

COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

Prepared by

Terri E. Hale, Assistant County Administrator

This page intentionally left blank

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	iii-v
Directory of Principal Officials	vii
Organizational Chart	ix
Letter of Transmittal	xi-xvii
GFOA Certificate of Achievement	xix
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	13
Exhibit 2 Statement of Activities	14
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	17
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	18
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	19
Exhibit 6 Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21-42
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Exhibit 7 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	45-49
Exhibit 8 Schedule of Pension Funding Progress for the Virginia Retirement System	50

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (CONTINUED)	
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Combining and Individual Fund Statements and Schedules:	
Exhibit 9	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Capital Projects 55
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—School Capital Projects 56
Exhibit 11	Combining Statement of Fiduciary Net Assets—Agency Funds 57
Exhibit 12	Combining Statement of Changes in Assets and Liabilities—Agency Funds 58
Discretely Presented Component Unit—School Board:	
Exhibit 13	Combining Balance Sheet 60
Exhibit 14	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds 61
Exhibit 15	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual 62-63
Exhibit 16	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 64
Supporting Schedule:	
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Funds and Discretely Presented Component Unit—School Board 67-72

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS (Continued)

	<u>Page</u>
STATISTICAL SECTION	
Table 1 Net Assets by Component	74
Table 2 Changes in Net Assets	75
Table 3 Fund Balances of Governmental Funds	76-77
Table 4 Changes in Fund Balances of Governmental Funds	78-79
Table 5 Governmental Activities Tax Revenues by Source	81
Table 6 Assessed and Estimated Value of Property	82
Table 7 Property Tax Rates	83
Table 8 Principal Taxpayers	84
Table 9 Property Tax Levies and Collections	85
Table 10 Ratios of Outstanding Debt by Type	86
Table 11 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	87
Table 12 Computation of Direct and Overlapping Bonded Debt	88
Table 13 Demographic and Economic Statistics	89
Table 14 Principal Employers	90
Table 15 Full-time Equivalent County Government Employees by Function	91
Table 16 Operating Indicators by Function	92-93
Table 17 Capital Asset Statistics by Function	94
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>	95-96
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	97-98
Schedule of Expenditures of Federal Awards	99-100
Notes to Schedule of Expenditures of Federal Awards	101
Schedule of Findings and Questioned Costs	102

This page intentionally left blank

COUNTY OF KING WILLIAM, VIRGINIA

BOARD OF SUPERVISORS

C.T. Redd III, Chairman

Cecil L. Schools

Daniel L. Wright

Thomas G. Smiley

Otto O. Williams

COUNTY SOCIAL SERVICES BOARD

Leo C. Wagner, Chairman

Otto O. Williams

Constance D. Mickens

Anita H. Webb

Brenda Clements

COUNTY SCHOOL BOARD

Steven M. Tupponce, Chair

Kathy H. Morrison

Donald B. Longest

Terry S. Stone

Sharon T. Townsend

OTHER OFFICIALS

Judge of the Circuit Court

Thomas B. Hoover

Clerk of the Circuit Court

Patricia M. Norman

Judge of the General District Court

Michael E. McGinty

Judge of the Juvenile and Domestic Relations Court

George C. Fairbanks, IV

Commonwealth's Attorney

Stephen A. Palmer

Commissioner of the Revenue

Sally W. Pearson

Treasurer

Harry L. Whitt

Sheriff

J.S. "Jeff" Walton

Superintendent of Schools

Dr. Mark R. Jones

Director of Social Services

Ben P. Owen, IV

County Administrator

Frank A. Pleva

Assistant County Administrator

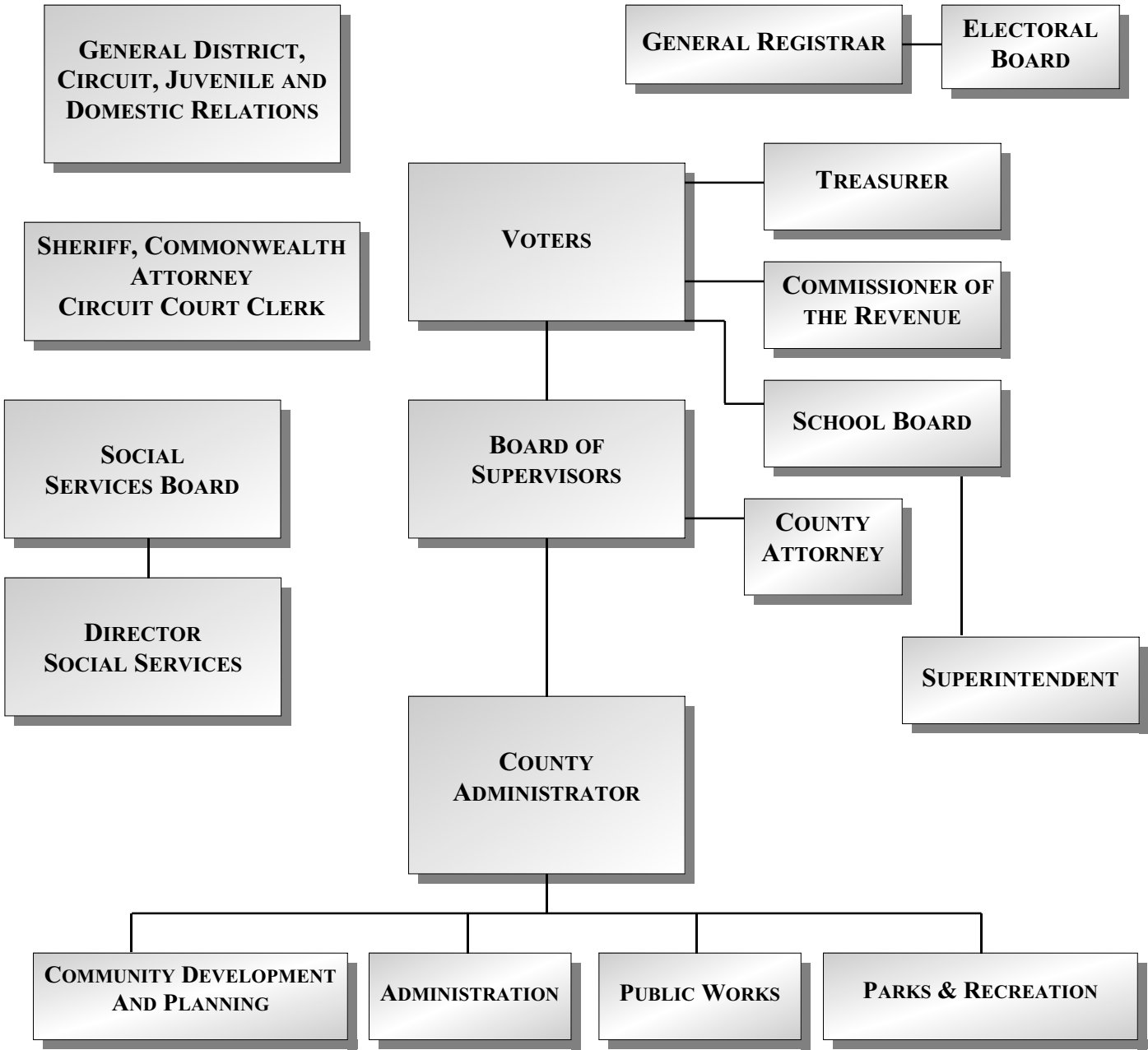
Terri E. Hale

County Attorney

L. McCauley Chenault

This page intentionally left blank

**COUNTY OF KING WILLIAM, VIRGINIA
ORGANIZATIONAL CHART**



This page intentionally left blank

December 18, 2008

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of King William, Virginia, (the “County”), for the fiscal year ended June 30, 2008. This report was prepared by the County’s Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County’s financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County’s accounting system, consideration is given to the adequacy of internal accounting controls. 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.

All internal control evaluations occur within the above framework. We believe that the County’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls. In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. There were no one-time revenues budgeted that affected the current year financial statements. Activities of the general and capital projects funds are included in the annual appropriated budget.

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 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, 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, 1950, as amended*. Both the department head and Finance Department staff monitor budgetary compliance. 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.

THE REPORTING ENTITY AND ITS SERVICES

The County of King William report includes all funds and account groups 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. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified one discretely presented component unit. Discretely presented component units are 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. The County has no blended components; the School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to a public whose Board is elected and is fiscally dependent on the local government.

ECONOMIC CONDITION AND OUTLOOK

The County continues to see a relatively stable growth in revenues; however, expenditures have grown at a significantly faster pace over the last several fiscal years, the result of federal and state costs passed on to the local level and an increased demand for services due to growth. In June 2002, the County began collecting real estate taxes twice a year. This resulted in a significant one-time fund balance increase, which the Board of Supervisors designated for future debt service. During FY04, the County substantially completed the schools’ portion of a \$29M multi-year, multi-phase capital improvements plan approved by the Board in FY01. This included a new primary school and a significant addition and renovation of the high school. A 300,000-gallon elevated water tank and associated water and sewer lines were completed in June 2002. A new Courts and Public Safety Building was dedicated in October 2004. Debt totaling \$3,545,000 was issued in two (2) phases (in FY07 and FY08) for the construction and renovation of the

high school athletic fields. Debt service, while still within an acceptable range, has and will continue to become a larger part of the annual operating budget as the County continues to grow and become an area of metropolitan Richmond.

The current downturn in the economy has resulted in significant reductions in local revenues, including Business, Professional and Occupational Licenses (BPOL) and building permits, among others. Thus far, general property tax collections have not substantially risen, but the Treasurer continues to administer a strict plan to collect outstanding taxes.

The County continues to see considerable growth in population, 20.5% based on the 2000 census and an additional 16.5% projected through 2007. The challenge it faces in the future is continuing to provide the same and higher levels of services to its citizens while maintaining a stable tax rate.

MAJOR INITIATIVES

The County is involved in a cooperative project with the City of Newport News, Virginia to develop the King William Reservoir on Cohoke Creek. The Regional Raw Water Study Group (RRWSG) was formed in 1987 to examine current and future water supply needs of the lower Virginia peninsula. The Group determined that by the year 2040, a 30.2 million gallon per day deficit would be experienced. The King William site was ultimately chosen over 30 other alternatives. This project will include a dam with a shoreline buffer on Cohoke Creek connected via pipeline to a pump station on the Mattaponi River. A separate pipeline will transfer water from the King William impoundment site to a similar site in New Kent County. The 3,500-acre reservoir site will also include several public recreation sites. The U. S. Army Corps of Engineers announced on November 16, 2005 that it had issued the final permit to the City of Newport News, Virginia for the King William Reservoir project. This represents the final step in the Corps of Engineers' application review process for the project.

The Virginia Water Control Board (VWCB) granted the city a permit to build and operate the reservoir in 1997. This permit, which expired in December 2007 and requires the city to conduct various studies, must be reviewed periodically. The city maintains it cannot complete these studies before this deadline and requested a five-year extension until December 2012. As of this date, the VWCB has approved a three-year extension.

At a special meeting on November 13, 2007 the Board of Supervisors voted unanimously not to participate in the fall Virginia Resources Authority (VRA) pooled bond issue, which would have provided permanent financing for the acquisition of real property for the reservoir. The motion also requested that the City of Newport News delay any acquisition until all permits for the reservoir have been issued, to acquire property nearer the 2012 construction date and to acquire any property at their own expense. This has been resolved through an Interim Project Financing Agreement, executed in March 2008. This agreement states that the City will reimburse the County for any property acquired in accordance with the Project Development Agreement. Within one (1) year of the issuance

of a permit for the construction and operation of the project, the County will solicit permanent financing through the Virginia Resources Authority (VRA) and repay the City for all parcels previously acquired.

The County issued \$1.7M in infrastructure bonds through the Virginia Resources Authority to construct a 300,000 gallon elevated water storage tank and water and sewer lines to serve a commercial/economic development service area in the Central Garage area of the County. The Shops at Central Crossing opened in October 2001 and currently houses eight (8) retail storefronts. The developers have completed construction of a Phase II to the shopping center. There are currently six new businesses and one relocated business open in this area. This approximately 7,000 square feet is now fully leased. Also, a branch of Southside Bank and a freestanding car wash has opened adjacent to the shopping center. The developer of the car wash is also marketing two adjacent out-parcels.

The King William Commerce Park is an ongoing project, in which the developer sells lots to individual businesses. Currently a dozen lots have been sold, including a lot for a new retail strip mall that is now fully constructed. This strip mall currently houses a seafood restaurant, a sports bar, a beauty supply store and a check cashing business and is planned to house a 10,000 square foot sporting goods store in the future. Other stores are not known at this time. At least eight (8) other light industrial businesses are already operating, including a drywall contractor; a septic system installer; a car repair shop; an auto/body shop; a custom motorcycle mechanic; metal buildings sales and installation; and a landscaping business, among others. The developer has also created two out-parcels that front on Route 360, which are currently marketed as retail space.

Also ongoing, the King William Business Park has approximately 100,000 square feet of retail and office space. This space is about 90% leased and includes a car repair business; a gym; a library branch; and a martial arts studio, among others. A 20,000 square foot freestanding Dollar General Store is scheduled to be constructed on an out-parcel early in 2009.

Jackson Square, constructed in 2006, has two buildings with a total of 20,507 square feet, equally split between retail and office space. Currently, approximately 50% of the space is leased to a titling company, a real estate firm and three (3) restaurants.

The Board of Supervisors has approved a water and sewer service area, which includes the Routes 360/30 corridor. The water system currently has 17 commercial and 176 residential customers; the sewer system currently has 18 commercial and 80 residential customers. Discussions are currently being held to provide water and sewer service to a number of potential retail and commercial businesses within the service area. Discussions are underway to determine if the existing service area should be extended and/or another water tank and pump station should be constructed.

A new wastewater treatment plant was built on the site of the current plant by Hampton Roads Sanitation District (HRSD), the contractor who maintains all the county wastewater

treatment facilities. The plant is the first of its type to be completed in Virginia. Its technology allowed HRSD to greatly improve performance and capacity at an existing site. The fully automated plant, placed in operation May 2007, will be able to treat up to 100,000 gallons of wastewater each day. The facility is relatively portable and self-contained, and can be easily expanded when needed by adding more tanks and membrane modules. The facility, completed at a cost of \$3 million, includes two self-contained 50,000-gallons per day membrane units complete with all the necessary tanks and pumps. The extremely high quality effluent produced can provide water reuse options.

Construction is in progress for the planned development McCauley Park, which includes 247 single-family homes, retail shops and office space, and multi-family senior apartments. Section I of this project, which includes 93 homes, has been sold and/or built out. Sections II and III are now being marketed and include 77 homes each. Another planned development named Kennington was approved in January 2004 to be constructed over a five-year period that includes 272 single-family homes and 172 multi-family units consisting of townhouses, carriage-style homes for sale and commercial property. The developers have completed the construction of the subdivision and are currently applying for permits. To date, permits have been issued for 21 single-family homes and 12 town homes. Construction on the clubhouse and pool are complete. Kennington has both public water and sewer.

During FY01 the Board of Supervisors approved capital expenditures for the schools in the amount of \$22M. The first phase of debt for these projects was issued in June 2001 for the construction of a new primary school and significant renovations and an addition to the high school. The new Cool Spring Primary School opened in January 2003. Temporary financing for the second and final phase of school debt was issued in July 2002 for the remaining portions of the projects. Permanent financing has been obtained through the issuance of Virginia Public School Authority (VPSA) bonds in the November 2002, 2003 and 2004 issues.

In October 2002 lease revenue bonds in the amount of \$5,995,000 were issued for the construction of a new Courts and Public Safety Building adjacent to the existing courthouse green at the courthouse complex. The 28,600 square foot facility opened in October 2004. The Circuit, General District and Juvenile and Domestic Relations Courts are located in the new building, as well as the clerks' offices, the Sheriff's Office and the Commonwealth's Attorney's office.

Finally, the County had entered into an agreement with two other middle peninsula counties to construct and operate a regional animal shelter. Plans for the approximately 4,000 square foot facility were being finalized when one of the localities withdrew from the agreement. The two remaining counties have scaled back the facility and the location has been changed to one more central, on a parcel adjacent to the King William Courthouse Complex. The project is anticipated to cost each participating jurisdiction approximately \$600,000. The facility is approximately 80% complete, with an expected opening in early 2009.

RISK MANAGEMENT

The County of King William 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. As part of this commitment, the County has obtained third party coverage for all liability risk.

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 William'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 the 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 to the County of King William, Virginia for its comprehensive annual financial report for the ten (10) fiscal years ended June 30, 1998 through 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 governmental unit 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 report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

We could not accomplish the preparation of this report in a timely manner without the efficient and dedicated service provided by the staffs of the Finance Department, Treasurer, Commissioner of Revenue, School Administration and Department of Social Services. 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 members of the Board of Supervisors for their continued interest and support in planning and conducting the financial operations of this County in a responsible, timely and progressive manner.

Respectfully submitted,

Frank A. Pleva
County Administrator

Terri E. Hale
Assistant County Administrator

This page intentionally left blank

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King William
Virginia

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



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**The Honorable Members of
The Board of Supervisors
County of King William, Virginia**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County of King William, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King William, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, on our consideration of the County of King William, 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 opinions on the financial statements that collectively comprise the County of King William, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules (including statements and schedules related to the discretely presented component unit - school board), supporting schedule 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 William, Virginia. The combining and individual fund financial statements and schedules (including statements and schedules related to the discretely presented component unit - School Board), supporting schedule, and 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 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King William, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 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 Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$859,769 (net assets). The County continues to experience a high rate of growth and a significant increase in the demand for services. The Board of Supervisors has attempted to balance tax increases with the fund balance; unfortunately, reductions in state revenues and costs passed on to the local government have eliminated the fund balance. Also, there are a number of human services programs that the Board has felt a moral obligation to continue. In collaboration with staff, the Board has developed a plan to rebuild the fund balance, which includes, but is not limited to, expenditure reductions, reduction of current programs, postponement of proposed programs and increases in taxes and fees. Also, the Board is in discussions with a financial advisor to develop a long term financial plan focusing more closely on service goals, priorities and fund balance.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$1,387,669, an increase of \$1,113,870 over the prior year.
- The County's long-term obligations decreased by \$140,310 during FY08, resulting primarily from the payoff of general obligation bonds and literary fund loans. The Board of Supervisors did, however, approve the issuance of bonds in the amount of \$2,055,000 for Phase II of the construction and renovations to the King William High School athletic fields. Also, compensated absences decreased by 0.9%, or \$1,975.

Overview of the Financial Statements

This discussion and analysis are 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.

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

The 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.

Overview of the Financial Statements: (Continued)

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education; parks and recreation and cultural events; and community development.

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 the component unit is reported separately from the financial information present for the primary government.

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 William, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds 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 spendable resources, as well as balances of spendable 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 three 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 and Capital Projects Funds.

The County adopts an annual appropriated budget for the General Fund and the Capital Projects Funds, 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.

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individuals. As trustee, or fiduciary, for agency funds, the County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Overview of the Financial Statements: (Continued)

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. King William County assets exceeded liabilities by \$859,769 at the close of the fiscal year.

The County's investment in capital assets such as land, buildings and equipment totals \$34,454,179 (net of accumulated depreciation) at June 30, 2008. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 4,399,643	\$ 2,290,366
Capital assets	<u>34,454,179</u>	<u>34,278,548</u>
Total assets	<u>\$ 38,853,822</u>	<u>\$ 36,568,914</u>
Long-term liabilities outstanding	\$ 33,037,855	\$ 33,481,572
Current liabilities	<u>4,956,198</u>	<u>3,888,239</u>
Total liabilities	<u>\$ 37,994,053</u>	<u>\$ 37,369,811</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 265,030	\$ 68,259
Restricted for:		
Unrestricted	<u>594,739</u>	<u>(869,156)</u>
Total net assets	<u>\$ 859,769</u>	<u>\$ (800,897)</u>

Government-Wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities reflect a change in net assets of \$1,660,666.

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 1,048,363	\$ 883,968
Operating grants and contributions	2,646,867	2,537,831
Capital grants and contributions	248,669	669,589
General revenues:		
General property taxes	14,880,517	12,411,669
Other local taxes	1,621,874	1,602,328
Use of money and property	331,025	271,379
Grants and contributions not restricted to specific programs	1,323,126	1,331,018
Other general revenues	21,058	391,817
Total revenues	\$ 22,121,499	\$ 20,099,599
Expenses:		
General government administration	\$ 1,653,984	\$ 1,587,512
Judicial administration	709,576	703,379
Public safety	3,607,687	2,902,265
Public works	1,663,886	1,634,409
Health and welfare	1,756,619	1,647,634
Education	7,904,725	7,914,185
Parks, recreation, and cultural	808,883	795,222
Community development	628,507	632,854
Interest and other fiscal charges	1,726,966	1,683,999
Total expenses	\$ 20,460,833	\$ 19,501,459
Change in net assets	\$ 1,660,666	\$ 598,140
Net assets, July 1, 2007	(800,897)	(1,399,036)
Net assets, June 30, 2008	\$ 859,769	\$ (800,897)

Program and general revenues for governmental activities totaled \$22,121,499 for the fiscal year. Of this amount, general property taxes totaled \$14,880,517 and other local taxes totaled \$1,621,874 accounting for 74.6% of governmental activity revenues.

The largest increase noted in revenues was general property taxes, due to a general reassessment of real property. On average, new values increased by 42.3%. While the rate was lowered, it was not equalized, resulting in an effect tax increase of 17.5%.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of 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 \$1,387,669 an increase of \$1,113,870 in comparison with the prior year.

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$878,836), while the total fund balances were \$1,387,669.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$963,317, or 4.8% increase in the total annual appropriation. These increases are briefly summarized as follows:

- ✓ \$256,555 for property acquisition
- ✓ \$114,987 for comprehensive services for youth and at-risk families
- ✓ \$105,453 for debt service
- ✓ \$95,030 for legal services
- ✓ \$50,214 for emergency services
- ✓ \$41,720 for the operation of the regional animal shelter
- ✓ \$37,023 for the Board of Elections
- ✓ \$36,338 for juvenile detention homes
- ✓ \$29,103 for fire programs
- ✓ \$21,970 for the Sheriff's Office
- ✓ \$18,477 recreation programs
- ✓ \$16,725 for the clerk of circuit court
- ✓ \$16,037 for the SpringFest celebration
- ✓ \$12,175 for adult incarceration
- ✓ \$10,207 for refuse disposal
- ✓ \$8,750 for regional airport capital projects
- ✓ \$7,500 for the regional library
- ✓ \$85,053 in miscellaneous functional increases

During the year actual revenues exceeded actual expenditures by \$958,985.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$34,454,179 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the year the County completed Phase I of the construction and renovations to the King William High School athletic fields, expending a project total of \$1,800,159; began Phase II of the construction and renovations to the King William High School athletic fields, expending \$1,771,001; and continued construction of the regional animal shelter, expending \$301,004 (project total to-date \$1,007,250).

Additional information of the County's capital asset increases and decreases during the year can be found in the notes to the financial statements.

Capital Asset and Debt Administration: (Continued)

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$35,186,206. Of this amount \$24,920,188 comprises debt backed by the full faith and credit of the County and \$10,266,018 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased by \$140,310 during the current fiscal year.

Additional information of the County's long-term obligations can be found in the notes to the 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 3.9% at June 30, 2008, which is higher the prior year due to the economy. The local unemployment rate, however, still compares favorably to the June 30, 2008 state and national rates of 4.2% and 5.3% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last four years. According to the Virginia Employment Commission, the number of persons employed has increased from 4,909 in 2001 to 5,180 in 2006.

The County's FY09 adopted budget totals \$53,809,850, which is an increase of \$2,468,500, or 4.8% from the FY08 budget. A real property tax rate increase of \$0.12 was required to meet the demand for existing and new programs.

Requests for Information

This financial report is designed to provide a general overview of the County of King William, 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 Assistant County Administrator, 180 Horse Landing Road, King William, Virginia 23086.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Assets
June 30, 2008

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Deposits and investments	\$ 2,370,363	\$ 1,727,228
Receivables (net of allowance for uncollectibles):		
Property taxes	1,102,972	-
Accounts receivable	179,352	35,379
Due from primary government	-	733,063
Due from other governments	<u>746,956</u>	<u>386,255</u>
 Total Current Assets	 \$ <u>4,399,643</u>	 \$ <u>2,881,925</u>
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	\$ 1,138,971	\$ 42,423
Buildings and improvements	7,357,089	3,350,298
Equipment	344,322	638,954
Jointly owned assets	18,423,278	7,820,146
Infrastructure	2,967,311	-
Construction in progress	4,223,208	-
Total Capital Assets	<u>\$ 34,454,179</u>	<u>\$ 11,851,821</u>
 Total Assets	 \$ <u><u>38,853,822</u></u>	 \$ <u><u>14,733,746</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,026,068	\$ 575,528
Accrued liabilities	-	2,037,601
Contingency	400,340	-
Due to component unit - School Board	733,063	-
Unearned revenue	-	93,979
Accrued interest payable	648,376	-
Current portion of long-term obligations	2,148,351	13,900
Total Current Liabilities	<u>\$ 4,956,198</u>	<u>\$ 2,721,008</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	<u>33,037,855</u>	<u>125,103</u>
 Total Liabilities	 \$ <u>37,994,053</u>	 \$ <u>2,846,111</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 265,030	\$ 11,851,821
Unrestricted assets	<u>594,739</u>	<u>35,814</u>
 Total Net Assets	 \$ <u>859,769</u>	 \$ <u>11,887,635</u>
 Total Liabilities and Net Assets	 \$ <u><u>38,853,822</u></u>	 \$ <u><u>14,733,746</u></u>

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

Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
PRIMARY GOVERNMENT:						
Governmental activities:						
General government						
administration	\$ 1,653,984	\$ -	\$ 258,221	\$ -	\$ (1,395,763)	\$ -
Judicial administration	709,576	89,529	357,510	-	(262,537)	-
Public safety	3,607,687	155,621	883,349	-	(2,568,717)	-
Public works	1,663,886	283,945	8,390	-	(1,371,551)	-
Health and welfare	1,756,619	-	1,133,758	-	(622,861)	-
Education	7,904,725	-	-	128,496	(7,776,229)	-
Parks, recreation, and cultural	808,883	90,002	5,639	-	(713,242)	-
Community development	628,507	429,266	-	120,173	(79,068)	-
Interest on long-term debt	1,726,966	-	-	-	(1,726,966)	-
Total governmental activities	\$ 20,460,833	\$ 1,048,363	\$ 2,646,867	\$ 248,669	\$ (16,516,934)	\$ -
COMPONENT UNIT:						
School Board	\$ 21,380,531	\$ 567,433	\$ 14,036,230	\$ -		\$ (6,776,868)
General revenues:						
General property taxes				\$ 14,880,517	\$ -	
Grants and contributions not restricted to specific programs				1,323,126	-	
Consumer utility taxes				226,398	-	
Business licenses				353,398	-	
Motor vehicle license taxes				283,490	-	
Communication sales tax				388,000	-	
Recordation taxes				297,711	-	
Other local taxes				72,877	670,225	
Unrestricted revenues from use of money and property				331,025	5,113	
County contribution to the School Board				-	7,377,069	
Miscellaneous				21,058	74,515	
Total general revenues				\$ 18,177,600	\$ 8,126,922	
Change in net assets				\$ 1,660,666	\$ 1,350,054	
Net assets - beginning				(800,897)	10,537,581	
Net assets - ending				\$ 859,769	\$ 11,887,635	

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

Fund Financial Statements

This page intentionally left blank

Balance Sheet - Governmental Funds
At June 30, 2008

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	School Capital Projects	
ASSETS				
Deposits and investments	\$ -	\$ 1,271,402	\$ 1,399,712	\$ 2,671,114
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	1,102,972	-	-	1,102,972
Accounts	179,352	-	-	179,352
Due from other governmental units	688,253	58,703	-	746,956
Total assets	\$ 1,970,577	\$ 1,330,105	\$ 1,399,712	\$ 4,700,394
LIABILITIES				
Reconciled overdraft	\$ 300,751	\$ -	\$ -	\$ 300,751
Accounts payable	298,333	90,762	636,973	1,026,068
Contingency	400,340	-	-	400,340
Due to component unit - School Board	733,063	-	-	733,063
Deferred revenue	852,503	-	-	852,503
Total liabilities	\$ 2,584,990	\$ 90,762	\$ 636,973	\$ 3,312,725
FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ 1,239,343	\$ 762,739	\$ 2,002,082
Textbooks	264,423	-	-	264,423
Unreserved, undesignated	(878,836)	-	-	(878,836)
Total fund balances	\$ (614,413)	\$ 1,239,343	\$ 762,739	\$ 1,387,669
Total liabilities and fund balances	\$ 1,970,577	\$ 1,330,105	\$ 1,399,712	

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.

34,454,179

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(648,376)

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.

852,503

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.

(35,186,206)

Net assets of General Government Activities

\$ 859,769

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	General Capital Projects	School Capital Projects	
Revenues:				
General property taxes	\$ 14,645,208	\$ -	\$ -	\$ 14,645,208
Other local taxes	1,621,874	-	-	1,621,874
Permits, privilege fees and regulatory licenses	341,237	241,440	-	582,677
Fines and forfeitures	80,343	-	-	80,343
Revenue from use of money and property	135,062	29,189	166,774	331,025
Charges for services	385,344	-	-	385,344
Miscellaneous	21,057	-	-	21,057
Recovered costs	119,404	58,703	-	178,107
Intergovernmental:				
Commonwealth	3,427,831	249	128,496	3,556,576
Federal	662,086	-	-	662,086
Total revenues	\$ 21,439,446	\$ 329,581	\$ 295,270	\$ 22,064,297
Expenditures:				
Current:				
General government administration	\$ 1,606,483	\$ -	\$ -	\$ 1,606,483
Judicial administration	548,832	-	-	548,832
Public safety	3,702,708	-	-	3,702,708
Public works	1,796,594	-	-	1,796,594
Health and welfare	1,754,245	-	-	1,754,245
Education	5,796,059	-	128,496	5,924,555
Parks, recreation, and cultural	806,175	-	-	806,175
Community development	625,676	-	-	625,676
Capital outlays and projects	-	502,119	1,773,501	2,275,620
Debt service:				
Principal retirement	2,120,961	25,000	-	2,145,961
Interest and other fiscal charges	1,722,728	47,158	48,692	1,818,578
Total expenditures	\$ 20,480,461	\$ 574,277	\$ 1,950,689	\$ 23,005,427
Excess (deficiency) of revenues over expenditures	\$ 958,985	\$ (244,696)	\$ (1,655,419)	\$ (941,130)
Other financing sources (uses):				
Long-term debt issued	\$ -	\$ -	\$ 2,055,000	\$ 2,055,000
Total other financing sources (uses)	\$ -	\$ -	\$ 2,055,000	\$ 2,055,000
Changes in fund balances	\$ 958,985	\$ (244,696)	\$ 399,581	\$ 1,113,870
Fund balances at beginning of year	(1,573,398)	1,484,039	363,158	273,799
Fund balances at end of year	\$ (614,413)	\$ 1,239,343	\$ 762,739	\$ 1,387,669

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2008

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 1,113,870
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. Details supporting this adjustment are as follows:	
Capital outlay	\$ 2,644,083
Depreciation expense	<u>(1,009,748)</u>
	1,634,335
Transfer of joint tenancy assets from Primary Government to the Component Unit	(1,458,704)
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 the change in deferred taxes.	235,309
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:	
Principal retired on bond anticipation notes (capital leases)	\$ 65,000
Principal retired on revenue bonds	298,754
Principal retired on general obligation bonds	1,216,718
Principal retired on state literary fund loans	565,489
Long-term debt issued	<u>(2,055,000)</u>
	90,961
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	\$ 1,975
Change in interest payable	(4,454)
Amortization of deferred amount on refunding	(5,232)
Amortization of premium on bonds payable	<u>52,606</u>
	<u>44,895</u>
Change in net assets of governmental activities	\$ <u>1,660,666</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	
Accounts receivable	\$ 6,745
Due from other governments	<u>620,426</u>
Total assets	<u>\$ 627,171</u>
LIABILITIES	
Reconciled overdraft	\$ 398,610
Accounts payable	45,610
Due to other localities	182,506
Amounts held for social services clients	<u>445</u>
Total liabilities	<u>\$ 627,171</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

Notes to Financial Statements As of June 30, 2008

Note 1—Summary of Significant Accounting Policies:

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

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

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

Separate financial statements are provided for governmental funds, 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 current reporting model governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial, accountability. Financial accountability includes the appointment of a voting majority of the 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 William, 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 Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2008.

COUNTY OF KING WILLIAM, VIRGINIA

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

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

B. Individual Component Unit Disclosures: (Continued)

The School Board members are elected at large and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the Commonwealth of Virginia. 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.

C. Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

Middle Peninsula Regional Security Center

The Middle Peninsula Regional Security Center is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The counties of Essex, Matthews, Middlesex, King and Queen, and the County provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The County appoints two (2) of the nine (9) members to the Board. No one locality contributes more than 50% of the Center's funding.

Pamunkey Regional Library

The Pamunkey Regional Library is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The counties of Goochland, Hanover, King and Queen, and the County provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The County appoints two (2) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding.

Middle Peninsula Northern Neck Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

COUNTY OF KING WILLIAM, VIRGINIA

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

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

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

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

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

The government-wide statement of activities reflect 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

D. 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 Project Funds

The General Capital Projects Fund and School Capital Projects Fund account for all financial resources used for the acquisition or construction of major capital facilities. Both of these funds are considered a major fund for government-wide reporting purposes.

2. Fiduciary Funds (Trust and Agency Funds)

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, Undistributed Sales Tax Fund and VJCCA Fund.

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF KING WILLIAM, VIRGINIA

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

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

E. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, School Capital Projects Fund, and the General Capital Projects Fund of the primary government and the School Fund and the School Cafeteria Fund of the School Board.
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.
8. All budgetary data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

F. Cash and Cash Equivalents

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

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

Investments for the government, as well as for its component unit, 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. 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 \$66,657 at June 30, 2008 and is comprised solely of property taxes.

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, 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.

COUNTY OF KING WILLIAM, VIRGINIA

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

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

H. Capital Assets: (Continued)

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 unit, 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
Infrastructure	40
Vehicles	3-5
Office and computer equipment	5
Buses	12
Communication equipment	10
Kitchen equipment	15

I. Compensated Absences

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

J. Long-term Obligations

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

K. 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.

L. Retirement Plan

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

M. Use of Estimates

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

N. 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.

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 2—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia 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 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.

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 Bank (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 and the ratings are presented below using the Standard and Poor’s Rating Scale.

<u>Locality's Rated Debt Investments' Values</u>	
	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 25,647
State Non-Arbitrage Pool	64,830
Money Market Mutual Funds	<u>1,827,076</u>
Total	<u>\$ 1,917,553</u>

Interest Rate Risk

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

COUNTY OF KING WILLIAM, 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 values 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 Governmental Units:

At June 30, 2008 the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
County of King & Queen	\$ 4,317	\$ 10,000
City of Newport News	412,925	-
County of Essex	-	10,681
Commonwealth of Virginia:		
School funds	-	61,153
Public Assistance	22,633	-
Comprehensive services	66,022	-
Shared expenses	114,412	-
Communications tax	66,085	-
Other	24,428	-
Federal Government:		
School Funds	-	304,421
Public Assistance	30,802	-
Other	5,332	-
Totals	\$ <u>746,956</u>	\$ <u>386,255</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets:

The following is a summary of changes in capital assets for the year ended June 30, 2008:

Governmental Activities:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 882,416	\$ 256,555	\$ -	\$ 1,138,971
CIP Jointly owned assets	1,396,099	1,819,693	-	3,215,792
Construction in progress	<u>1,125,530</u>	<u>309,603</u>	<u>427,717</u>	<u>1,007,416</u>
Total capital assets not being depreciated	<u>\$ 3,404,045</u>	<u>\$ 2,385,851</u>	<u>\$ 427,717</u>	<u>\$ 5,362,179</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 8,921,602	\$ 191,027	\$ -	\$ 9,112,629
Equipment	2,211,421	67,205	-	2,278,626
Infrastructure	3,289,965	427,717	-	3,717,682
Jointly owned assets	<u>22,979,690</u>	<u>-</u>	<u>1,752,507</u>	<u>21,227,183</u>
Total capital assets being depreciated	<u>\$ 37,402,678</u>	<u>\$ 685,949</u>	<u>\$ 1,752,507</u>	<u>\$ 36,336,120</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,536,350	\$ 219,190	\$ -	\$ 1,755,540
Equipment	1,762,992	171,312	-	1,934,304
Infrastructure	650,091	100,280	-	750,371
Jointly owned assets	<u>2,578,742</u>	<u>518,966</u>	<u>293,803</u>	<u>2,803,905</u>
Total accumulated depreciation	<u>\$ 6,528,175</u>	<u>\$ 1,009,748</u>	<u>\$ 293,803</u>	<u>\$ 7,244,120</u>
Total capital assets being depreciated, net	<u>\$ 30,874,503</u>	<u>\$ (323,799)</u>	<u>\$ 1,458,704</u>	<u>\$ 29,092,000</u>
Governmental activities capital assets, net	<u>\$ 34,278,548</u>	<u>\$ 2,062,052</u>	<u>\$ 1,886,421</u>	<u>\$ 34,454,179</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets: (Continued)

Discretely Presented Component Unit-School Board:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 42,423	\$ -	\$ -	\$ 42,423
Total capital assets not being depreciated	\$ 42,423	\$ -	\$ -	\$ 42,423
Capital assets being depreciated:				
Buildings and improvements	\$ 9,764,586	\$ -	\$ -	\$ 9,764,586
Equipment	2,304,350	299,925	-	2,604,275
Jointly owned assets	7,288,107	1,752,507	-	9,040,614
Total capital assets being depreciated	\$ 19,357,043	\$ 2,052,432	\$ -	\$ 21,409,475
Less accumulated depreciation for:				
Buildings and improvements	\$ 5,955,810	\$ 458,478	\$ -	\$ 6,414,288
Equipment	1,871,957	93,364	-	1,965,321
Jointly owned assets	926,665	293,803	-	1,220,468
Total accumulated depreciation	\$ 8,754,432	\$ 845,645	\$ -	\$ 9,600,077
Total capital assets being depreciated, net	\$ 10,602,611	\$ 1,206,787	\$ -	\$ 11,809,398
School Board capital assets, net	\$ 10,645,034	\$ 1,206,787	\$ -	\$ 11,851,821

School Board capital assets are jointly owned by the County (primary government) and the Component Unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2008 the County transferred assets with costs of \$1,752,507 and accumulated depreciation of \$293,803 to the Component Unit School Board.

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets: (Continued)

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

Governmental activities:

General government administration	\$	49,480
Judicial administration		161,876
Public safety		145,635
Public works		121,081
Health and welfare		4,225
Education		518,966
Parks, recreation and cultural		<u>8,485</u>
Total	\$	<u>1,009,748</u>

Component Unit School Board:

Depreciation expense	\$	551,842
Accumulated depreciation on joint-tenancy asset transfer		<u>293,803</u>
Total increase in accumulated depreciation, page 32	\$	<u>845,645</u>

Note 5—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>218,259</u>
Component Unit-School Board	\$	<u>139,003</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations:

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Literary Fund Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 316,211	\$ 566,840	\$ 1,128,071	\$ 785,278	\$ 559,637	\$ 141,265	\$ 70,000	\$ 49,200
2010	378,788	553,754	1,069,481	734,747	534,200	123,203	70,000	45,000
2011	391,442	537,456	1,070,950	686,693	434,200	106,177	70,000	40,800
2012	404,238	521,687	1,072,480	638,209	434,200	93,151	75,000	36,450
2013	422,181	505,376	1,074,476	588,909	434,200	80,125	80,000	31,800
2014	440,216	488,014	1,073,179	536,773	434,200	67,099	85,000	26,850
2015	463,411	469,387	1,078,287	481,999	434,200	54,073	90,000	21,600
2016	476,751	449,514	1,078,667	426,995	434,200	41,047	100,000	15,900
2017	495,244	428,800	1,084,319	371,403	434,032	28,021	105,000	9,750
2018	523,896	404,592	1,090,269	315,076	250,000	15,000	110,000	3,300
2019	455,000	379,525	1,096,534	258,874	250,000	7,500	-	-
2020	475,000	357,282	1,068,125	204,550	-	-	-	-
2021	505,000	333,609	1,074,139	152,683	-	-	-	-
2022	530,000	308,697	1,080,002	100,645	-	-	-	-
2023	560,000	282,494	1,086,604	47,360	-	-	-	-
2024	580,000	255,041	380,000	10,995	-	-	-	-
2025	605,000	226,324	30,000	690	-	-	-	-
2026	640,000	195,990	-	-	-	-	-	-
2027	660,000	164,313	-	-	-	-	-	-
2028	700,000	131,308	-	-	-	-	-	-
2029	730,000	96,598	-	-	-	-	-	-
2030	360,000	60,042	-	-	-	-	-	-
2031	270,000	44,535	-	-	-	-	-	-
2032	205,000	32,625	-	-	-	-	-	-
2033	215,000	22,125	-	-	-	-	-	-
2034	80,000	14,750	-	-	-	-	-	-
2035	80,000	10,750	-	-	-	-	-	-
2036	85,000	6,625	-	-	-	-	-	-
2037	90,000	2,250	-	-	-	-	-	-
Total	<u>\$ 12,137,378</u>	<u>\$ 7,850,303</u>	<u>\$ 16,635,583</u>	<u>\$ 6,341,879</u>	<u>\$ 4,633,069</u>	<u>\$ 756,661</u>	<u>\$ 855,000</u>	<u>\$ 280,650</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Changes in Long-Term Obligations:

The following is summary of long-term obligation transactions of the County for the year ended June 30, 2008:

	<u>Amounts Payable July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Payable June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Capital leases	\$ 920,000	\$ -	\$ 65,000	\$ 855,000	\$ 70,000
Compensated absences	220,234	42,072	44,047	218,259	21,826
Revenue bonds	10,381,132	2,055,000	298,754	12,137,378	316,211
Deferred amount on refunding	(120,346)	-	(5,232)	(115,114)	-
General obligation bonds	17,852,301	-	1,216,718	16,635,583	1,128,071
State literary fund loans	5,198,558	-	565,489	4,633,069	559,637
Premium on Bonds payable	874,637	-	52,606	822,031	52,606
Total	<u>\$ 35,326,516</u>	<u>\$ 2,097,072</u>	<u>\$ 2,237,382</u>	<u>\$ 35,186,206</u>	<u>\$ 2,148,351</u>

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

Details of Long-Term Obligations

	<u>Amount Outstanding</u>
Revenue Bond:	
\$1,100,000 revenue bond due in annual principal installments of \$87,712 through July 2018, interest at 4.55%	\$ 692,378
\$150,000 VRA revenue bond (non refunded portion of \$1,700,000 series 2000B) due in various annual principal installments through April 2010, interest 5.10%	80,000
\$5,995,000 IDA lease revenue bond due in various annual principal installments through April 2029, interest ranging from 3% to 5%	5,375,000
\$1,050,000 EDA lease revenue bond due in various annual principal installments through August 2030, interest at 4.43%	1,010,000
\$1,490,000 EDA lease revenue bond due in various annual principal installments through August 2036, interest ranging from 3.65% to 5%	1,470,000
\$1,460,000 VRA revenue refunding bond due in various annual principal installments through October 2029, interest ranging from 3.6% to 4.91%	1,455,000
\$2,055,000 EDA lease revenue bond due in various annual principal installments through August 1, 2032, interest ranging from 4.25% to 5%	2,055,000
Total revenue bonds	<u>\$ 12,137,378</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
\$1,905,000 issued January 15, 1994 due in annual installments through December 15, 2007, interest at varying rates	\$ 60,000
\$6,513,732 issued November 7, 2002 due in various annual installments through July 15, 2022, interest payable semi-annually at 4.77%	4,995,583
\$715,000 issued November 15, 1998 due in various annual installments through July 15, 2018, interest payable semi-annually at 4.72%	385,000
\$6,750,000 issued November 7, 2002 due in various annual installments through July 15, 2022, interest payable semi-annually ranging from 2.35% to 5.1%	5,050,000
\$7,055,000 issued November 6, 2003 due in various annual installments through July 15, 2023, interest payable semi-annually ranging from 3.1% to 5.1%	5,635,000
\$605,000 issued November 10, 2004 due in various annual installments through July 15, 2024, interest payable semi-annually at 3.83%	<u>510,000</u>
Total General Obligation Bonds	\$ <u>16,635,583</u>
<u>State Literary Funds:</u>	
\$5,000,000 issued December 21 1998, due in annual principal installments of \$250,000 through December 15, 2018, interest at 3%	\$ 2,750,000
\$515,637 issued November 1, 1990, due in annual installments of \$25,800 through November 1, 2009, interest at 4%	25,437
\$2,000,000 issued February 1, 1991, due in annual installments of \$100,000 through February 2010, interest at 4%	200,000
\$3,131,232 issued August 15, 1996, due in annual installments of \$184,200 through September 2016, interest at 3%	<u>1,657,632</u>
Total State Literary Fund Loans	\$ <u>4,633,069</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
\$1,395,000 Capital lease agreement, due in annual installments through August 15, 2017, interest at 5.773%: This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. Total cost of assets acquired under this obligation were \$1,395,000.	\$ <u>855,000</u>
Compensated absences	\$ <u>218,259</u>
<u>Premium on bonds payable:</u>	
Unamortized premium on 2002 general obligation bond	\$ 380,140
Unamortized premium on 2003 general obligation bond	360,256
Unamortized premium on 2006 revenue refunding bond	<u>81,635</u>
Total premium on bonds payable	\$ <u>822,031</u>
Deferred amount on refunding of 2006 revenue refunding bond	\$ <u>(115,114)</u>
Total general long-term obligations	\$ <u><u>35,186,206</u></u>

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2008:

	<u>Amounts Payable July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Payable June 30, 2008</u>	<u>Amount Due Within One Year</u>
Compensated absences payable	\$ <u>142,567</u>	\$ <u>24,949</u>	\$ <u>28,513</u>	\$ <u>139,003</u>	\$ <u>13,900</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 7—Commitments and Contingencies:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The County of King William and the City of Newport News have entered into a project involving the development of a reservoir. As part of this project the City of Newport News has paid King William County \$400,340 for the purchase of various parcels of land. Newport News has received a permit for the reservoir. Upon obtaining permanent financing the County of King William will be required to refund the City of Newport News \$400,340, otherwise the County retains this amount.

Note 8—Landfill Postclosure Care Costs:

The County closed its two landfills prior to the date mandated by state and federal laws and regulations and is liable for post-closure monitoring for a period of at least ten years. Post-closure monitoring costs are believed to be minimal and will be paid for with general fund revenues.

Note 9—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; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the association for its workers compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10—Litigation:

At June 30, 2008, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 11—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)

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 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's non-professional employee contribution rates for the fiscal year ended 2008 were 5.51% and 5.25% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,079,852, \$914,070 and \$633,381, to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007 and 2006, respectively and these contributions represented 10.30%, 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 \$182,448 was equal to the County's required and actual contributions.

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 11—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

For fiscal year 2008, the County School Board’s annual pension cost for the Board’s non-professional employees was \$61,626 which was equal to the Board’s required and actual contributions.

Three-Year Trend information for the County and School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2008	\$ 182,448	100%	\$ -
June 30, 2007	179,713	100%	-
June 30, 2006	47,462	100%	-
School Board Non-Professional:			
June 30, 2008	\$ 61,626	100%	\$ -
June 30, 2007	55,246	100%	-
June 30, 2006	7,447	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 5.73% 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 unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the County’s plan was 91.62% funded. The actuarial accrued liability for benefits was \$8,451,451, and the actuarial value of assets was \$7,745,942, resulting in an unfunded actuarial accrued liability (UAAL) of \$705,509. The covered payroll (annual payroll of active employees covered by the plan) was \$3,252,141, and ratio of the UAAL to the covered payroll was 21.79%.

As of June 30, 2007, the most recent actuarial valuation date, the County School Board’s plan was 104.22% funded. The actuarial accrued liability for benefits was \$930,554, and the actuarial value of assets was \$969,803, resulting in an unfunded actuarial accrued liability (UAAL) of (\$39,249). The covered payroll (annual payroll of active employees covered by the plan) was \$1,142,843, and ratio of the UAAL to the covered payroll was (3.43%).

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 11—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress: (Continued)

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 12—Surety Bond Information:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Patricia M. Norman, Clerk of the Circuit Court	\$ 25,000
Harry L. Whitt, Treasurer	400,000
Sally W. Pearson, Commissioner of the Revenue	3,000
J.S. "Jeff" Walton, Sheriff	30,000
Frank A. Pleva, County Administrator	25,000
Ben P. Owen, IV, Director of Social Services	100,000
U.S. Fidelity and Guaranty Company - Surety	
Dr. Mark R. Jones, Superintendent of Schools	10,000
Cecil L. Schools, Supervisor	1,000
Daniel L. Wright, Supervisor	1,000
Otto O. Williams, Supervisor	1,000
Charles T. Redd, III, Supervisor	1,000
Thomas G. Smiley, Supervisor	1,000
Commonwealth of Virginia, Department	
Social Service employees - blanket bond	1,000,000

Note 13—Due To/From Primary Government/Component Units:

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General Fund	\$ 733,063	\$ -
School Operating Fund	-	733,063
Total	<u>\$ 733,063</u>	<u>\$ 733,063</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 14—Fund Deficits:

Individual fund deficits at June 30, 2008 are as follows:

<u>Fund</u>	
General Fund	\$ <u>614,413</u>

Note 15—Construction Commitments:

At June 30, 2008 the County has the following projects under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2008</u>	<u>Contract Balance</u>
Animal Shelter	\$ 989,426	\$ 821,846	\$ 167,580
High School Athletic Fields	<u>1,737,242</u>	<u>1,159,773</u>	<u>577,469</u>
Total	<u>\$ 2,726,668</u>	<u>\$ 1,981,619</u>	<u>\$ 745,049</u>

Note 16—Short-term Debt:

The County's short-term debt activity for the year ended June 30, 2008 is summarized as follows:

<u>Project</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Revenue anticipation note	\$ <u>-</u>	\$ <u>10,500,000</u>	\$ <u>10,500,000</u>	\$ <u>-</u>

Note 17—Debt Refunding:

The County of King William, Virginia issued \$1,460,000 in Utility Revenue Refunding Bonds, Series, 2006 with an effective interest rate ranging from 3.6% to 5.1%. The Series 2006 bonds were issued to refund \$1,425,000 of VRA Revenue Bonds Series 2000B. The 2006 bonds will be repaid in various installments beginning October 1, 2007 to 2029. As a result, the 2000 bonds maturing annually on April 1, 2007 to April 1, 2030 are considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$6,962. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$225,334 and resulted in an economic gain of \$138,372. At June 30, 2008 the defeased bonds had balances outstanding of \$1,425,000.

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	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 14,838,610	\$ 14,838,610	\$ 14,645,208	\$ (193,402)
Other local taxes	1,738,070	1,738,070	1,621,874	(116,196)
Permits, privilege fees and regulatory licenses	464,150	464,150	341,237	(122,913)
Fines and forfeitures	67,600	67,600	80,343	12,743
Revenue from use of money and property	92,000	92,000	135,062	43,062
Charges for services	406,640	425,117	385,344	(39,773)
Miscellaneous	12,150	45,085	21,057	(24,028)
Recovered costs	145,770	145,770	119,404	(26,366)
Intergovernmental:				
Commonwealth	3,283,210	3,491,236	3,427,831	(63,405)
Federal	811,930	833,900	662,086	(171,814)
Total revenues	\$ 21,860,130	\$ 22,141,538	\$ 21,439,446	\$ (702,092)
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 100,290	\$ 105,803	\$ 105,803	\$ -
General and financial administration:				
County administrator	\$ 523,870	\$ 523,870	\$ 521,413	\$ 2,457
Public information office	76,300	76,300	74,701	1,599
Legal services	122,220	218,388	217,250	1,138
Independent auditor	31,500	33,035	33,035	-
Commissioner of the revenue	199,000	206,565	206,565	-
Assessor	74,560	81,205	81,205	-
Treasurer	220,330	220,330	216,098	4,232
Total general and financial administration	\$ 1,247,780	\$ 1,359,693	\$ 1,350,267	\$ 9,426
Board of Elections:				
Electoral board and officials	\$ 31,020	\$ 49,099	\$ 49,099	\$ -
Registrar	82,370	101,314	101,314	-
Total board of elections	\$ 113,390	\$ 150,413	\$ 150,413	\$ -
Total general government administration	\$ 1,461,460	\$ 1,615,909	\$ 1,606,483	\$ 9,426

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	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 23,670	\$ 23,670	\$ 19,027	\$ 4,643
General district court	10,850	10,850	9,742	1,108
Special magistrates	2,350	2,350	1,398	952
Juvenile and domestic relations district court	8,320	8,320	8,052	268
Clerk of the circuit court	250,660	267,385	267,385	-
Victim and witness assistance	50,550	50,550	49,376	1,174
Commissioner of accounts	50	50	-	50
Total courts	\$ 346,450	\$ 363,175	\$ 354,980	\$ 8,195
Commonwealth's attorney:				
Commonwealth's attorney	\$ 192,880	\$ 195,349	\$ 193,852	\$ 1,497
Total judicial administration	\$ 539,330	\$ 558,524	\$ 548,832	\$ 9,692
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,546,520	\$ 1,568,490	\$ 1,562,995	\$ 5,495
Emergency 911 system	335,530	335,530	288,440	47,090
Other law enforcement and traffic control	750	750	750	-
Total law enforcement and traffic control	\$ 1,882,800	\$ 1,904,770	\$ 1,852,185	\$ 52,585
Fire and rescue services:				
Volunteer fire departments	\$ 369,770	\$ 398,873	\$ 398,873	-
Ambulance and rescue services	55,000	55,838	55,838	-
Forest fire extinction	6,290	6,290	6,285	5
Total fire and rescue services	\$ 431,060	\$ 461,001	\$ 460,996	\$ 5
Correction and detention:				
Regional security center	\$ 735,000	\$ 747,175	\$ 747,175	-
Juvenile detention homes	81,790	118,128	118,128	-
Juvenile and district court services unit	10,100	10,197	10,197	-
Total correction and detention	\$ 826,890	\$ 875,500	\$ 875,500	-

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	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 295,850	\$ 295,850	\$ 223,862	\$ 71,988
Fire marshall	1,330	1,330	1,330	-
Property maintenance	1,480	1,480	-	1,480
Total Inspections	\$ 298,660	\$ 298,660	\$ 225,192	\$ 73,468
Other protection:				
Animal control	\$ 154,060	\$ 140,275	\$ 140,275	\$ -
Regional animal shelter	-	41,720	21,201	20,519
Medical examiner	400	400	140	260
Emergency services coordinator	86,960	137,174	127,219	9,955
Total other protection	\$ 241,420	\$ 319,569	\$ 288,835	\$ 30,734
Total public safety	\$ 3,680,830	\$ 3,859,500	\$ 3,702,708	\$ 156,792
Public works:				
Sanitation and waste removal:				
Central garage utilities system	\$ 160,000	\$ 160,000	\$ 155,721	\$ 4,279
Refuse collection	458,780	458,780	457,947	833
Refuse disposal	382,310	392,517	392,517	-
Litter control	21,960	24,460	22,854	1,606
Total sanitation and waste removal	\$ 1,023,050	\$ 1,035,757	\$ 1,029,039	\$ 6,718
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 514,220	\$ 514,220	\$ 511,000	\$ 3,220
Property acquisitions	\$ 6,700	\$ 256,555	\$ 256,555	\$ -
Total public works	\$ 1,543,970	\$ 1,806,532	\$ 1,796,594	\$ 9,938
Health and welfare:				
Health:				
Local health department and other health	\$ 152,150	\$ 156,202	\$ 156,202	\$ -
Mental health and mental retardation:				
Community services board	\$ 46,980	\$ 46,980	\$ 46,980	\$ -

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	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 976,110	\$ 976,110	\$ 956,076	\$ 20,034
Comprehensive services	480,000	594,988	594,987	1
Total welfare	\$ 1,456,110	\$ 1,571,098	\$ 1,551,063	\$ 20,035
Total health and welfare	\$ 1,655,240	\$ 1,774,280	\$ 1,754,245	\$ 20,035
Education:				
Contributions to community colleges	\$ 6,190	\$ 6,190	\$ 6,190	\$ -
Contribution to Component Unit School Board	5,988,570	6,061,776	5,789,869	271,907
Total education	\$ 5,994,760	\$ 6,067,966	\$ 5,796,059	\$ 271,907
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 319,700	\$ 319,700	\$ 319,568	\$ 132
Recreation programs and events	73,090	91,567	91,567	-
Museums and spring fest celebration	10,500	26,537	10,540	15,997
Total parks and recreation	\$ 403,290	\$ 437,804	\$ 421,675	\$ 16,129
Library:				
Regional library	\$ 377,000	\$ 384,500	\$ 384,500	\$ -
Total parks, recreation and cultural	\$ 780,290	\$ 822,304	\$ 806,175	\$ 16,129
Community development:				
Planning and community development:				
Planning	\$ 339,010	\$ 339,010	\$ 309,862	\$ 29,148
MP regional airport	26,000	34,750	34,750	-
Redevelopment and housing	4,660	4,660	3,467	1,193
Board of zoning appeals	4,500	4,500	1,477	3,023
Mt. Olive improvement project	346,790	346,790	187,027	159,763
Economic development	52,300	52,300	50,079	2,221
Total planning and community development	\$ 773,260	\$ 782,010	\$ 586,662	\$ 195,348

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	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Soil and water conservation district	\$ 10,100	\$ 10,100	\$ 10,100	\$ -
Total environmental management	\$ 10,100	\$ 10,100	\$ 10,100	\$ -
Cooperative extension program:				
VPI extension program	\$ 35,680	\$ 35,680	\$ 28,914	\$ 6,766
Total community development	\$ 819,040	\$ 827,790	\$ 625,676	\$ 202,114
Debt service:				
Principal retirement	\$ 2,140,480	\$ 2,140,480	\$ 2,120,961	\$ 19,519
Interest and fiscal charges	1,637,760	1,743,192	1,722,728	20,464
Total debt service	\$ 3,778,240	\$ 3,883,672	\$ 3,843,689	\$ 39,983
Total expenditures	\$ 20,253,160	\$ 21,216,477	\$ 20,480,461	\$ 736,016
Excess (deficiency) of revenues over expenditures	\$ 1,606,970	\$ 925,061	\$ 958,985	\$ 33,924
Changes in fund balances	\$ 1,606,970	\$ 925,061	\$ 958,985	\$ 33,924
Fund balances at beginning of year	(1,606,970)	(925,061)	(1,573,398)	(648,337)
Fund balances at end of year	\$ -	\$ -	\$ (614,413)	\$ (614,413)

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

COUNTY:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability (3) - (2)</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 7,745,942	\$ 8,451,451	705,509	91.62%	\$ 3,252,141	21.79%
6/30/2006	6,803,308	7,599,394	796,086	89.52%	3,225,327	24.68%
6/30/2005	6,345,311	7,156,791	811,480	88.66%	2,808,407	28.89%

DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHOOL BOARD NON-PROFESSIONALS:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability (3) - (2)</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 969,803	\$ 930,554	(39,249)	104.22%	\$ 1,142,843	-3.43%
6/30/2006	795,456	766,986	(28,470)	103.71%	490,286	-5.81%
6/30/2005	727,322	737,922	10,600	98.56%	493,707	2.15%

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank

Combining and Individual Fund Statements and Schedules

This page intentionally left blank

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

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Permits, privilege fees and regulatory licenses	\$ 189,000	\$ 189,000	\$ 241,440	\$ 52,440
Revenue from use of money and property	5,000	5,000	29,189	24,189
Recovered costs	-	-	58,703	58,703
Intergovernmental:				
Commonwealth	400	400	249	(151)
Total revenues	<u>\$ 194,400</u>	<u>\$ 194,400</u>	<u>\$ 329,581</u>	<u>\$ 135,181</u>
Expenditures:				
Capital projects:				
Courthouse construction	\$ 293,140	\$ 293,140	\$ 191,027	\$ 102,113
CG water and sewer project	-	-	10,088	(10,088)
Regional animal shelter	11,110	279,987	301,004	(21,017)
Total capital projects	<u>\$ 304,250</u>	<u>\$ 573,127</u>	<u>\$ 502,119</u>	<u>\$ 71,008</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 25,000	\$ (25,000)
Interest and fiscal charges	1,150	1,150	47,158	(46,008)
Total debt service	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 72,158</u>	<u>\$ (71,008)</u>
Total expenditures	<u>\$ 305,400</u>	<u>\$ 574,277</u>	<u>\$ 574,277</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (111,000)</u>	<u>\$ (379,877)</u>	<u>\$ (244,696)</u>	<u>\$ 135,181</u>
Other financing sources (uses):				
Long-term debt issued	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Total other financing sources	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (300,000)</u>
Changes in fund balances	\$ 189,000	\$ (79,877)	\$ (244,696)	\$ (164,819)
Fund balances at beginning of the year	<u>(189,000)</u>	<u>79,877</u>	<u>1,484,039</u>	<u>1,404,162</u>
Fund balances at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,239,343</u>	<u>\$ 1,239,343</u>

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

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ 65,000	\$ 65,000	\$ 166,774	\$ 101,774
Intergovernmental:				
Commonwealth	<u>128,880</u>	<u>128,880</u>	<u>128,496</u>	<u>(384)</u>
Total revenues	<u>\$ 193,880</u>	<u>\$ 193,880</u>	<u>\$ 295,270</u>	<u>\$ 101,390</u>
Expenditures:				
Contribution to Component Unit School Board	<u>\$ 128,880</u>	<u>\$ 128,880</u>	<u>\$ 128,496</u>	<u>\$ 384</u>
Capital projects:				
Capital projects - high school renovations	\$ -	\$ -	\$ 2,500	\$ (2,500)
Capital projects - high school athletic fields	<u>1,525,000</u>	<u>1,781,809</u>	<u>1,771,001</u>	<u>10,808</u>
Total capital projects	<u>\$ 1,525,000</u>	<u>\$ 1,781,809</u>	<u>\$ 1,773,501</u>	<u>\$ 8,308</u>
Debt service:				
Interest and fiscal charges	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 48,692</u>	<u>\$ (8,692)</u>
Total expenditures	<u>\$ 1,693,880</u>	<u>\$ 1,950,689</u>	<u>\$ 1,950,689</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,500,000)</u>	<u>\$ (1,756,809)</u>	<u>\$ (1,655,419)</u>	<u>\$ 101,390</u>
Other financing sources (uses):				
Long-term debt issued	<u>\$ 1,500,000</u>	<u>\$ 1,557,605</u>	<u>\$ 2,055,000</u>	<u>\$ 497,395</u>
Changes in fund balances	\$ -	\$ (199,204)	\$ 399,581	\$ 598,785
Fund balances at beginning of year	<u>-</u>	<u>199,204</u>	<u>363,158</u>	<u>163,954</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 762,739</u></u>	<u><u>\$ 762,739</u></u>

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

	Special Welfare Fund	Undistributed Sales Tax Fund	VJCCCA Fund	Totals
Assets:				
Cash and cash equivalents	\$ 445	\$ -	\$ 38,865	\$ 39,310
Accounts receivable	-	-	6,745	6,745
Due from other governments	-	620,426	-	620,426
	<u>445</u>	<u>620,426</u>	<u>45,610</u>	<u>666,481</u>
Total assets	<u>\$ 445</u>	<u>\$ 620,426</u>	<u>\$ 45,610</u>	<u>\$ 666,481</u>
Liabilities:				
Reconciled overdraft	\$ -	\$ 437,920	\$ -	\$ 437,920
Accounts payable	-	-	45,610	45,610
Due to other localities	-	182,506	-	182,506
Amounts held for social services clients	445	-	-	445
	<u>445</u>	<u>620,426</u>	<u>45,610</u>	<u>666,481</u>
Total liabilities	<u>\$ 445</u>	<u>\$ 620,426</u>	<u>\$ 45,610</u>	<u>\$ 666,481</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	\$ <u>330</u>	\$ <u>115</u>	\$ <u>-</u>	\$ <u>445</u>
Liabilities:				
Amounts held for social services clients	\$ <u>330</u>	\$ <u>115</u>	\$ <u>-</u>	\$ <u>445</u>
Undistributed Sales Tax Fund:				
Assets:				
Due from other governmental units	\$ <u>538,054</u>	\$ <u>620,426</u>	\$ <u>538,054</u>	\$ <u>620,426</u>
Total assets	\$ <u>538,054</u>	\$ <u>620,426</u>	\$ <u>538,054</u>	\$ <u>620,426</u>
Liabilities:				
Due to other localities	\$ <u>168,319</u>	\$ <u>182,506</u>	\$ <u>168,319</u>	\$ <u>182,506</u>
Reconciled overdraft	<u>369,735</u>	<u>437,920</u>	<u>369,735</u>	<u>437,920</u>
Total liabilities	\$ <u>538,054</u>	\$ <u>620,426</u>	\$ <u>538,054</u>	\$ <u>620,426</u>
VJCCCA Fund:				
Assets:				
Cash and cash equivalents	\$ <u>32,183</u>	\$ <u>142,308</u>	\$ <u>135,626</u>	\$ <u>38,865</u>
Accounts receivable	<u>-</u>	<u>6,745</u>	<u>-</u>	<u>6,745</u>
Total assets	\$ <u>32,183</u>	\$ <u>149,053</u>	\$ <u>135,626</u>	\$ <u>45,610</u>
Liabilities:				
Accounts payable	\$ <u>32,183</u>	\$ <u>149,053</u>	\$ <u>135,626</u>	\$ <u>45,610</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>32,513</u>	\$ <u>142,423</u>	\$ <u>135,626</u>	\$ <u>39,310</u>
Accounts receivable	<u>-</u>	<u>6,745</u>	<u>-</u>	<u>6,745</u>
Due from other governmental units	<u>538,054</u>	<u>620,426</u>	<u>538,054</u>	<u>620,426</u>
Total assets	\$ <u>570,567</u>	\$ <u>769,594</u>	\$ <u>673,680</u>	\$ <u>666,481</u>
Liabilities:				
Accounts payable	\$ <u>32,183</u>	\$ <u>149,053</u>	\$ <u>135,626</u>	\$ <u>45,610</u>
Reconciled overdraft	<u>369,735</u>	<u>437,920</u>	<u>369,735</u>	<u>437,920</u>
Amounts held for social services clients	<u>330</u>	<u>115</u>	<u>-</u>	<u>445</u>
Due to other localities	<u>168,319</u>	<u>182,506</u>	<u>168,319</u>	<u>182,506</u>
Total liabilities	\$ <u>570,567</u>	\$ <u>769,594</u>	\$ <u>673,680</u>	\$ <u>666,481</u>

Discretely Presented Component Unit-School Board

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,555,760	\$ 171,468	\$ 1,727,228
Accounts receivable	32,030	3,349	35,379
Due from primary government	733,063	-	733,063
Due from other governmental units	<u>386,255</u>	<u>-</u>	<u>386,255</u>
 Total assets	 <u>\$ 2,707,108</u>	 <u>\$ 174,817</u>	 <u>\$ 2,881,925</u>
LIABILITIES			
Accounts payable	\$ 575,528	\$ -	\$ 575,528
Accrued liabilities	2,037,601	-	2,037,601
Deferred revenue	<u>93,979</u>	<u>-</u>	<u>93,979</u>
 Total liabilities	 <u>\$ 2,707,108</u>	 <u>\$ -</u>	 <u>\$ 2,707,108</u>
FUND BALANCES			
Unreserved:			
Designated for subsequent expenditures	\$ -	\$ 174,817	\$ 174,817
 Total fund balances	 <u>\$ -</u>	 <u>\$ 174,817</u>	 <u>\$ 174,817</u>
 Total liabilities and fund balances	 <u>\$ 2,707,108</u>	 <u>\$ 174,817</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. Details of this item consist of net capital assets. 11,851,821

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. Details of this item consist of accrued leave. (139,003)

Net assets of General Government Activities \$ 11,887,635

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
Revenues:			
Other local taxes	\$ 670,225	\$ -	\$ 670,225
Revenue from use of money and property	4,495	618	5,113
Charges for services	45,315	522,118	567,433
Miscellaneous	43,235	31,280	74,515
Recovered costs	70,492	-	70,492
Intergovernmental:			
County contribution to School Board	5,789,869	-	5,789,869
County capital contribution to School Board	128,496	-	128,496
Commonwealth	12,679,642	13,963	12,693,605
Federal	1,003,407	339,218	1,342,625
 Total revenues	 \$ <u>20,435,176</u>	 \$ <u>907,197</u>	 \$ <u>21,342,373</u>
Expenditures:			
Current:			
Education	\$ <u>20,229,340</u>	\$ <u>973,330</u>	\$ <u>21,202,670</u>
 Total expenditures	 \$ <u>20,229,340</u>	 \$ <u>973,330</u>	 \$ <u>21,202,670</u>
 Excess (deficiency) of revenues over expenditures	 \$ <u>205,836</u>	 \$ <u>(66,133)</u>	 \$ <u>139,703</u>
 Changes in fund balances	 \$ 205,836	 \$ (66,133)	 \$ 139,703
 Fund balances at beginning of year	 <u>(205,836)</u>	 <u>240,950</u>	 <u>35,114</u>
 Fund balances at end of year	 <u>\$ -</u>	 <u>\$ 174,817</u>	 <u>\$ 174,817</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Other local taxes	\$ 700,170	\$ 700,170	\$ 670,225	\$ (29,945)
Revenue from use of money and property	10,200	10,200	4,495	(5,705)
Charges for services	48,300	48,300	45,315	(2,985)
Miscellaneous	-	122,834	43,235	(79,599)
Recovered costs	15,000	255,000	70,492	(184,508)
Intergovernmental:				
County contribution to School Board	5,988,570	6,061,776	5,789,869	(271,907)
County capital contribution to School Board	128,880	128,880	128,496	(384)
Commonwealth	11,844,450	12,645,635	12,679,642	34,007
Federal	790,700	1,048,168	1,003,407	(44,761)
Total revenues	\$ 19,526,270	\$ 21,020,963	\$ 20,435,176	\$ (585,787)
Expenditures:				
Current:				
Education:				
Instruction	\$ 14,785,068	\$ 15,557,374	\$ 15,021,599	\$ 535,775
Administration, attendance and health	1,185,291	1,469,445	1,334,362	135,083
Pupil transportation	1,291,702	1,531,729	1,519,882	11,847
Operation and maintenance	1,876,419	1,826,666	1,727,015	99,651
School food service costs	15,700	15,700	15,700	-
Technology	372,090	620,049	610,782	9,267
Total education	\$ 19,526,270	\$ 21,020,963	\$ 20,229,340	\$ 791,623
Total expenditures	\$ 19,526,270	\$ 21,020,963	\$ 20,229,340	\$ 791,623
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 205,836	\$ 205,836
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ 205,836	\$ 205,836
Fund balances at beginning of year	-	-	(205,836)	(205,836)
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

Exhibit 15

<u>School Cafeteria Fund</u>			
<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
600	600	618	18
501,000	510,182	522,118	11,936
15,500	15,500	31,280	15,780
-	-	-	-
-	-	-	-
13,000	13,000	13,963	963
<u>300,000</u>	<u>360,798</u>	<u>339,218</u>	<u>(21,580)</u>
\$ <u>830,100</u>	\$ <u>900,080</u>	\$ <u>907,197</u>	\$ <u>7,117</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
903,350	973,330	973,330	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>903,350</u>	\$ <u>973,330</u>	\$ <u>973,330</u>	\$ <u>-</u>
\$ <u>903,350</u>	\$ <u>973,330</u>	\$ <u>973,330</u>	\$ <u>-</u>
\$ <u>(73,250)</u>	\$ <u>(73,250)</u>	\$ <u>(66,133)</u>	\$ <u>7,117</u>
\$ <u>73,250</u>	\$ <u>73,250</u>	\$ <u>-</u>	\$ <u>(73,250)</u>
\$ <u>73,250</u>	\$ <u>73,250</u>	\$ <u>-</u>	\$ <u>(73,250)</u>
\$ -	\$ -	\$ (66,133)	\$ (66,133)
<u>-</u>	<u>-</u>	<u>240,950</u>	<u>240,950</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>174,817</u>	\$ <u>174,817</u>

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

Component
Unit
School
Board

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

Net change in fund balances - total governmental funds \$ 139,703

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 computed as follows:

Capital additions	\$	299,925		
Depreciation expense		<u>(551,842)</u>		(251,917)

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.

3,564

Transfer of joint tenancy assets from Primary Government to the Component Unit 1,458,704

Change in net assets of governmental activities \$ 1,350,054

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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,645,030	\$ 10,645,030	\$ 10,325,584	\$ (319,446)
Real and personal public service corporation taxes	235,000	235,000	265,416	30,416
Personal property taxes	2,319,280	2,319,280	2,303,499	(15,781)
Machinery and tools taxes	1,457,300	1,457,300	1,522,004	64,704
Penalties	120,000	120,000	137,539	17,539
Interest	62,000	62,000	91,166	29,166
Total general property taxes	\$ 14,838,610	\$ 14,838,610	\$ 14,645,208	\$ (193,402)
Other local taxes:				
Consumer utility taxes	\$ 410,000	\$ 410,000	\$ 226,398	\$ (183,602)
Communication taxes	-	-	388,000	388,000
Business license taxes	418,070	418,070	353,398	(64,672)
Franchise license taxes - cable television	4,000	4,000	-	(4,000)
Motor vehicle licenses	301,000	301,000	283,490	(17,510)
Bank stock taxes	60,000	60,000	72,877	12,877
Taxes on recordation and wills	350,000	350,000	297,711	(52,289)
Emergency telephone service	195,000	195,000	-	(195,000)
Total other local taxes	\$ 1,738,070	\$ 1,738,070	\$ 1,621,874	\$ (116,196)
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,500	\$ 7,500	\$ 10,708	\$ 3,208
Building permits	188,500	188,500	144,719	(43,781)
Other permits and licenses	268,150	268,150	185,810	(82,340)
Total permits, privilege fees and regulatory licenses	\$ 464,150	\$ 464,150	\$ 341,237	\$ (122,913)
Fines and forfeitures:				
Court and other fines and forfeitures	\$ 67,600	\$ 67,600	\$ 80,343	\$ 12,743
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 97,447	\$ 87,447
Revenue from use of property	82,000	82,000	37,615	(44,385)
Total revenue from use of money and property	\$ 92,000	\$ 92,000	\$ 135,062	\$ 43,062

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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Court costs	\$ 7,380	\$ 7,380	\$ 8,564	1,184
Commonwealth Attorney Fees	700	700	622	(78)
Law enforcement and traffic	200	200	195	(5)
Sanitation and waste removal	324,970	324,970	283,945	(41,025)
Parks and recreation	73,090	91,567	90,002	(1,565)
Planning and community development	300	300	2,016	1,716
Total charges for services	<u>\$ 406,640</u>	<u>\$ 425,117</u>	<u>\$ 385,344</u>	<u>\$ (39,773)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 12,150</u>	<u>\$ 45,085</u>	<u>\$ 21,057</u>	<u>\$ (24,028)</u>
Total miscellaneous revenue	<u>\$ 12,150</u>	<u>\$ 45,085</u>	<u>\$ 21,057</u>	<u>\$ (24,028)</u>
Recovered costs:				
JDRC recovery	\$ 5,800	\$ 5,800	\$ 4,040	(1,760)
High school resource officer	85,030	85,030	87,363	2,333
Emergency services coordinator	34,000	34,000	16,462	(17,538)
Other recovered costs	20,940	20,940	11,539	(9,401)
Total recovered costs	<u>\$ 145,770</u>	<u>\$ 145,770</u>	<u>\$ 119,404</u>	<u>\$ (26,366)</u>
Total revenue from local sources	<u>\$ 17,764,990</u>	<u>\$ 17,816,402</u>	<u>\$ 17,349,529</u>	<u>\$ (466,873)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 6,030	\$ 6,030	\$ 6,027	(3)
Wine taxes	6,320	6,320	6,317	(3)
Mobile home titling taxes	12,000	12,000	8,435	(3,565)
Zoar/Sandy Pt State Forest Income	6,000	6,000	10,395	4,395
Recordation tax	60,000	60,000	72,613	12,613
Rolling stock tax	13,000	13,000	13,413	413
Vehicle rental tax	1,000	1,000	1,795	795
PPTRA	1,204,130	1,204,130	1,204,131	1
Total noncategorical aid	<u>\$ 1,308,480</u>	<u>\$ 1,308,480</u>	<u>\$ 1,323,126</u>	<u>\$ 14,646</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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 149,250	\$ 150,222	\$ 158,837	\$ 8,615
Sheriff	688,210	688,210	710,964	22,754
Commissioner of the Revenue	88,430	95,995	102,991	6,996
Treasurer	91,770	91,770	96,020	4,250
Medical examiner	400	400	-	(400)
Registrar/electoral board	49,130	58,255	59,210	955
Clerk of the Circuit Court	168,730	185,455	198,673	13,218
Total shared expenses	<u>\$ 1,235,920</u>	<u>\$ 1,270,307</u>	<u>\$ 1,326,695</u>	<u>\$ 56,388</u>
Other categorical aid:				
Welfare administration assistance	\$ 295,930	\$ 295,930	\$ 279,592	\$ (16,338)
Victim witness assistance grant	45,490	45,490	49,375	3,885
Emergency services - four for life	14,000	25,551	25,556	5
Litter control	6,890	6,890	8,390	1,500
Fire programs	25,000	54,103	27,099	(27,004)
Radiological emergency preparedness	10,000	41,000	10,000	(31,000)
Wireless e-911 grant	30,000	30,000	44,371	14,371
Miscellaneous public safety grants	3,500	4,997	499	(4,498)
Comprehensive services	303,000	403,488	327,489	(75,999)
Miscellaneous	5,000	5,000	5,639	639
Total other categorical aid	<u>\$ 738,810</u>	<u>\$ 912,449</u>	<u>\$ 778,010</u>	<u>\$ (134,439)</u>
Total categorical aid	<u>\$ 1,974,730</u>	<u>\$ 2,182,756</u>	<u>\$ 2,104,705</u>	<u>\$ (78,051)</u>
Total revenue from the Commonwealth	<u>\$ 3,283,210</u>	<u>\$ 3,491,236</u>	<u>\$ 3,427,831</u>	<u>\$ (63,405)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare and administration assistance	\$ 458,140	\$ 458,140	\$ 526,677	\$ 68,537
CDBG grant - Mt. Olive	346,790	346,790	120,173	(226,617)
DMV grants	7,000	28,970	15,236	(13,734)
Total revenue from the federal government	<u>\$ 811,930</u>	<u>\$ 833,900</u>	<u>\$ 662,086</u>	<u>\$ (171,814)</u>
Total General Fund	<u>\$ 21,860,130</u>	<u>\$ 22,141,538</u>	<u>\$ 21,439,446</u>	<u>\$ (702,092)</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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Developer proffers	\$ 189,000	\$ 189,000	\$ 241,440	\$ 52,440
Total permits, privilege fees and regulatory licenses	\$ 189,000	\$ 189,000	\$ 241,440	\$ 52,440
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 29,189	\$ 24,189
Total revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 29,189	\$ 24,189
Recovered costs:				
King and Queen share - regional animal shelter	\$ -	\$ -	\$ 58,703	\$ 58,703
Total recovered costs	\$ -	\$ -	\$ 58,703	\$ 58,703
Revenue from the Commonwealth:				
Categorical aid:				
Animal friendly license plates	\$ 400	\$ 400	\$ 249	\$ (151)
Total revenue from the Commonwealth	\$ 400	\$ 400	\$ 249	\$ (151)
Total General Capital Projects Fund	\$ 194,400	\$ 194,400	\$ 329,581	\$ 135,181
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 65,000	\$ 65,000	\$ 166,774	\$ 101,774
Revenue from the Commonwealth:				
Categorical aid:				
Construction funds	\$ 128,880	\$ 128,880	\$ 128,496	\$ (384)
Total revenue from the Commonwealth	\$ 128,880	\$ 128,880	\$ 128,496	\$ (384)
Total School Capital Projects Fund	\$ 193,880	\$ 193,880	\$ 295,270	\$ 101,390
Grand Total Revenues -- Primary Government	\$ 22,248,410	\$ 22,529,818	\$ 22,064,297	\$ (465,521)

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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Other local taxes:				
Local sales and use taxes	\$ 700,170	\$ 700,170	\$ 670,225	\$ (29,945)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,200	\$ 1,200	\$ 1,340	\$ 140
Revenue from use of property	9,000	9,000	3,155	(5,845)
Total revenue from use of money and property	\$ 10,200	\$ 10,200	\$ 4,495	\$ (5,705)
Charges for services:				
Charges for education	\$ 48,300	\$ 48,300	\$ 45,315	\$ (2,985)
Total charges for services	\$ 48,300	\$ 48,300	\$ 45,315	\$ (2,985)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 122,834	\$ 43,235	\$ (79,599)
Total miscellaneous revenue	\$ -	\$ 122,834	\$ 43,235	\$ (79,599)
Recovered costs:				
E-rate	\$ 15,000	\$ 15,000	\$ 70,492	\$ 55,492
Other recovered costs	-	240,000	-	(240,000)
Total recovered costs	\$ 15,000	\$ 255,000	\$ 70,492	\$ (184,508)
Total revenue from local sources	\$ 773,670	\$ 1,136,504	\$ 833,762	\$ (302,742)
Intergovernmental revenue:				
County contribution to School Board	\$ 5,988,570	\$ 6,061,776	\$ 5,789,869	\$ (271,907)
County capital contribution to School Board	128,880	128,880	128,496	(384)
Total intergovernmental revenue	\$ 6,117,450	\$ 6,190,656	\$ 5,918,365	\$ (272,291)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,917,990	\$ 1,917,990	\$ 1,839,923	\$ (78,067)
Basic school aid	6,227,800	6,425,881	6,461,147	35,266
Special education - SOQ	1,016,030	1,043,026	1,040,666	(2,360)
Fringe benefits	841,820	864,743	883,638	18,895
Lottery	308,000	316,183	318,053	1,870
K-3 initiative	164,670	164,670	168,410	3,740
Alternative education	-	372,618	328,252	(44,366)
Textbook payments	139,090	142,804	143,152	348
Salary supplement	413,940	426,746	428,258	1,512
VPSA technology grant	154,000	154,000	150,301	(3,699)
Other state funds	661,110	816,974	917,842	100,868
Total categorical aid	\$ 11,844,450	\$ 12,645,635	\$ 12,679,642	\$ 34,007
Total revenue from the Commonwealth	\$ 11,844,450	\$ 12,645,635	\$ 12,679,642	\$ 34,007

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	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 186,000	\$ 186,000	\$ 175,571	\$ (10,429)
Title V	2,000	2,000	4,354	2,354
Special education - preschool	14,200	14,200	14,148	(52)
Title VI-B flow through	417,000	462,000	395,841	(66,159)
Title XI - Indian education	8,000	8,000	4,853	(3,147)
Vocational education	26,000	26,000	17,622	(8,378)
Title II - Eisenhower	67,500	107,500	129,705	22,205
Title II - Technology	5,000	5,238	7,619	2,381
Drug free	5,000	9,762	6,063	(3,699)
Advanced placement grant	-	-	387	387
School improvement grant	-	167,468	185,892	18,424
Air force - ROTC	60,000	60,000	61,352	1,352
Total revenue from the federal government	<u>\$ 790,700</u>	<u>\$ 1,048,168</u>	<u>\$ 1,003,407</u>	<u>\$ (44,761)</u>
Total School Operating Fund	<u>\$ 19,526,270</u>	<u>\$ 21,020,963</u>	<u>\$ 20,435,176</u>	<u>\$ (585,787)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 600	\$ 600	\$ 618	\$ 18
Charges for services:				
Cafeteria sales	501,000	510,182	522,118	11,936
Miscellaneous revenue:				
Miscellaneous	15,500	15,500	31,280	15,780
Total revenue from local sources	<u>\$ 517,100</u>	<u>\$ 526,282</u>	<u>\$ 554,016</u>	<u>\$ 27,734</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 13,000	\$ 13,000	\$ 13,963	\$ 963
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	\$ 300,000	\$ 360,798	\$ 339,218	\$ (21,580)
Total School Cafeteria Fund	<u>\$ 830,100</u>	<u>\$ 900,080</u>	<u>\$ 907,197</u>	<u>\$ 7,117</u>
Grand Total Revenues--Component Unit--School Board	<u>\$ 20,356,370</u>	<u>\$ 21,921,043</u>	<u>\$ 21,342,373</u>	<u>\$ (578,670)</u>

COUNTY OF KING WILLIAM, VIRGINIA

Statistical Tables

<u>Description of Section / Tables</u>	<u>Section / Table #</u>
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
Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	5
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 and Estimated Value of Property	6
Property Tax Rates	7
Principal Taxpayers	8
Property Tax Levies and Collections	9
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	10
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	11
Computation of Direct and Overlapping Bonded Debt	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 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets by Component
Last Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ (6,579,178)	\$ (662,613)	\$ 930,177	\$ (659,035)	\$ 68,259	\$ 265,030
Restricted	10,724,898	1,921,039	-	43,036	-	-
Unrestricted	1,852,331	882,101	254,796	(783,037)	(869,156)	594,739
Total governmental activities net assets	\$ <u>5,998,051</u>	\$ <u>2,140,527</u>	\$ <u>1,184,973</u>	\$ <u>(1,399,036)</u>	\$ <u>(800,897)</u>	\$ <u>859,769</u>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government administration	\$ 1,134,154	\$ 1,266,888	\$ 1,271,109	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984
Judicial administration	347,522	360,726	597,394	546,844	703,379	709,576
Public safety	2,648,174	3,068,285	3,371,458	3,876,633	2,902,265	3,607,687
Public works	1,089,605	1,257,118	1,291,848	1,365,801	1,634,409	1,663,886
Health and welfare	1,208,630	1,302,442	1,520,575	1,633,408	1,647,634	1,756,619
Education	5,840,723	8,592,689	6,480,149	8,735,293	7,914,185	7,904,725
Parks, recreation, and cultural	577,685	630,563	675,125	768,139	795,222	808,883
Community development	521,455	475,418	509,256	588,039	632,854	628,507
Interest and other fiscal charges	588,299	1,625,043	1,565,132	1,650,115	1,683,999	1,726,966
Total governmental activities expenses	\$ 13,956,247	\$ 18,579,172	\$ 17,282,046	\$ 20,583,514	\$ 19,501,459	\$ 20,460,833
Program revenues:						
Governmental activities:						
Charges for services:						
General government administration	\$ 4,071	\$ 550	\$ 908	\$ -	\$ -	\$ -
Judicial administration	88,888	92,464	110,884	76,748	70,068	89,529
Public safety	92,809	6,998	163,256	149,436	141,582	155,621
Public works	47,124	215,880	135,539	144,706	242,938	283,945
Parks, recreation, and cultural	58,705	60,308	65,390	63,657	62,935	90,002
Community development	122,973	114,453	326,978	280,923	366,445	429,266
Operating grants and contributions:						
General government administration	187,380	231,496	196,230	212,953	228,053	258,221
Judicial administration	279,020	223,772	303,716	395,244	373,098	357,510
Public safety	899,663	766,975	788,198	843,276	855,926	883,349
Public works	5,634	5,697	5,545	8,325	6,886	8,390
Health and welfare	824,542	839,269	1,061,677	1,068,504	1,068,868	1,133,758
Parks, recreation, and cultural	-	5,698	-	-	5,000	5,639
Community development	74,133	40,786	8,000	-	-	-
Capital grants and contributions:						
Public Safety	-	105,548	-	-	-	-
Education	838,769	126,292	125,456	126,002	171,793	128,496
Community development	-	121,237	251,377	383,705	497,796	120,173
Total governmental activities program revenues	\$ 3,523,711	\$ 2,957,423	\$ 3,543,154	\$ 3,753,479	\$ 4,091,388	\$ 3,943,899
Total primary government net (expense)	\$ (10,432,536)	\$ (15,621,749)	\$ (13,738,892)	\$ (16,830,035)	\$ (15,410,071)	\$ (16,516,934)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
General property taxes	\$ 8,649,191	\$ 9,236,755	\$ 10,121,543	\$ 11,133,059	\$ 12,411,669	\$ 14,880,517
Grants and contributions not restricted to specific programs	1,162,588	1,192,490	1,184,450	1,323,143	1,331,018	1,323,126
Consumer utility taxes	367,865	353,768	367,020	392,552	316,991	226,398
Business license taxes	217,014	236,897	243,080	343,348	307,841	353,398
Motor vehicle license taxes	249,281	254,397	264,436	274,860	268,331	283,490
Emergency telephone tax	177,369	173,796	171,262	191,211	94,613	-
Communication sales tax	-	-	-	-	-	388,000
Other local taxes	156,253	179,069	327,245	399,023	614,552	370,588
Unrestricted revenues from use of money and property	308,874	118,920	91,029	105,636	271,379	331,025
Miscellaneous	2,246	18,133	13,273	83,195	391,817	21,058
Total general revenues	\$ 11,290,681	\$ 11,764,225	\$ 12,783,338	\$ 14,246,027	\$ 16,008,211	\$ 18,177,600
Change in Net Assets	\$ 858,145	\$ (3,857,524)	\$ (955,554)	\$ (2,584,008)	\$ 598,140	\$ 1,660,666

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

COUNTY OF KING WILLIAM, 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:					
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	886,276	-	585,645	427,839	-
Unreserved, undesignated	<u>46,683</u>	<u>319,813</u>	<u>354,114</u>	<u>2,032,599</u>	<u>2,487,016</u>
Total general fund	<u>\$ 932,959</u>	<u>\$ 319,813</u>	<u>\$ 939,759</u>	<u>\$ 2,460,438</u>	<u>\$ 2,487,016</u>
All other governmental funds					
Reserved:					
General capital projects	\$ 238,764	\$ 134,101	\$ 864,795	\$ 402,796	\$ 5,440,537
School capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,532,599</u>
Total all other governmental funds	<u>\$ 238,764</u>	<u>\$ 134,101</u>	<u>\$ 864,795</u>	<u>\$ 402,796</u>	<u>\$ 9,973,136</u>
Total fund balances	<u>\$ 1,171,723</u>	<u>\$ 453,914</u>	<u>\$ 1,804,554</u>	<u>\$ 2,863,234</u>	<u>\$ 12,460,152</u>

Table 3

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ -	\$ -	\$ -	\$ -	\$ 264,423
755,670	-	43,036	-	-
<u>677,017</u>	<u>102,245</u>	<u>(1,410,084)</u>	<u>(1,573,398)</u>	<u>(878,836)</u>
<u>\$ 1,432,687</u>	<u>\$ 102,245</u>	<u>\$ (1,367,048)</u>	<u>\$ (1,573,398)</u>	<u>\$ (614,413)</u>
\$ 1,874,124	\$ 1,128,317	\$ 1,793,405	\$ 1,484,039	\$ 1,239,343
<u>46,915</u>	<u>314,144</u>	<u>195,912</u>	<u>363,158</u>	<u>762,739</u>
<u>\$ 1,921,039</u>	<u>\$ 1,442,461</u>	<u>\$ 1,989,317</u>	<u>\$ 1,847,197</u>	<u>\$ 2,002,082</u>
<u>\$ 3,353,726</u>	<u>\$ 1,544,706</u>	<u>\$ 622,269</u>	<u>\$ 273,799</u>	<u>\$ 1,387,669</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	1999	2000	2001	2002	2003
Revenues:					
General property taxes	\$ 7,110,726	\$ 7,385,712	\$ 7,725,226	\$ 10,714,845	\$ 8,770,382
Other local taxes	741,120	789,787	902,199	910,499	1,167,782
Permits, privilege fees and regulatory licenses	108,032	105,860	109,685	116,444	227,223
Fines and forfeitures	48,640	48,493	84,261	59,489	82,355
Revenue from use of money and property	186,142	171,164	188,952	99,912	308,874
Charges for services	42,557	99,583	350,268	139,745	104,992
Miscellaneous	15,077	30,510	62,695	45,185	2,247
Recovered costs	1,034,601	239,990	20,167	21,187	260,187
Intergovernmental:					
Commonwealth	1,228,627	1,220,666	1,966,212	2,511,857	3,679,339
Federal	423,479	486,141	554,245	509,840	592,390
Total revenues	\$ 10,939,001	\$ 10,577,906	\$ 11,963,910	\$ 15,129,003	\$ 15,195,771
Expenditures:					
General government administration	\$ 875,014	\$ 940,817	\$ 1,052,260	\$ 1,041,859	\$ 1,074,787
Judicial administration	178,348	172,448	258,429	334,282	345,525
Public safety	1,871,427	2,034,532	2,336,567	2,907,125	2,534,857
Public works	958,578	1,029,645	1,023,845	1,062,332	1,308,179
Health and welfare	828,187	798,923	802,517	848,669	1,201,238
Education	4,832,607	4,924,736	4,622,591	4,579,180	5,007,907
Parks, recreation, and cultural	378,374	442,840	527,430	534,576	569,447
Community development	1,267,246	484,953	357,924	398,712	517,106
Capital outlays and projects	1,322,440	228,178	132,631	388,948	11,957,118
Debt service:					
Principal retirement	40,000	82,662	84,164	928,029	8,403,762
Interest and other fiscal charges	126,197	122,130	158,483	584,612	1,012,106
Total expenditures	\$ 12,678,418	\$ 11,261,864	\$ 11,356,841	\$ 13,608,324	\$ 33,932,032
Excess (deficiency) of revenues over expenditures	\$ (1,739,417)	\$ (683,958)	\$ 607,069	\$ 1,520,679	\$ (18,736,261)
Other financing sources (uses):					
Transfers in	\$ 989,877	\$ 70,822	\$ 12,877	\$ -	\$ 26,268
Transfers (out)	-	-	-	-	(26,268)
Payment to refunded bond escrow agent	-	-	-	-	-
Long-term debt issued	-	-	-	-	25,258,732
Premium on debt issued	-	-	-	-	525,107
Total other financing sources (uses)	\$ 989,877	\$ 70,822	\$ 12,877	\$ -	\$ 25,783,839
Net changes in fund balances	\$ (749,540)	\$ (613,136)	\$ 619,946	\$ 1,520,679	\$ 7,047,578
Debt service as a percentage of noncapital expenditures	1.46%	1.86%	2.16%	11.44%	42.85%

Table 4

	2004	2005	2006	2007	2008
\$	9,215,984	\$ 10,080,458	\$ 11,046,031	\$ 12,335,200	\$ 14,645,208
	1,197,927	1,373,043	1,600,994	1,602,328	1,621,874
	273,876	493,216	429,832	507,487	582,677
	66,670	105,668	68,228	61,357	80,343
	118,920	91,029	105,636	271,379	331,025
	150,106	204,071	217,410	315,124	385,344
	18,133	13,271	83,197	391,816	21,057
	11,951	69,702	391,314	399,878	178,107
	2,849,923	3,012,019	3,351,886	3,420,574	3,556,576
	809,337	912,630	1,009,266	1,117,864	662,086
\$	<u>14,712,827</u>	<u>\$ 16,355,107</u>	<u>\$ 18,303,794</u>	<u>\$ 20,423,007</u>	<u>\$ 22,064,297</u>
\$	1,213,050	\$ 1,213,608	\$ 1,355,995	\$ 1,481,314	\$ 1,606,483
	357,920	379,921	483,269	545,276	548,832
	2,861,292	3,499,385	4,077,047	3,288,323	3,702,708
	1,152,167	1,218,343	1,258,884	1,519,831	1,796,594
	1,303,245	1,518,078	1,632,905	1,641,189	1,754,245
	5,820,776	5,013,809	5,748,257	5,830,758	5,924,555
	625,579	666,640	755,898	783,565	806,175
	480,815	509,256	584,745	1,051,637	625,676
	6,890,404	983,746	574,226	2,273,439	2,275,620
	1,526,077	2,050,590	2,103,893	2,107,408	2,145,961
	1,594,867	1,761,426	1,701,112	1,772,121	1,818,578
\$	<u>23,826,192</u>	<u>\$ 18,814,802</u>	<u>\$ 20,276,231</u>	<u>\$ 22,294,861</u>	<u>\$ 23,005,427</u>
\$	<u>(9,113,365)</u>	<u>(2,459,695)</u>	<u>(1,972,437)</u>	<u>(1,871,854)</u>	<u>(941,130)</u>
\$	200,000	\$ 163,832	\$ 375,001	\$ -	\$ -
	(200,000)	(163,832)	(375,001)	-	-
	(7,517,961)	-	-	(1,511,962)	-
	7,055,000	605,000	1,050,000	2,950,000	2,055,000
	469,900	45,675	-	85,346	-
\$	<u>6,939</u>	<u>\$ 650,675</u>	<u>\$ 1,050,000</u>	<u>\$ 1,523,384</u>	<u>\$ 2,055,000</u>
\$	<u>(9,106,426)</u>	<u>(1,809,020)</u>	<u>(922,437)</u>	<u>(348,470)</u>	<u>1,113,870</u>
	<u>18.43%</u>	<u>21.38%</u>	<u>19.31%</u>	<u>19.84%</u>	<u>19.12%</u>

This page intentionally left blank

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Taxes on Recordation & Wills	Emergency Telephone Taxes	Communi-cations Taxes	Other Local Taxes	Total
1999	\$ 7,110,726	\$ 317,278	-	\$ 177,440	\$ 54,471	\$ 154,633	-	\$ 37,298	\$ 7,851,846
2000	7,385,712	317,804	-	187,624	61,621	150,942	-	71,796	8,175,499
2001	7,725,226	341,468	-	238,713	70,687	157,747	-	93,584	8,627,425
2002	10,714,845	354,614	27,145	250,095	70,762	145,258	-	62,625	11,625,344
2003	8,770,382	367,865	217,014	249,281	105,570	177,369	-	50,683	9,938,164
2004	9,215,984	353,768	236,897	254,397	122,868	173,796	-	56,201	10,413,911
2005	10,080,458	367,020	243,080	264,436	268,045	171,262	-	59,200	11,453,501
2006	11,046,031	392,552	343,348	274,860	333,505	191,211	-	65,518	12,647,025
2007	12,335,200	316,991	307,841	268,331	368,069	94,613	176,376	70,107	13,937,528
2008	14,645,208	226,398	353,398	283,490	297,711	-	388,000	72,877	16,267,082

Assessed and Estimated Value of Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Merchants' Capital	Direct Tax Rate	Public Service (2)	Total
1998-99	\$ 592,737,989	\$ 0.80	\$ 70,496,937	\$ 3.45	\$ 107,008,827	\$ 2.40	\$ 2,357,783	\$ 3.90	\$ 33,544,233	\$ 806,145,769
1999-00	606,311,601	0.82	71,922,864	3.55	98,783,558	2.45	2,330,988	3.90	33,313,997	812,663,008
2000-01	627,556,801	0.82	79,681,800	3.55	86,319,136	2.45	2,492,495	3.90	34,122,852	830,173,084
2001-02	718,618,250	0.94	82,662,496	3.55	87,071,707	3.00	2,890,646	3.90	37,389,664	928,632,763
2002-03	742,579,474	0.94	84,222,914	3.55	153,862,093	2.30	-	-	34,503,520	1,015,168,001
2003-04	765,744,726	1.08	83,436,554	3.55	148,076,370	2.30	-	-	33,431,805	1,030,689,455
2004-05	909,258,951	0.87	84,621,184	3.65	148,254,803	2.30	-	-	30,502,008	1,172,636,946
2005-06	1,066,913,767	0.92	95,011,903	3.65	135,948,296	2.30	-	-	39,061,299	1,336,935,265
2006-07	1,123,439,437	0.92	106,536,465	3.65	134,853,787	2.30	-	-	30,792,861	1,395,622,550
2007-08	1,388,768,406	0.99	124,358,986	3.65	138,861,977	2.50	-	-	32,529,671	1,684,519,040

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital	Public Service	
					Real Estate	Personal Property
1998-99	\$.80/.15	\$ 3.45/0.24	\$ 2.40/0.90	\$ 3.90/1.10	\$.80/.15	\$ 3.45/0.24
1999-00	.82/.17	3.55/0.34	2.45/0.95	3.90/1.10	.82/.17	3.55/0.34
2000-01	.82/.17	3.55/0.34	2.45/0.95	3.90/1.10	.82/.17	3.55/0.34
2001-02	.94/.23	3.55/0.34	3.00/1.50	3.90/1.10	.99/.23	3.55/0.34
2002-03	.94/.23	3.55/0.34	2.30/0.80	-	.94/.23	3.55/0.34
2003-04	1.08/.23	3.55/0.34	2.30/0.80	-	1.08/.23	3.30/0.34
2004-05	.87/.23	3.65/0.34	2.30/0.80	-	.87/.23	3.65/0.34
2005-06	.92/.23	3.65/0.34	2.30/0.80	-	.87/.23	3.65/0.34
2006-07	.92/.25	3.65/0.34	2.30/0.80	-	.92/.25	3.65/0.34
2007-08	.99/.29	3.65/0.50	2.50/1.00	-	.99/.29	3.65/0.50

Note: (1) Per \$100 of assessed value.

Principal Taxpayers

Taxpayer	Type Business	2008 Assessed Valuation*	Percentage of Total Assessed Valuation
Smurfit - Stone Container Corp.	Paper Mill	\$ 41,901,700	2.49%
Nestle Purina Pet Care	Cat Litter	8,160,800	0.48%
John N. Mills & Sons	Grain farm	6,592,000	0.39%
Charles S. Hunter, III	Land-Owner	5,032,500	0.30%
Seigel Family LP	Land-Owner	4,940,200	0.29%
West Point Square LLC	Developer	4,683,370	0.28%
Central garage Partnership	Developer	4,389,172	0.26%
The Lafferty Foundation	Grain Farm	4,222,600	0.25%
Romancoke LLC	Land-Owner	4,198,700	0.25%
Old Town, LLC	Land-Owner	3,773,100	0.22%
Totals		\$ 87,894,142	8.53%

* Excludes land use values

Note: The information for nine years prior was not available.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1)(3) Tax Levy	Current Tax (1)(3) Collections	Percent of Levy Collected	Delinquent Tax (1)(2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1998-99	\$ 6,683,565	\$ 6,555,537	98.08%	\$ 366,990	\$ 6,922,527	103.58%	\$ 632,307	9.46%
1999-00	7,223,698	6,915,714	95.74%	311,873	7,227,587	100.05%	501,258	6.94%
2000-01	8,368,306	8,017,864	95.81%	248,882	8,266,746	98.79%	462,536	5.53%
2001-02	11,911,979	11,419,975	95.87%	250,706	11,670,681	97.97%	701,051	5.89%
2002-03	9,639,712	9,371,946	97.22%	258,054	9,630,000	99.90%	714,184	7.41%
2003-04	10,103,620	9,932,651	98.31%	259,241	10,191,892	100.87%	701,441	6.94%
2004-05	11,102,130	10,736,144	96.70%	316,868	11,053,012	99.56%	779,445	7.02%
2005-06	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%	847,685	6.97%
2006-07	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%	970,125	7.22%
2007-08	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%	1,169,629	7.36%

- Notes:
- (1) Exclusive of penalties and interest.
 - (2) Does not include land redemptions.
 - (3) Locality began semi-annual real estate billings for the fiscal year ending June 30, 2002.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Capital Leases	Revenue Bonds			
1999	\$ 2,100,000	\$ 9,690,368	\$ 1,436,943	\$ 1,100,000	\$ 14,327,311	4.34%	924
2000	1,935,000	9,253,163	1,325,898	1,062,338	13,576,399	3.78%	876
2001	1,760,000	8,659,598	10,245,000	2,722,963	23,387,561	6.02%	1,517
2002	1,585,000	8,066,033	10,200,000	2,681,796	22,532,829	5.75%	1,454
2003	14,678,732	7,472,468	8,667,961	8,603,756	39,422,917	9.73%	2,557
2004	20,914,869	6,895,253	1,095,000	8,528,757	37,433,879	8.44%	2,496
2005	20,316,893	6,329,688	1,040,000	8,301,711	35,988,292	7.57%	2,499
2006	19,077,720	5,764,123	980,000	9,112,556	34,934,399	7.67%	2,371
2007	17,852,301	5,198,558	920,000	10,381,132	34,351,991	6.89%	2,233
2008	16,635,583	4,633,069	855,000	12,137,378	34,261,030	6.87%	2,227

(1) See demographic statistics on Table 13.

Ratio of Net General Obligation 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: Debt Payable From Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
1998-99	13,100	\$ 806,145,769	\$ 13,990,368	\$ 1,100,000	\$ 12,890,368	1.60%	\$ 984
1999-00	13,146	812,663,008	13,312,839	1,062,338	12,250,501	1.51%	932
2000-01	13,600	830,173,084	15,865,524	2,722,963	13,142,561	1.58%	966
2001-02	13,700	928,632,863	15,014,625	2,681,796	12,332,829	1.33%	900
2002-03	13,900	1,015,168,001	30,754,956	8,603,756	22,151,200	2.18%	1,594
2003-04	14,334	1,030,689,455	36,338,879	8,528,757	27,810,122	2.70%	1,940
2004-05	14,515	1,172,636,946	34,948,292	8,301,711	26,646,581	2.27%	1,836
2005-06	14,732	1,336,935,265	33,954,399	9,112,556	24,841,843	1.86%	1,686
2006-07	15,381	1,395,622,550	33,431,991	10,381,132	23,050,859	1.65%	1,499
2007-08	15,381	1,388,768,406	33,406,030	12,137,378	21,268,652	1.53%	1,383

(1) www.fedstats.gov

(2) From Table 6

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2008

Direct:

County of King William	\$	33,406,030	100%	\$	33,406,030
------------------------	----	------------	------	----	------------

The County of King William has no overlapping debt.

Demographic and Economic Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(1) Per Capita Income</u>	<u>Total Personal Income</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate %</u>
1998-99	13,100	\$ 25,214	330,303,400	1,757	2.80
1999-00	13,146	27,293	358,793,778	1,768	3.10
2000-01	13,600	28,554	388,334,400	1,784	3.30
2001-02	13,700	28,594	391,737,800	1,800	4.10
2002-03	13,900	29,147	405,143,300	1,870	3.80
2003-04	14,334	30,926	443,299,000	1,859	4.20
2004-05	14,515	32,771	475,672,000	1,909	3.50
2005-06	14,732	30,916	455,454,512	2,021	2.60
2006-07	15,381	32,417	498,605,877	2,055	2.80
2007-08	15,381	32,417	498,605,877	2,120	3.70

- Notes:
- (1) www.fedstats.gov
 - (2) Virginia Department of Education
 - (3) Virginia Employment Commission

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2008		Fiscal Year 1999	
	Employees	Rank	Employees	Rank
Stone Container Corporation	500 to 999	1	-	-
King William County Schools	250 to 499	2	250 to 499	2
Town of West Point School Board	100 to 249	3	100 to 249	4
Nestle Purina Petcare Company	100 to 249	4	-	-
County of King William	100 to 249	5	50 to 99	6
Virginia Log Company	100 to 249	6	50 to 99	9
Food Lion	50 to 99	7	50 to 99	10
Riverside Regional Medical Center	50 to 99	8	-	-
J. Sanders Construction Company	50 to 99	9	50 to 99	7
Rivers Healthcare	50 to 99	10	-	-
St. Laurent Paper Products Corporation	-	-	500 to 999	1
On Site Resource	-	-	250 to 499	3
Citizen's & Farmers Bank	-	-	50 to 99	8
Chesapeake Corporation	-	-	100 to 249	5

Source: Virginia Employment Commission

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	11.7	13.7	13.7	15.2	15.2	15.2	17.3	18.9	17.5	18.5
Judicial administration	3.2	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0
Public safety										
Sheriffs department	19.0	22.0	22.0	27.0	28.0	29.0	30.4	30.3	31.0	32.0
Emergency services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Community connection program	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.6	2.5	2.5
Building inspections	2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	5.0	5.0
Animal control	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works										
General maintenance	5.0	5.0	5.0	5.0	5.0	5.0	7.0	6.5	7.0	7.5
Litter control	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.7	0.6	0.6
Health and welfare										
Department of social services	11.5	11.5	11.5	11.5	11.5	11.5	12.0	12.0	12.0	11.0
Culture and recreation										
Parks and recreation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0
Community development										
Planning	2.5	4.0	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0
Totals	<u>59.3</u>	<u>68.6</u>	<u>68.6</u>	<u>76.1</u>	<u>78.1</u>	<u>80.1</u>	<u>85.9</u>	<u>94.0</u>	<u>91.6</u>	<u>93.1</u>

Source: Payroll records

COUNTY OF KING WILLIAM, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

		<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Sheriff	Physical arrests	303	303	320	395	383
	Traffic violations	1,063	1,238	1,300	872	794
Fire Protection	Number of stations	4	4	3	4	4
	Number of calls answered	231	231	331	235	235
	Number of inspections conducted	23	23	39	25	25
Community Development	Residential building permits	379	359	236	964	1,134
Parks and Recreation	Program participants	3,639	3,915	4,945	8,445	4,203
Water	Service connections	1	1	1	12	13
	Average Daily Consumption in Gallons	3,000	3,000	3,000	11,661	8,400
Sewer	Service connections	2	2	2	11	12
	Average Daily Consumption in Gallons	9,000	9,000	9,000	9,699	6,100

Table 16

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
511	701	809	744	688
844	998	750	683	1,050
4	4	3	3	3
235	235	235	496	2,130
25	25	25	25	25
1,441	1,943	1,734	1,713	1,316
4,397	8,562	8,287	9,460	13,637
13	73	109	127	193
13,800	35,700	52,860	146,883	95,040
12	14	15	30	98
9,822	10,600	13,658	74,812	20,000

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
General government administration:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	21	20	23	24	23	25	25	27	26
Building inspections:										
Vehicles	1	2	3	4	4	5	4	4	4	4
Animal control:										
Vehicles	1	1	1	1	1	1	2	2	2	2
Emergency services:										
Vehicles	-	-	-	-	-	-	-	-	3	3
Public works										
General maintenance:										
Trucks/vehicles	6	6	6	6	6	6	7	8	8	8
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Sites (Including transfer sites)	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	-	-	-	-	-	1	2	2	3	3
Culture and recreation										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	1	1	1	1	1	1
Park Acreage	51	51	51	51	51	51	51	51	51	51
Baseball Fields	4	4	4	4	4	4	4	4	4	4
T-Ball Fields	2	2	2	2	2	3	3	3	3	3
Soccer Fields	2	2	2	2	2	2	2	2	2	2
Basketball Courts	2	2	2	2	2	2	2	2	2	2
Water system:										
Miles of water mains	-	-	-	1	1	1	1	1	10	11
Number of fire hydrants	1	1	1	8	8	8	8	8	55	55
Sewer system:										
Miles of sewer mains	4	4	4	4	4	4	4	4	13	13
Component Unit - School Board										
Education:										
Number of Elementary Schools	1	1	1	1	2	2	2	2	2	2
Number of Middle Schools	-	1	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	37	39	39	39	39	40	40	40	42	45

Source: Individual county departments

**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 William
King William, Virginia**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County of King William, Virginia's basic financial statements and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

We noted certain matters that we reported to management of the County of King William, Virginia in a separate letter dated December 18, 2008.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 18, 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 William
King William, Virginia

Compliance

We have audited the compliance of the County of King William, 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 William, 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 William, Virginia's management. Our responsibility is to express an opinion on the County of King William, 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 William, 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 on the County of King William, Virginia's compliance with those requirements.

In our opinion, the County of King William, 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 William, 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 William, 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 the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 18, 2008

COUNTY OF KING WILLIAM, 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 HOUSING AND COMMUNITY DEVELOPMENT:</u>		
<u>Pass through payments:</u>		
Virginia Department of Housing and Community Development: Community development block grants/state's programs	14.228	\$ <u>120,173</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Rail and Transportation: State and community highway safety	20.607	\$ <u>15,236</u>
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services: State administration matching grants for food stamp program	10.561	\$ <u>99,866</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services: Family preservation and support	93.556	\$ 10,213
Temporary assistance to needy families	93.558	57,140
Refugee and entrant assistance	93.566	290
Low-income energy assistance	93.568	2,022
Payments to states for child care assistance	93.575	56,066
Child care and development fund	93.596	47,695
Child and welfare services - state grants	93.645	709
Foster care-title IV-E	93.658	81,407
Adoption assistance	93.659	20,617
Social services block grant	93.667	80,325
Chafee foster care independent living	93.674	1,575
State childrens insurance program	93.767	3,710
Medical assistance program	93.778	<u>65,042</u>
Total Department of Health and Human Services		\$ <u>426,811</u>
Total Primary Government		\$ <u><u>662,086</u></u>

COUNTY OF KING WILLIAM, 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	\$ 60,798
Department of Education:		
National school breakfast program	10.553	66,615
National school lunch program	10.555	<u>211,805</u>
Total Department of Agriculture		\$ <u>339,218</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000	\$ <u>61,352</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Direct payments:</u>		
Title XII - indian education formula grant program	84.060	\$ 4,853
<u>Pass through payments:</u>		
Virginia Department of Education:		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010	361,463
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	395,841
Vocational Education:		
Basic grants to states (3E001311)	84.048	17,622
Special education - preschool grants	84.173	14,148
Drug-free schools and communities (2E004617)	84.186	6,063
Title V-A	84.298	4,354
Education technology state grants	84.318	7,619
Advance placement	84.330	387
Improving teacher quality state grants - Title II Part A	84.367	<u>129,705</u>
Total Department of Education		\$ <u>942,055</u>
Total Component Unit School Board		\$ <u><u>1,342,625</u></u>
Total Reporting Entity		\$ <u><u>2,004,711</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the 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 William, 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	\$	662,086
Total primary government	\$	<u>662,086</u>

Component Unit Public Schools:

School Operating Fund	\$	1,003,407
School Cafeteria Fund		339,218
Total component unit public schools	\$	<u>1,342,625</u>

Total federal expenditures per basic financial statements	\$	<u>2,004,711</u>
---	----	------------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>2,004,711</u></u>
---	----	-------------------------

COUNTY OF KING WILLIAM, 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>
84.010	Title I
10.553	National school breakfast program - child nutrition cluster
10.555	National school lunch program - child nutrition cluster
10.555	Food distribution - child nutrition cluster

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.