1,301,620	(34,994)
K-3	267,808	267,808	254,822	(12,986)
Lottery	525,584	525,584	516,015	(9,569)
Technology grant	180,000	180,000	180,000	-
Compensation supplement	649,280	649,280	639,229	(10,051)
School construction	146,131	146,131	146,245	114
Other state funds	524,736	535,845	366,388	(169,457)
Total categorical aid	<u>\$ 19,185,592</u>	<u>\$ 19,196,701</u>	<u>\$ 18,664,546</u>	<u>\$ (532,155)</u>
Total revenue from the Commonwealth	<u>\$ 19,185,592</u>	<u>\$ 19,196,701</u>	<u>\$ 18,664,546</u>	<u>\$ (532,155)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 291,784	\$ 375,518	\$ 326,318	\$ (49,200)
Title VI - B	638,456	638,456	534,914	(103,542)
Title II - EESA	111,070	111,070	105,483	(5,587)
Other federal assistance	136,863	193,904	158,560	(35,344)
Total categorical aid	<u>\$ 1,178,173</u>	<u>\$ 1,318,948</u>	<u>\$ 1,125,275</u>	<u>\$ (193,673)</u>
Total revenue from the federal government	<u>\$ 1,178,173</u>	<u>\$ 1,318,948</u>	<u>\$ 1,125,275</u>	<u>\$ (193,673)</u>
Total School Operating Fund	<u>\$ 31,326,917</u>	<u>\$ 31,685,967</u>	<u>\$ 30,511,917</u>	<u>\$ (1,174,050)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 739,298	\$ 739,298	\$ 686,742	\$ (52,556)
Miscellaneous revenue:				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 7,724	\$ 4,724
Intergovernmental revenue:				
County contribution to School Board	\$ -	\$ 124,146	\$ 124,146	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 14,178	\$ 14,178	\$ 16,684	\$ 2,506
Revenue from the federal government:				
Categorical aid:				
School food	\$ 345,000	\$ 345,000	\$ 438,260	\$ 93,260
Total School Cafeteria Fund	\$ 1,101,476	\$ 1,225,622	\$ 1,273,556	\$ 47,934
Grand Total Revenues--Component Unit-School Board	\$ 32,428,393	\$ 32,911,589	\$ 31,785,473	\$ (1,126,116)

This page intentionally left blank

COUNTY OF KING GEORGE, VIRGINIA

Statistical Table of Contents

Description of Section	Table #
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Assets by Component	1
Changes in Net Assets	2
Fund Balances of Governmental Funds	3
Changes in Fund Balances of Governmental Funds	4
Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	5
Property Tax Rates	6
Principal Taxpayers	7
Property Tax Levies and Collections	8
Debt Capacity	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	9
Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	10
Computation of Direct and Overlapping Bonded Debt	11
Pledged-Revenue Coverage	12
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	13
Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Principal Employers	14
Full-time Equivalent County Government Employees by Function	15
Operating Indicators by Function	16
Capital Asset Statistics by Function	17

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

This page intentionally left blank

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

	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets, net of related debt	\$ 675,920	\$ 1,731,053	\$ 3,327,685	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035	\$ 14,166,206
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777
Unrestricted	11,011,148	12,648,884	13,502,050	34,789,461	34,535,361	34,057,246	35,118,549
Total governmental activities net assets	<u>\$ 28,649,365</u>	<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>	<u>\$ 52,620,532</u>
Business-type activities:							
Invested in capital assets, net of related debt	\$ 4,921,921	\$ 5,505,139	\$ 9,507,244	\$ 10,843,832	\$ 11,307,604	\$ 16,032,120	\$ 16,422,476
Unrestricted	481,599	1,063,433	(851,067)	(495,069)	1,424,196	825,978	587,740
Total business-type net assets	<u>\$ 5,403,520</u>	<u>\$ 6,568,572</u>	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>	<u>\$ 12,731,800</u>	<u>\$ 16,858,098</u>	<u>\$ 17,010,216</u>
Primary government:							
Invested in capital assets, net of related debt	\$ 5,597,841	\$ 7,236,192	\$ 12,834,929	\$ 19,008,713	\$ 21,452,376	\$ 30,478,155	\$ 30,588,682
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777
Unrestricted	11,492,747	13,712,317	12,650,983	34,294,392	35,959,557	34,883,224	35,706,289
Total primary government net assets	<u>\$ 34,052,885</u>	<u>\$ 29,284,568</u>	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>	<u>\$ 58,507,242</u>	<u>\$ 66,474,608</u>	<u>\$ 69,630,748</u>

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.

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

	2002	2003	2004	2005	2006	2007	2008
Expenses:							
Governmental activities:							
General government administration	\$ 1,664,322	\$ 1,670,290	\$ 1,849,874	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975
Judicial administration	573,647	525,825	677,795	690,419	822,200	1,029,314	759,823
Public safety	3,444,046	3,915,821	4,630,196	5,510,533	6,052,406	10,514,774	7,977,187
Public works	1,269,716	1,686,464	640,060	829,157	817,142	2,473,860	1,518,581
Health and welfare	1,658,895	2,081,684	2,452,852	2,674,443	3,301,427	3,549,674	3,568,445
Education	9,390,953	22,783,569	4,585,292	9,378,083	12,866,014	10,140,846	18,229,598
Parks, recreation, and cultural	813,369	954,301	973,255	1,021,219	1,184,066	1,221,343	1,167,026
Community development	786,177	865,855	899,621	1,022,069	6,149,803	1,513,450	1,399,071
Capital outlays	594,523	150,747	-	-	-	-	-
Interest and other fiscal charges	1,128,152	753,898	1,178,484	1,991,875	2,159,093	2,727,195	2,918,611
Total governmental activities expenses	\$ 21,323,800	\$ 35,388,454	\$ 17,887,429	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317
Business-type activities:							
Water and sewer	1,974,251	2,282,953	2,687,122	2,741,913	3,139,797	4,696,891	5,238,869
Total primary government expenses	\$ 23,298,051	\$ 37,671,407	\$ 20,574,551	\$ 28,275,897	\$ 38,911,730	\$ 40,017,561	\$ 45,698,186
Program revenues:							
Governmental activities:							
Charges for services:							
Judicial administration	\$ 140,405	\$ 205,779	\$ 237,879	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458
Public safety	184,884	308,009	397,896	444,281	468,579	399,206	302,013
Public works	7,137,675	7,568,193	7,001,573	6,838,203	6,900,871	6,642,913	7,597,954
Parks, recreation, and cultural	129,548	153,859	186,397	206,766	304,635	329,970	364,795
Community development	45,762	77,859	166,228	177,588	203,819	305,066	90,253
Operating grants and contributions:							
General government administration	189,173	205,563	201,783	221,922	224,212	266,564	296,199
Judicial administration	392,684	294,437	432,244	434,475	528,744	611,895	551,648
Public safety	1,042,841	1,006,160	1,115,955	1,024,800	1,298,468	1,174,675	1,250,193
Public works	-	1,840	4,495	4,375	6,568	-	-
Health and welfare	1,068,865	1,362,179	1,641,217	1,754,522	1,964,992	2,126,283	2,069,467
Education	-	170,027	-	-	-	-	-
Parks, recreation, and cultural	79,003	59,878	80,051	68,120	75,624	103,747	96,339
Community development	5,754	15,815	17,250	18,286	4,618	-	20,728
Capital grants and contributions	-	-	-	840,000	1,385,549	396,834	798,438
Total governmental activities program revenues	\$ 10,416,594	\$ 11,429,598	\$ 11,482,968	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485
Business-type activities:							
Charges for services:							
Water and sewer	\$ 1,311,942	\$ 1,657,299	\$ 2,547,694	\$ 1,950,443	\$ 2,499,579	\$ 2,887,323	\$ 3,252,836
Operating grants and contributions	-	-	-	-	-	12,093	10,650
Capital grants and contributions	1,322,033	1,790,706	1,328,038	63,290	-	3,286,792	-
Total business-type activities program revenues	\$ 2,633,975	\$ 3,448,005	\$ 3,875,732	\$ 2,013,733	\$ 2,499,579	\$ 6,186,208	\$ 3,263,486
Total primary government program revenues	\$ 13,050,569	\$ 14,877,603	\$ 15,358,700	\$ 14,381,372	\$ 16,256,684	\$ 18,865,009	\$ 16,959,971
Net (expense) / revenue							
Governmental activities	\$ (10,907,206)	\$ (23,958,856)	\$ (6,404,461)	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)
Business-type activities	659,724	1,165,052	1,188,610	(728,180)	(640,218)	1,489,317	(1,975,383)
Total primary government net expense	\$ (10,247,482)	\$ (22,793,804)	\$ (5,215,851)	\$ (13,894,525)	\$ (22,655,046)	\$ (21,152,552)	\$ (28,738,215)

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

	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental activities:							
General property taxes	\$ 9,427,227	\$ 11,685,962	\$ 12,621,512	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378
Local sales and use taxes	883,908	947,874	1,030,237	1,103,560	1,185,968	1,253,579	1,224,072
Communication sales taxes	-	-	-	-	-	-	450,124
Consumer utility taxes	322,347	306,359	324,936	334,509	372,235	301,276	229,585
Business license taxes	840,367	881,947	1,044,156	1,052,792	1,171,729	1,209,143	1,203,024
Motor vehicle licenses	374,152	395,760	426,854	456,906	483,352	446,312	493,466
Recordation taxes	117,575	173,998	241,285	485,706	741,770	607,113	434,099
Meals tax	438,032	457,174	520,961	640,118	635,687	674,535	702,153
E-911 taxes	217,788	219,806	223,770	227,575	230,387	200,141	-
Other local taxes	199,060	246,301	336,802	416,180	450,673	522,896	575,123
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
Unrestricted revenues from use of money and property	621,796	626,202	399,015	1,341,213	2,653,602	3,980,793	3,160,698
Miscellaneous	166,487	126,611	860,599	390,189	427,254	557,181	2,470,865
Transfers	-	-	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)
Total governmental activities	\$ 13,608,739	\$ 18,025,488	\$ 19,508,092	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854
Business-type activities:							
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ 99,431	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175
Miscellaneous	-	-	361,451	574,623	1,211,493	1,318,584	1,424,469
Transfers	-	-	706,477	1,678,298	1,699,783	1,108,173	569,857
Total business-type activities	\$ -	\$ -	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501
Total primary government	\$ 13,608,739	\$ 18,025,488	\$ 20,675,451	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355
Change in Net Assets							
Governmental activities	\$ 2,701,533	\$ (5,933,368)	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022
Business-type activities	659,724	1,165,052	2,355,969	1,691,686	2,383,037	4,126,298	152,118
Total primary government	\$ 3,361,257	\$ (4,768,316)	\$ 15,459,600	\$ 9,230,028	\$ 4,113,533	\$ 7,967,366	\$ 3,156,140

Note: Accrual-basis financial information is available back to fiscal year 2002 when the County implemented GASB 34.

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund					
Reserved	\$ 2,410,722	\$ 60,501	\$ 290,158	\$ 252,734	\$ 1,381,447
Unreserved	<u>5,479,287</u>	<u>5,968,158</u>	<u>7,823,619</u>	<u>11,108,069</u>	<u>12,532,709</u>
Total General Fund	<u>\$ 7,890,009</u>	<u>\$ 6,028,659</u>	<u>\$ 8,113,777</u>	<u>\$ 11,360,803</u>	<u>\$ 13,914,156</u>
All other Governmental Funds					
Reserved for capital projects	\$ 1,475,000	\$ 4,583,000	\$ 7,432,450	\$ 16,138,304	\$ 6,323,709
Reserved for natatorium	-	-	-	-	-
Reserved for library operations	-	-	-	715,836	719,816
Reserved for wireless authority operations	-	-	-	-	-
Unreserved, reported in:					
Special Revenue	159,711	137,244	254,056	-	-
Debt Service	608,802	603,419	537,211	-	-
Capital Projects	<u>3,367,919</u>	<u>4,863,637</u>	<u>6,306,718</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 5,611,432</u>	<u>\$ 10,187,300</u>	<u>\$ 14,530,435</u>	<u>\$ 16,854,140</u>	<u>\$ 7,043,525</u>

Table 3

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1,703,385	\$ 1,450,717	\$ 1,261,813	\$ 1,113,229	\$ 1,135,777
<u>13,755,238</u>	<u>19,059,078</u>	<u>17,619,894</u>	<u>18,312,583</u>	<u>20,434,481</u>
<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>	<u>\$ 21,570,258</u>
\$ 17,196,042	\$ 53,871,288	\$ 53,852,195	\$ 51,546,624	\$ 15,228,296
-	-	-	-	2,200,000
1,149,272	1,086,385	1,073,649	1,078,067	768,694
-	-	-	-	560,243
-	-	-	-	-
-	-	-	-	-
-	-	-	-	12,298,990
<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>	<u>\$ 31,056,223</u>

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues:					
General property taxes	\$ 9,403,414	\$ 9,510,284	\$ 9,484,387	\$ 9,561,119	\$ 11,644,240
Other local taxes	2,504,457	2,851,057	3,112,812	3,393,229	3,629,219
Permits, privilege fees and regulatory licenses	6,673,064	6,751,718	7,191,862	7,289,227	7,866,325
Fines and forfeitures	93,512	780,083	125,082	131,065	187,635
Revenue from use of money and property	327,821	386,004	1,151,602	621,796	626,202
Charges for services	263,888	228,334	215,519	217,982	259,739
Miscellaneous	1,616,708	69,784	438,592	166,487	126,611
Recovered costs	-	20,612	5,786	178,815	-
Intergovernmental:					
School Board	-	-	-	-	170,027
Commonwealth	1,795,855	2,479,533	4,047,071	3,918,268	4,099,294
Federal	824,392	718,734	851,082	784,521	804,072
Total revenues	\$ 23,503,111	\$ 23,796,143	\$ 26,623,795	\$ 26,262,509	\$ 29,413,364
Expenditures:					
General government administration	\$ 951,221	\$ 1,049,670	\$ 1,180,897	\$ 1,540,980	\$ 1,526,946
Judicial administration	239,736	392,397	527,313	571,430	523,670
Public safety	2,552,622	2,722,162	3,379,592	3,563,653	3,826,071
Public works	458,990	423,181	35,156	599,590	761,308
Health and welfare	1,581,736	1,731,808	1,908,407	1,654,251	2,077,203
Education	5,585	3,868	3,982	7,677,143	21,190,220
Parks, recreation, and cultural	488,050	557,663	603,876	772,020	928,529
Community development	474,326	525,126	524,325	773,992	864,064
NonDepartmental	64,713	119,507	41,068	-	-
Capital outlays and projects	2,392,411	1,661,105	1,310,398	1,821,680	2,097,260
Debt service:					
Principal retirement	393,888	415,094	501,506	1,245,520	1,230,829
Interest and other fiscal charges	350,980	335,376	372,090	1,106,426	782,048
Total expenditures	\$ 9,954,258	\$ 9,936,957	\$ 10,388,610	\$ 21,326,685	\$ 35,808,148
Excess (deficiency) of revenues over expenditures	\$ 13,548,853	\$ 13,859,186	\$ 16,235,185	\$ 4,935,824	\$ (6,394,784)
Other financing sources (uses):					
Transfers in	\$ 7,834,899	\$ 8,012,058	\$ 7,042,185	\$ 240,015	\$ 279,900
Transfers (out)	(15,959,695)	(16,746,004)	(16,437,355)	(823,380)	(1,142,378)
Sale of property	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Early retirement of indebtedness	-	-	2,045,000	-	-
Payment to refunded bond escrow agent	-	-	(1,956,762)	-	-
Long-term debt issued	-	-	-	-	-
Total other financing sources (uses)	\$ (8,124,796)	\$ (8,733,946)	\$ (9,306,932)	\$ (583,365)	\$ (862,478)
Net changes in fund balances	\$ 5,424,057	\$ 5,125,240	\$ 6,928,253	\$ 4,352,459	\$ (7,257,262)
Debt service as a percentage of noncapital expenditures	11.23%	10.25%	10.32%	12.17%	9.50%

Table 4

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	12,391,790	\$ 13,555,599	\$ 14,424,491	\$ 15,174,874	\$ 17,092,704
	4,149,001	4,717,346	5,271,801	5,214,995	5,311,646
	7,553,367	7,437,075	7,563,053	7,301,776	7,936,085
	193,299	292,217	332,871	300,583	236,338
	399,015	1,341,213	2,653,602	3,980,793	3,160,698
	243,307	271,847	372,406	396,444	441,050
	860,599	260,832	427,254	557,181	2,470,865
	129,953	159,314	177,900	-	175,200
	-	141,685	-	-	-
	4,669,116	4,858,819	6,758,941	5,642,960	6,414,676
	<u>1,008,321</u>	<u>1,033,529</u>	<u>1,367,429</u>	<u>1,495,401</u>	<u>984,460</u>
\$	<u>31,597,768</u>	<u>34,069,476</u>	<u>39,349,748</u>	<u>40,065,007</u>	<u>44,223,722</u>
\$	1,691,011	\$ 2,432,055	\$ 2,413,529	\$ 3,834,032	\$ 3,994,241
	631,216	684,282	818,117	1,025,967	1,086,764
	4,552,953	7,697,855	7,049,962	11,176,769	7,903,243
	724,495	947,689	982,312	1,594,220	1,685,536
	2,462,346	2,670,886	3,285,612	3,518,011	3,530,265
	8,850,378	12,464,331	11,919,739	22,034,801	36,189,527
	952,483	1,238,568	1,149,277	1,216,147	1,885,728
	898,036	1,021,505	5,887,223	1,519,877	1,391,591
	-	-	-	-	-
	2,737,547	-	-	-	-
	1,161,983	1,119,800	1,194,852	1,959,618	2,401,440
	<u>882,588</u>	<u>889,860</u>	<u>2,666,216</u>	<u>2,721,295</u>	<u>2,957,614</u>
\$	<u>25,545,036</u>	<u>31,166,831</u>	<u>37,366,839</u>	<u>50,600,737</u>	<u>63,025,949</u>
\$	<u>6,052,732</u>	<u>2,902,645</u>	<u>1,982,909</u>	<u>(10,535,730)</u>	<u>(18,802,227)</u>
\$	1,583,277	\$ 3,077,927	\$ 1,568,980	\$ 2,823,173	\$ 4,969,447
	(2,289,754)	(4,756,225)	(3,268,763)	(3,931,346)	(5,539,304)
	-	145,561	-	-	-
	-	444,067	-	-	343,349
	-	-	(7,500,000)	-	(7,500,000)
	-	(2,641,444)	(855,000)	-	-
	<u>7,500,000</u>	<u>42,491,000</u>	<u>6,411,957</u>	<u>9,886,855</u>	<u>7,104,713</u>
\$	<u>6,793,523</u>	<u>38,760,886</u>	<u>(3,642,826)</u>	<u>8,778,682</u>	<u>(621,795)</u>
\$	<u>12,846,255</u>	<u>41,663,531</u>	<u>(1,659,917)</u>	<u>(1,757,048)</u>	<u>(19,424,022)</u>
	<u>9.02%</u>	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>	<u>15.40%</u>

This page intentionally left blank

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
1998-99	\$ 757,419,756	\$ 0.75	\$ 84,604,161	\$ 3.10	\$ 37,673,230	\$ 41,261,954	\$ 920,959,101
1999-00	821,184,338	0.75	86,319,427	3.10	37,925,570	44,297,238	989,726,573
2000-01	850,101,794	0.75	99,346,814	3.10	38,328,941	41,744,517	1,029,522,066
2001-02	855,894,803	0.75	104,253,943	3.10	37,680,535	44,177,050	1,042,006,331
2002-03	1,041,571,270	0.72	112,915,457	3.10	4,020,860	304,800,899	1,463,308,486
2003-04	1,120,896,350	0.72	118,008,072	3.10	3,753,075	288,954,628	1,531,612,125
2004-05	1,198,174,927	0.77	134,469,239	3.10	3,595,430	253,830,593	1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	3,074,677,546

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Farm Machinery and Tools	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half
1998-99	\$ 0.75	\$ 0.75	\$ 3.10	\$ 2.00	\$ 2.50	\$ 0.75	\$ 0.75
1999-00	0.75	0.75	3.10	2.00	2.50	0.75	0.75
2000-01	0.75	0.75	3.10	1.00	2.50	0.75	0.75
2001-02	0.75	0.75	3.10	1.00	2.50	0.75	0.72
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

(1) Per \$100 of assessed value.

Principal Taxpayers
 Current Year and Nine Years Prior

Taxpayer	Taxes Paid	Fiscal Year 2008	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 920,983	\$ 200,213,696	7.07%
Virginia Electric & Power Company	88,372	19,211,305	0.68%
Birchwood Power Partners, LLC	79,299	17,238,913	0.61%
Verizon South, Inc.	78,315	17,025,000	0.60%
Hopyard Land, LLC	59,065	12,840,217	0.45%
Monmouth Woods Associates	43,617	9,481,956	0.34%
Hilliard & Bartko	43,479	9,451,956	0.33%
Robert S. Gollahon	39,332	8,550,435	0.30%
Dahlgren Office Bldg I, LP	29,446	6,401,304	0.23%
Dahlgren Office Bldg IV, LLC	27,336	5,942,609	0.21%
	<u>\$ 1,409,244</u>	<u>\$ 306,357,391</u>	<u>10.82%</u>

Source - Commissioner of the Revenue

Note: Principal taxpayers for the period nine years prior is unavailable.

COUNTY OF KING GEORGE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
1998-99	\$ 9,212,486	\$ 8,747,471	94.95%	\$ 186,577
1999-00	10,110,205	8,984,689	88.87%	202,086
2000-01	10,718,961	10,654,566	99.40%	210,639
2001-02	11,054,691	10,752,105	97.26%	287,271
2002-03	13,414,768	12,932,809	96.41%	231,346
2003-04	14,431,070	13,909,897	96.39%	266,915
2004-05	15,673,264	15,195,623	96.95%	457,637
2005-06	16,478,637	16,138,236	97.93%	392,040
2006-07	17,388,433	16,720,812	96.16%	333,070
2007-08	19,108,607	18,539,554	97.02%	365,503

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

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

Table 8

	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
\$	8,934,048	96.98%	\$ 1,103,033	11.97%
	9,186,775	90.87%	1,148,562	11.36%
	10,865,205	101.36%	1,408,757	13.14%
	11,039,376	99.86%	905,910	8.19%
	13,164,155	98.13%	918,312	6.85%
	14,176,812	98.24%	1,014,078	7.03%
	15,653,260	99.87%	1,103,844	7.04%
	16,530,276	100.31%	1,131,343	6.87%
	17,053,882	98.08%	1,611,078	9.27%
	18,905,057	98.93%	1,737,848	9.09%

COUNTY OF KING GEORGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	State Literary Loans	Capital Leases	Virginia Water Facilities Loan	Revenue Bonds	Notes Payable
1998-99	\$ 11,900,000	\$ 4,813,600	\$ 539,861	\$ 1,235,435	\$ 4,536,841	-
1999-00	12,020,000	5,108,400	521,239	1,148,918	4,793,683	-
2000-01	11,375,000	4,813,600	388,384	1,058,906	4,604,225	-
2001-02	10,560,000	4,518,800	277,591	965,257	15,132,074	-
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

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

	Total Primary Government	Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
\$	23,025,737	\$ 27,176	5.10%	16,600	\$ 1,387
	23,592,240	27,842	5.04%	16,803	1,404
	22,240,115	30,074	4.38%	16,887	1,317
	31,453,722	31,196	5.90%	17,088	1,841
	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

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage Of Estimated Actual Taxable Value of Property	Per Capita
1998-99	16,600	\$ 920,959,101	\$ 16,713,600	\$ -	\$ 16,713,600	1.81%	\$ 1,007
1999-00	16,803	989,726,573	17,128,400	603,419	16,524,981	1.67%	983
2000-01	16,887	1,029,522,066	16,188,600	537,211	15,651,389	1.52%	927
2001-02	17,088	1,042,006,331	15,078,800	-	15,078,800	1.45%	882
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

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, 2008

Direct: (1)

County of King George	\$	60,046,863	100%	\$	60,046,863
-----------------------	----	------------	------	----	------------

The County of King George has no overlapping debt.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998-99	\$ 2,287,809	\$ 1,326,485	\$ 961,324	\$ 83,157	\$ 51,920	7.12
1999-00	1,649,777	1,402,156	247,621	86,517	48,560	1.83
2000-01	1,585,305	1,526,600	58,705	90,012	45,065	0.43
2001-02	2,050,609	1,557,588	493,021	93,649	41,428	3.65
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	2,163,236	528,775	894,483	1,030,308	0.27
2005-06	3,823,051	2,297,711	1,525,340	821,701	1,005,324	0.83
2006-07	4,416,131	2,476,681	1,939,450	613,170	1,157,164	1.10
2007-08	4,810,480	3,039,040	1,771,440	797,239	1,135,260	0.92

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

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Student Enrollment
1998-99	16,600	1.90	\$ 27,176	2,995
1999-00	16,803	1.50	27,842	2,980
2000-01	16,887	1.80	30,074	3,101
2001-02	17,088	2.10	31,196	3,107
2002-03	17,657	2.60	N/A	3,235
2003-04	18,213	2.20	N/A	3,356
2004-05	19,355	2.90	30,425	3,372
2005-06	20,637	2.80	31,338	3,825
2006-07	21,780	3.31	33,778	3,801
2007-08	22,205	5.30	33,778	3,982

NA - Not available

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

Principal Employers
 Current Year and Nine Years Prior

Employer	Fiscal Year 2008		Percentage of Total Employment	Fiscal Year 1999 (1)	
	Employees	Rank		Employees	Rank
U.S. Department of Defense	3,270	1	35.60%	1000 and over	1
King George County Public School Board	664	2	7.23%	250 to 499	2
Northrup Grumman	303	3	3.30%	-	-
EG & G, Inc.	281	4	3.06%	100 to 249	5
King George County Government	265	5	2.89%	100 to 249	10
Integrated Microcomputer System, Lockheed Martin	224	6	2.44%	-	-
Marconi Technology	203	7	2.21%	100 to 249	3
Chugach McKinley Inc.	182	8	1.98%	-	-
Bowhead Information Tech Inc.	176	9	1.92%	-	-
General Dynamics	149	10	1.62%	-	-
Village Farms of Virginia Inc.	-	-	N/A	100 to 249	7
Syscon Corporation	-	-	N/A	100 to 249	9
White Packing Company	-	-	N/A	100 to 249	6
Computer Sciences Corporation	-	-	N/A	100 to 249	4
Synetics	-	-	N/A	100 to 249	8

Source: Virginia Employment Commission

(1) For fiscal year 1999 only ranges were available from the Virginia Employment Commission.

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

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	20	21	29	27	31	30	29	29
Judicial administration	7	7	7	8	9	10	13	12
Public safety								
Sheriffs department	34	34	36	36	39	38	43	43
Fire & rescue	5	5	9	14	17	20	21	25
Animal control	2	2	2	2	2	2	2	2
Public works								
General maintenance	21	25	6	3	5	9	9	9
Landfill	3	3	3	3	3	2	3	3
Engineering	-	-	2	2	2	2	2	2
Health and welfare								
Department of social services	-	-	-	-	13	14	14	16
Culture and recreation								
Parks and recreation	6	6	7	7	8	4	4	4
Library	-	-	3	3	3	3	4	4
Community development								
Planning	4	5	7	9	9	10	11	11
Totals	<u>102</u>	<u>108</u>	<u>111</u>	<u>114</u>	<u>141</u>	<u>144</u>	<u>155</u>	<u>160</u>

Source: Individual county departments

Note: Information was not available prior to fiscal year 2001.

Operating Indicators by Function
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Sheriffs department:										
Physical arrests	503	653	673	854	1,341	2,129	1,410	908	892	652
Traffic violations	2,100	2,386	5,799	1,975	2,354	2,882	3,744	5,418	3,093	3,038
Civil papers	4,927	5,497	6,222	7,097	7,077	7,125	6,994	7,713	7,940	7,914
Fire and rescue:										
Number of calls answered	N/A	N/A	N/A	N/A	N/A	1,668	2,828	3,188	3,256	3,291
Building inspections:										
Permits issued	150	155	115	190	242	385	388	484	340	160
Animal control:										
Number of calls answered	868	952	867	869	850	776	636	452	488	705
Public works										
General maintenance:										
Trucks/vehicles	9	9	9	12	12	12	12	12	3	3
Component Unit - School Board										
Education:										
School age population	2,973	2,981	2,939	3,050	3,163	3,400	3,524	3,830	3,791	3,882
Number of teachers	233	239	237	N/A	260	255	257	257	283	285
Local expenditures per pupil	6,185	6,755	6,893	6,845	7,107	7,178	7,084	7,529	7,823	9,281

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	-	-	-	-	1	1
Public safety										
Sheriff's department:										
Patrol units	7	10	15	15	21	28	29	29	29	31
Other vehicles	3	4	4	4	4	6	7	7	7	7
Building inspections:										
Vehicles	-	-	-	-	-	-	-	-	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	9	9	9	12	12	12	12	12	3	3
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	2	2
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	5	5	5	5	6	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	6	7	8	10	10	10	10	10	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	2	2	2	4	4	5	6	6	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	7	7	7	8	8	8	8
School buses	50	50	53	56	57	62	64	67	58	65

Source: Individual county departments

This page intentionally left blank

**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 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, 2008, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of King 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'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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 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*.

However we noted certain matters we reported to management of the County of King George, Virginia in a separate letter dated December 8, 2008.

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 8, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the County of King George, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 County of King George, Virginia'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 are applicable to each of its major federal programs for the year ended June 30, 2008.

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.

Internal Control Over Compliance: (Continued)

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance 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 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, 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 8, 2008

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2008

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT:		
<u>DEPARTMENT OF THE INTERIOR:</u>		
<u>Direct payments:</u>		
US Fish & Wildlife Service	15.000 \$	4,668
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>		
<u>Direct payments:</u>		
Bulletproof vest grant	16.607 \$	8,032
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Rail and Public Transportation:		
Open container/alcohol impaired driving	20.607 \$	5,828
State and community highway safety program	20.600	5,373
Total Department of Transportation	\$	11,201
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Pass through payments:</u>		
Department of Emergency Services:		
Local emergency management planning grant	97.042 \$	15,943
Citizen Corps	97.004	10,000
Total U.S. Department of Homeland Security	\$	25,943
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561 \$	185,686
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
Promoting safe and stable families	93.556 \$	14,957
Temporary assistance to needy families	93.558	92,607
Refugee and entrant assistance	93.566	608
Low-income energy assistance	93.568	2,552
Payments to states for child care assistance	93.575	145,461
Child care and development fund	93.596	80,916
Foster care-title IV-E	93.658	140,787
Adoption assistance	93.659	7,253
Social services block grant	93.667	113,850
Child welfare services - state grants	93.645	710
Independent living program	93.674	4,534
State children's insurance program	93.767	6,221
Medical assistance program	93.778	138,474
Total Department of Health and Human Services	\$	748,930
Total Primary Government	\$	984,460

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2008 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Agriculture and Consumer Services:		
Food distribution	10.555 \$	59,930
Department of Education:		
National school breakfast program	10.553	67,702
National school lunch program	10.555	310,628
Total Department of Agriculture	\$	<u>438,260</u>
<u>U.S. DEPARTMENT OF THE NAVY:</u>		
<u>Pass through payments:</u>		
The College of William and Mary:		
N-Star Virginia demonstration project	12.300 \$	<u>22,015</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000 \$	<u>61,394</u>
Total Department of Labor	\$	<u>61,394</u>
<u>NATIONAL SCIENCE FOUNDATION</u>		
<u>Direct payments:</u>		
Material world module grant	47.000 \$	<u>415</u>
Total National Science Foundation	\$	<u>415</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Education Consolidation and Improvement Act of 1981:		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010 \$	326,318
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	534,914
Special Projects:		
Preschool	84.173	15,276
Vocational education - basic grants to states	84.048	43,170
Title VI - Improving School Prog State Blk Grnt	84.298	5,086
Drug-free schools and communities (2E004617)	84.186	7,735
Technology literacy challenge grant	84.318	3,469
Title II - Part A	84.367	<u>105,483</u>
Total Department of Education	\$	<u>1,041,451</u>
Total Component Unit School Board	\$	<u><u>1,563,535</u></u>
Total Reporting Entity	\$	<u><u>2,547,995</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2008

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of King George, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - 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	\$ <u>984,460</u>
Total primary government	\$ <u>984,460</u>
Component Unit Public Schools:	
School Operating Fund	\$ 1,125,275
School Cafeteria Fund	438,260
Total component unit public schools	\$ <u>1,563,535</u>
Total federal expenditures per basic financial statements	\$ <u><u>2,547,995</u></u>
 Total federal expenditures per the Schedule of Expenditures of Federal Awards	 \$ <u><u>2,547,995</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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 deficiencies identified not considered
 to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

 Significant deficiencies identified not considered
 to be material weaknesses? 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)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.555	Food distribution - child nutrition cluster
10.553	National school breakfast program - child nutrition cluster
10.555	National school lunch program - child nutrition cluster
84.027	Title VI-B - Special Education Cluster (IDEA)
84.173	Special education preschool grant - Special Education Cluster (IDEA)

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.