



County of King George, Virginia



Comprehensive Annual Financial Report **Fiscal Year June 30, 2009**

COUNTY OF KING GEORGE, VIRGINIA
Comprehensive Annual
Financial Report
Year Ended June 30, 2009

PREPARED BY:

Donita Harper, Deputy County Administrator/Finance Director

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

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CEDELL BROOKS, JR.
Shiloh Election District

JOSEPH W. GRZEIKA
James Madison Election District

JAMES B. HOWARD
James Monroe Election District

JAMES F. MULLEN
Dahlgren Election District

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



COUNTY ADMINISTRATOR
A. TRAVIS QUESENBERRY, P. E.
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King George, Va. 22485
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November 19, 2009

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

We are pleased to present the Comprehensive Annual Financial Report of the County of King George, Virginia, (the "County"), for the fiscal year ended June 30, 2009 in compliance with Section 15.2-2511 of the Code of Virginia (1950) as amended. This report was prepared by the County's Department of Finance, therefore, responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with the County. This report is designed to fairly present the financial position and results of operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure necessary to enable the reader to gain a reasonable understanding of the County's financial affairs.

Robinson, Farmer, Cox Associates, LLP, a firm of licensed certified accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2009, were free of material misstatement. See official Independent Auditors' Report under the financial section of this report and the compliance section.

PROFILE OF KING GEORGE COUNTY

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

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

The County of King George report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. The County provides a full range of services to its residents. These include general administration, judicial administration, public safety, public works, health and welfare, parks and recreation, education, and community and economic development. In addition, the County established a Wireless Authority in 2006 to provide the citizens of King George access to internet services. See more detail under Major Initiatives.

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

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

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

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

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

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

THE REPORTING ENTITY AND ITS SERVICES (CONTINUED)

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2009 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

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

LOCAL ECONOMY

King George County ranked 6th among the 10 highest jurisdictions in growth rate since the 2000 census. The County grew by 38% during the past decade with a total estimated population in 2008 of 23,170. Additionally, based upon annual estimates provided by the Weldon Cooper Center for Public Service, the County's population for the period of July 1, 2008 through July 1, 2009 grew by 4.3%. King George has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. The major employer is the Dahlgren Naval Surface Warfare Center (NAVSWC), which provides employment for 5,000 civilian and military personnel and an additional 4,000 contract employees. During the latest BRAC (Base Realignment Committee) recommendation, the Dahlgren Site had a net gain of ten (10%) percent in personnel. The Dahlgren site is home to the Naval Network and Space Operations Command, the Joint Warfare Analysis Center, and the AEGIS Training and Readiness Center. NAVSWC has been instrumental in attracting a variety high technology software engineering firms to the County. Major services industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in County's economy.

LONG TERM FINANCIAL PLANNING

The County prepares a five-year Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities, including schools.

Long-term financing options utilized are long term lease revenue bonds, general obligation bond and state literary loans. The County also sets aside a portion of landfill revenues to cash fund smaller projects in the capital budget while also building on the general fund for future emergency needs.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

New High School: Year to date the County expended more than \$42 million for the construction of a new High School. The high school can hold 1,700 students and was completed in fiscal year 2009 and is now occupied by students.

Industrial Park: The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Complex on Route 3 which is served by water, sewer and rail. Current initiatives are in place to recruit businesses to boost the economy in King George. An Economic Development Director was hired with sole focus on recruiting for the industrial park and other areas of the County, as well as, retaining current businesses. Currently five businesses are located in the Industrial Park and eight additional lots totaling 70.35 acres are still available for development. Also, the King George Board of Supervisors has an option to buy another 345 acres that fronts the industrial park along State Route 3. In addition, a strategic plan will be developed within the next fiscal year.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE: (CONTINUED)

Harris Teeter: In January 2009, Governor Kaine announced that Harris Teeter, Inc. will invest \$101 million to open a food distribution operation in King George County, creating 335 jobs. Virginia successfully competed with Maryland and North Carolina for the project.

Former American Glass Warehouse: An unfinished 75,000-square-foot warehouse building built on ten (10) acres and located in the King George Industrial Park was purchased by a group of well known Fredericksburg, VA investors, King George Warehouse Associates LLC. (KGWA).. The King George County Economic Development Authority approved a cash incentive equivalent to the back taxes owed on the property in the amount \$26,436. This incentive is available to KGWA upon them leasing the building at 50% and within two (2) years from settlement.

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

The University of Mary Washington is currently developing the **The University of Mary Washington-Dahlgren Campus-Center for Education and Research** which will work in conjunction with engineering schools in Virginia such as: Old Dominion University, Virginia Polytechnical Institute, Virginia Commonwealth University, University of Virginia and George Mason University. This building will consist of a 50,000 sq. ft. facility that will house full-time resident professors combining research and teaching. A groundbreaking is anticipated in March 2010 with site construction anticipated to begin during the Winter of 2010 and project completion in May 2011.

Gateway Medical Urgent Care Clinic: The Gateway Medical Urgent Care Clinic which is located on Route 3 (Kings Highway) was developed by Harenc Associates, L.L.C. Highlights of the urgent care clinic, which is managed by SA Medical, include nine patient exam rooms, two patient procedure/exam rooms, in addition to an ambulance patient "Pick-Up" entrance.

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

The site for the relocation of the King George County Service Authority was purchased as well and is expected to be occupied by operations and administrative personnel by late fall 2009.

Wireless Authority: The County established a Wireless Authority (the Authority) during the fiscal year ended June 30, 2007. The same Board of Supervisors serves as the Board of Directors to the Authority. It is also included in the County's financial statements as a blended component unit. The purpose of the Authority is to provide a County-wide network that will provide access to the internet for the County, its agencies, residents and businesses. This will improve public safety, enhance educational opportunities, support economic and business development and improve the quality of life for the residents of the County.

The Authority has partnered with a third party vendor to install the necessary infrastructure as well as administer the services throughout the County. Phase one is fifty percent complete and is expected to be one-hundred percent by June 2010.

OTHER INFORMATION

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

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

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



*A. Travis Quesenberry, PE
County Administrator*



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

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King George
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



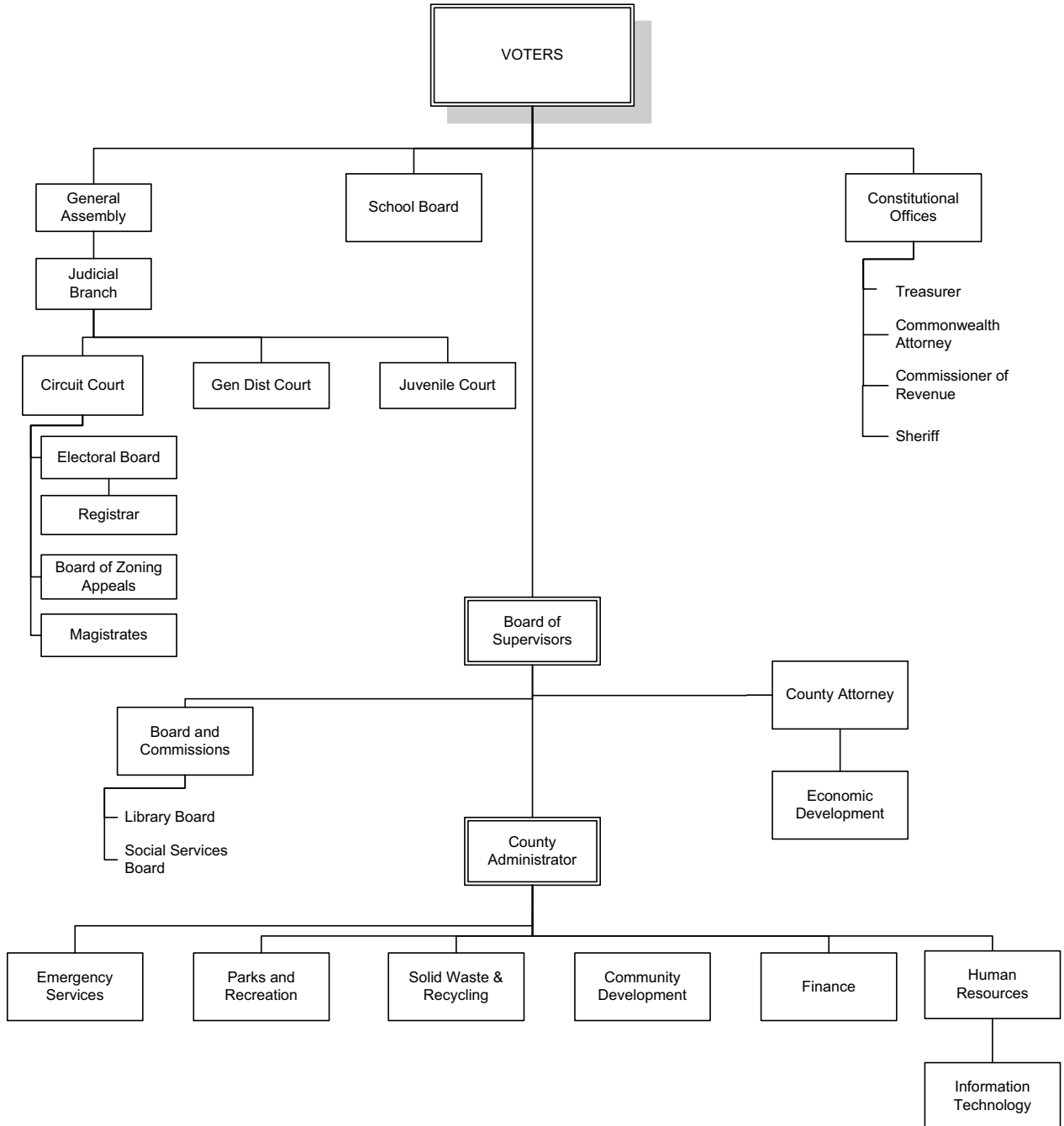
President

Executive Director

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KING GEORGE COUNTY ORGANIZATIONAL CHART



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COUNTY OF KING GEORGE, VIRGINIA

June 30, 2009

Board of Supervisors

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

County School Board

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

Board of Social Services

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

Smoot Memorial Library Board of Trustees

Tina Sisson, Chairman
Leon J. Fontenot, Vice-Chairman

Evelyn Durling
Robert Gates
Michael Gallier, Finance Officer
Linda Kramer

Dreda Newman
Amy Robie
Cindy Sexton
Christine Steppe

Other Officials

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

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of King George, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21, the County implemented GASB Statement No. 45, *Accounting for Financial Reporting for Employers for Post-Employment Benefits other than Pensions*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009, on our consideration of the County of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia (the County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, financial statements and accompanying notes.

Financial Highlights

- The assets of the governmental activities of the County exceeded its liabilities at the close of fiscal year 2009 by \$55.1 million (net assets). This represents an increase of \$2.4 million over the prior fiscal year.
- Of the total net assets \$3.3 million are restricted.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$65.4 million, an increase of \$12.8 million in comparison with the prior year.
- Approximately thirty-four percent (34%) of this total amount or \$22.3 million is General Fund unreserved fund balance and available for spending at the County's discretion (unreserved fund balance).
- The County's net debt increased by \$14.8 million during the current fiscal year. The increase was a result of new debt in the amount of \$21.7 million of revenue bonds for construction of a new Sheriff and Animal Control Facility less principal payments in the amount of \$6.9 million.

Overview of the Financial Statements

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

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

Overview of the Financial Statements: (Continued)

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

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

- B. Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of King George, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
1. Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's ability to satisfy near-term financing requirements.

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets exceeded liabilities by \$55.1 million at the close of fiscal year 2009.

The County's net investment in capital assets such as land, buildings and equipment totals \$13.4 million at June 30, 2009, a decrease of \$810,541 over prior year. The County uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Refer to table below.

**County of King George, Virginia
Schedule of Assets, Liabilities and Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 71,994,094	\$ 64,478,316	\$ 7,272,258	\$ 6,381,667	\$ 79,266,352	\$ 70,859,983
Capital assets	<u>66,384,437</u>	<u>61,920,339</u>	<u>36,813,315</u>	<u>36,079,327</u>	<u>103,197,752</u>	<u>97,999,666</u>
Total assets	<u>\$ 138,378,531</u>	<u>\$ 126,398,655</u>	<u>\$ 44,085,573</u>	<u>\$ 42,460,994</u>	<u>\$ 182,464,104</u>	<u>\$ 168,859,649</u>
Long-term liabilities outstanding	\$ 74,290,751	\$ 59,879,101	\$ 24,285,664	\$ 22,766,840	\$ 98,576,415	\$ 82,645,941
Current liabilities	<u>9,023,615</u>	<u>13,899,022</u>	<u>3,170,493</u>	<u>2,683,938</u>	<u>12,194,108</u>	<u>16,582,960</u>
Total liabilities	<u>\$ 83,314,366</u>	<u>\$ 73,778,123</u>	<u>\$ 27,456,157</u>	<u>\$ 25,450,778</u>	<u>\$ 110,770,523</u>	<u>\$ 99,228,901</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 13,355,755	\$ 14,166,206	\$ 16,166,998	\$ 16,422,476	\$ 29,522,753	\$ 30,588,682
Restricted	3,354,693	3,335,777	-	-	3,354,693	3,335,777
Unrestricted	<u>38,353,717</u>	<u>35,118,549</u>	<u>462,418</u>	<u>587,740</u>	<u>38,816,135</u>	<u>35,706,289</u>
Total net assets	<u>\$ 55,064,165</u>	<u>\$ 52,620,532</u>	<u>\$ 16,629,416</u>	<u>\$ 17,010,216</u>	<u>\$ 71,693,581</u>	<u>\$ 69,630,748</u>

Restricted net assets represent resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service, and for a natatorium donation. The County's restricted net assets amounts to \$3.3 million or six percent (6%) of total net assets.

Government-wide Financial Analysis: (Continued)

Governmental and business-type activities reflect changes in net assets of \$2.4 million and \$(380,800) respectively.

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

**County of King George, Virginia
Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2009 and 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,777,706	\$ 8,613,473	\$ 2,367,257	\$ 3,252,836	\$ 10,144,963	\$ 11,866,309
Operating grants and contributions	4,326,946	4,284,574	-	10,650	4,326,946	4,295,224
Capital grants and contributions	46,177	798,438	1,340,934	-	1,387,111	798,438
General revenues:						
General property taxes	17,510,800	17,077,378	-	-	17,510,800	17,077,378
Other local taxes	5,656,482	5,311,646	-	-	5,656,482	5,311,646
Use of money and property	1,515,653	3,160,698	20,904	133,175	1,536,557	3,293,873
C/VA non-categorical aid	2,337,588	2,316,124	-	-	2,337,588	2,316,124
Other general revenues	899,705	2,470,865	525,385	1,424,469	1,425,090	3,895,334
Total revenues	<u>\$ 40,071,057</u>	<u>\$ 44,033,196</u>	<u>\$ 4,254,480</u>	<u>\$ 4,821,130</u>	<u>\$ 44,325,537</u>	<u>\$ 48,854,326</u>
Expenses:						
General government administration	\$ 2,984,895	\$ 2,920,975	\$ -	\$ -	\$ 2,984,895	\$ 2,920,975
Judicial administration	1,140,286	759,823	-	-	1,140,286	759,823
Public safety	8,468,031	7,977,187	-	-	8,468,031	7,977,187
Public works	1,328,152	1,518,581	-	-	1,328,152	1,518,581
Health and welfare	4,051,416	3,568,445	-	-	4,051,416	3,568,445
Education	13,146,962	18,229,598	-	-	13,146,962	18,229,598
Parks, recreation, and cultural	1,091,834	1,167,026	-	-	1,091,834	1,167,026
Community development	1,630,889	1,399,071	-	-	1,630,889	1,399,071
Interest and other fiscal charges	3,329,074	2,918,611	-	-	3,329,074	2,918,611
Water and sewer	-	-	5,091,165	5,238,869	5,091,165	5,238,869
Total expenses	<u>\$ 37,171,539</u>	<u>\$ 40,459,317</u>	<u>\$ 5,091,165</u>	<u>\$ 5,238,869</u>	<u>\$ 42,262,704</u>	<u>\$ 45,698,186</u>
Increase in net assets before transfers	\$ 2,899,518	\$ 3,573,879	\$ (836,685)	\$ -417,739	\$ 2,062,833	\$ 3,156,140
Transfers	<u>(455,885)</u>	<u>(569,857)</u>	<u>455,885</u>	<u>569,857</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 2,443,633	\$ 3,004,022	\$ (380,800)	\$ 152,118	\$ 2,062,833	\$ 3,156,140
Net assets, July 1, 2008	<u>52,620,532</u>	<u>49,616,510</u>	<u>17,010,216</u>	<u>16,858,098</u>	<u>69,630,748</u>	<u>66,474,608</u>
Net assets, June 30, 2009	<u>\$ 55,064,165</u>	<u>\$ 52,620,532</u>	<u>\$ 16,629,416</u>	<u>\$ 17,010,216</u>	<u>\$ 71,693,581</u>	<u>\$ 69,630,748</u>

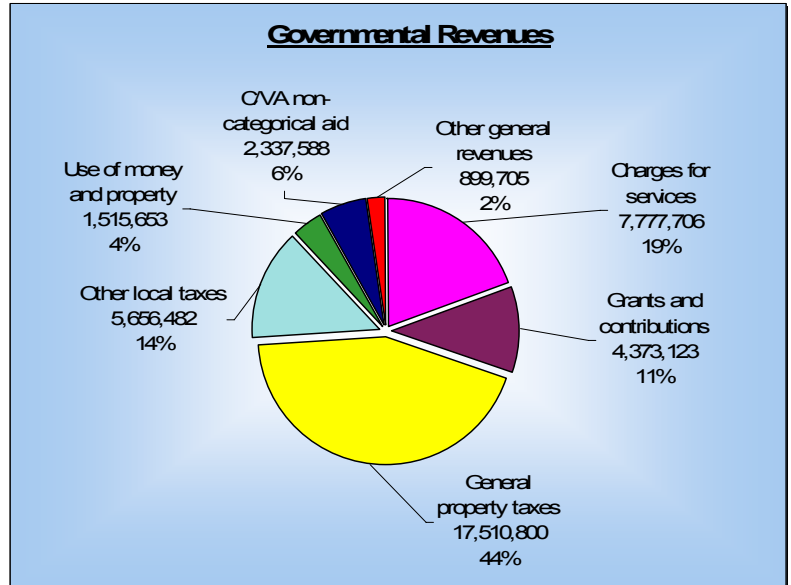
Government-wide Financial Analysis: (Continued)

Governmental Activities – Program and general revenues for governmental activities totaled \$40.1 million for the fiscal year.

Major sources were as follows:

- General property taxes totaled \$17.5 million
- Charges for services totaled \$7.8 million (this includes \$6.6 million of landfill revenues)
- Other local taxes totaled \$5.6 million.
- Operating grants and contributions totaled \$4.3 million

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



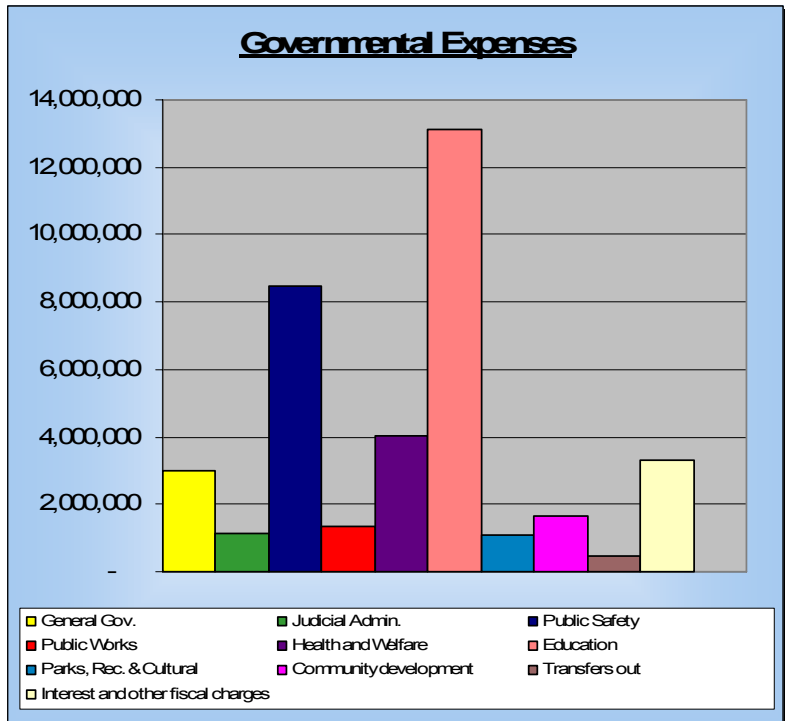
Expenses for governmental activities totaled \$37.2 million for the fiscal year. Major categories were as follows:

- Education totaled – \$13.1 million
- Public Safety totaled – \$8.5 million
- Health and Welfare totaled – \$4 million

The graph below denotes expenses by major categories.

Significant changes noted in revenues were:

- General property taxes increased \$433,422; most of this increase is due to the increase in the real tax rate from \$0.44 to \$0.45.
- Other General Revenues decreased \$1.6 million during the year mainly due to a one time donation received for \$2.2 million in the prior year.
- Capital Grants and contributions increased by \$752,261. This is mainly due to refunding of a school construction bond in the prior year and corresponding receipt of VPSA subsidy revenue.



Significant changes in expenses were:

- Education expenses decreased by \$5.1 million due to bonds issued in the prior year and near completion of the new high school.
- Public Safety expenses increased by \$490,844 due to initial construction of a new Animal Control facility and a new Sheriff's building.
- Public Works decreased by \$190,429 due to decrease in capital expenses.

Government-wide Financial Analysis: (Continued)

Business-type activities - Business-type activities net assets decreased by \$(380,800) during the current year.

Major reasons are as follows:

- Operating revenues decreased \$1.8 million while operating expenses decreased \$198,007 from fiscal year 2008 levels.
- The decrease in revenues consists primarily of decrease in service fees by \$947,018 due to reduction in water and sewer connections and other revenues by \$899,084 as a direct affect of the economy. In addition, sewer usage revenues decreased by \$31,801 in fiscal year 2009.
- Operating expenses decreased from \$4.1 million to \$3.9 million during the year.
- The largest decrease noted in expenses was other operating expenses which decreased by \$232,591. This was a result of a reduction in discretionary spending, overtime and not making a payment to the Governmental Activities in the amount of \$175,000. Management made deliberate decisions to reduce spending based on the forecasted reduction in revenues.
- Non-operating revenues (expenses) increased by \$1.2 million. Interest earned during the year decreased by \$112,271 due to the economy, however a state Water Quality Improvement (WQIF) grant was received in the amount of \$1.3 million during fiscal year 2009.
- The County transferred \$455,885 to the business-type activities fund to assist in funding operating expenditures. This amount will decrease in 20% increments over the next two years and result in assisted funding on an as needed basis in the future.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$65.4 million, an increase of \$12.8 in comparison with the prior year. Approximately sixty-five percent (65%) of this amount (\$46.6 million) constitutes unreserved fund balance. General fund unreserved balance equals \$22.3 million which is available for spending at the County's discretion. \$20.3 million constitutes unreserved capital projects fund balance. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for library operations (\$810,644), debt service (\$1.1 million), Wireless Authority (\$265,008), natatorium (\$2.2 million) and for capital projects (\$18.4 million).

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$22.3 million, while the total fund balance was \$23.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents sixty-one percent (61%) of total general fund expenditures, while total fund balance represents sixty-five percent (65%) of that same amount.

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

General Fund: The fund balance of the County's general fund increased by \$1.9 million during the current fiscal year. Some factors which are significant contributors to this increase are as follows:

- Return of unspent funds in the amount of \$1,192,001 from the School Board.
- Increase in other local taxes by \$344,836
- Increase in general property taxes of \$288,302 due to increase in the tax assessments.
- Decrease in use of money and property of \$379,242 due to a decrease in interest earned on investments.
- Increase in ambulance fee billing revenues of \$299,646.
- Discretionary spending freeze implemented by the County Administrator across the board.

Capital Projects Fund: At the end of the current fiscal year the fund balance for the County's capital projects fund was \$40.9 million of which fifty percent (50%) is reserved for future capital projects. The fund balance of the County's capital projects fund increased by \$11.1 million during the current fiscal year. Some major factors are as follows:

- The County issued new debt in the amount of \$21.7 million for the construction of a sheriff facility and animal control office; of this amount \$4.5 million was used to refund previously issued obligations.
- Landfill fees collected in fiscal year 2009 totaled \$6.6 million which was used to fund debt service. In addition, \$7.8 million was spent on various capital projects.
- At the end of the current fiscal year the fund balance for the County's permanent fund was \$810,644 which is all reserved for library operations. The fund balance of the County's permanent fund increased by \$41,950 during the current fiscal year. This was due to interest earnings.
- The Wireless Authority project fund balance was \$265,009 at the end of the current fiscal year. This is a decrease of \$295,235 used to fund construction of the infrastructure.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$775,931 or 2% increase in appropriations). Significant budget variances are summarized as follows:

- Comprehensive Services (CSA) increased by \$344,000 based on an increase expenditures.
- Various public safety grants and additional state and federal funding totaling \$213,921.
- Primary government contribution to School Board increased by \$125,000 for additional purchases requested by the School Board.
- \$59,218 was due to electronic monitoring for juveniles which was not included in the budget.
- Courts increased by \$92,624 as a result of funding 100% of the shared secretary's salary of the Circuit Court, however 50% was reimbursed. An additional increase was due to a grant received by Clerk of the Circuit Court.

General Fund Budgetary Highlights: (Continued)

Of these increases, grants came from Federal and State government with the balance supported by transferred from other departments and fund balances.

Actual revenues were less than the amended budget by only \$43,445, reference Exhibit 10.

Actual expenditures were \$2.6 million less than the amended budget. Major contributors were as follows:

- One factor in reduction in spending is because of the economic challenges that were ahead, the County Administrator implemented a spending freeze effective December, 2008. In addition, employees did not receive salary increases and there was a hiring freeze as well.
- General Administration was under spent by \$230,168 with the largest in Finance for \$80,543, due to overall cost reductions and vacancies.
- Welfare which had a favorable expenditure variance of \$319,264 made up primarily of expenditures relating to related to Social Services Administration and Purchase of Services.
- Public safety also had a favorable expenditure variance of \$535,039 of which the majority was due to vacancies.
- The largest savings in expenditures was Schools returned \$1,192,001 to the General Fund due to remaining funds from transfer.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2009 totals \$66.3 million (net of accumulated depreciation). Governmental capital assets increased a total of \$4.5 million. For the same period business-type activities increased \$733,988. Major highlights of governmental capital assets include:

- The County substantially completed construction of the new high school. To date the County has expended more than \$42 million on the new high school; and more than \$3 million in renovations to the old high school (which is now the new middle school).

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2009 totals \$36.8 million (net of accumulated depreciation). Investment in capital assets increased \$733,988. This is due to multiple projects now in progress.

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

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$77.4 million and the King George Service Authority has outstanding obligations of \$25.2 million.

Of the County's debt, \$12.1 million comprises debt backed by the full faith and credit of the County and \$60.9 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total long-term obligations increased \$14.8 million during the current fiscal year. The County issued revenue bonds in the amount of \$21.7 million, and reduced debt in the amount of \$6.9 million. The King George Service Authority increased its long-term obligations by \$1.6 million during the year.

The County received an upgrade to Aa credit rating from Standard and Poor's, and remain at A+ from Fitch as well as Moody's during fiscal year 2009.

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

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 7.9 at June 30, 2009. The local unemployment rate compares favorably to the June 30, 2009 national rates. The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 9,192 in 2002 to 9,414 in 2009. However, 2009 represents a decrease of 281 positions from 2008. In summary, local business indicators are continuing to indicate a steady local economy compared to surrounding areas in Virginia.

The General Fund revenue budget for the fiscal year ending June 30, 2009 totals \$32.4 million which is an increase of \$585,082 or 2% over the prior year. Revenue from the general property taxes accounts for the majority of this increase due to increases in assessments.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 61,326,168	\$ 4,278,172	\$ 65,604,340	\$ 150,889
Receivables (net of allowance for uncollectibles):				
Property taxes	1,300,750	-	1,300,750	-
Accounts receivable	1,637,882	480,721	2,118,603	611
Notes receivable	590,749	-	590,749	-
Due from other governments	2,864,093	-	2,864,093	434,426
Restricted cash	3,354,693	2,241,686	5,596,379	-
Due from primary government	-	-	-	3,534,913
Total Current Assets	\$ 71,074,335	\$ 7,000,579	\$ 78,074,914	\$ 4,120,839
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 5,242,694	\$ 2,262,354	\$ 7,505,048	\$ 182,483
Infrastructure	-	31,856,299	31,856,299	-
Buildings	7,714,365	-	7,714,365	17,205,695
Equipment	3,362,632	296,440	3,659,072	1,645,385
Jointly owned assets	45,302,168	-	45,302,168	5,390,418
Construction in progress	4,762,578	2,398,222	7,160,800	-
Total capital assets	\$ 66,384,437	\$ 36,813,315	\$ 103,197,752	\$ 24,423,981
Other assets	919,759	271,679	1,191,438	-
Total Noncurrent Assets	\$ 67,304,196	\$ 37,084,994	\$ 104,389,190	\$ 24,423,981
Total Assets	\$ 138,378,531	\$ 44,085,573	\$ 182,464,104	\$ 28,544,820
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,139,413	\$ 226,866	\$ 1,366,279	\$ 513,957
Accrued liabilities	-	-	-	3,538,029
Due to component unit - School Board	3,534,913	-	3,534,913	-
Unearned revenue	-	1,741,441	1,741,441	-
Accrued interest payable	1,201,571	318,320	1,519,891	-
Current portion of long-term obligations	3,147,718	883,866	4,031,584	216,947
Total Current Liabilities	\$ 9,023,615	\$ 3,170,493	\$ 12,194,108	\$ 4,268,933
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	74,290,751	24,285,664	98,576,415	573,510
Total Liabilities	\$ 83,314,366	\$ 27,456,157	\$ 110,770,523	\$ 4,842,443
NET ASSETS				
Invested in capital assets, net of related debt	\$ 13,355,755	\$ 16,166,998	\$ 29,522,753	\$ 23,973,707
Restricted for:				
Debt service	1,154,693	-	1,154,693	-
Natorium	2,200,000	-	2,200,000	-
Unrestricted assets	38,353,717	462,418	38,816,135	(271,330)
Total Net Assets	\$ 55,064,165	\$ 16,629,416	\$ 71,693,581	\$ 23,702,377
Total Liabilities and Net Assets	\$ 138,378,531	\$ 44,085,573	\$ 182,464,104	\$ 28,544,820

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

COUNTY OF KING GEORGE, VIRGINIA

Statement of Activities
 Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,984,895	\$ -	\$ 272,914	\$ -
Judicial administration	1,140,286	274,113	514,220	-
Public safety	8,468,031	74,689	1,112,947	-
Public works	1,328,152	7,001,071	-	-
Health and welfare	4,051,416	-	2,294,602	-
Education	13,146,962	-	-	46,177
Parks, recreation, and cultural	1,091,834	326,969	107,412	-
Community development	1,630,889	100,864	24,851	-
Interest on long-term debt	3,329,074	-	-	-
Total governmental activities	\$ 37,171,539	\$ 7,777,706	\$ 4,326,946	\$ 46,177
Business-type activities:				
Water and sewer	\$ 5,091,165	\$ 2,367,257	\$ -	\$ 1,340,934
Total primary government	\$ 42,262,704	\$ 10,144,963	\$ 4,326,946	\$ 1,387,111
COMPONENT UNIT:				
School Board	\$ 35,322,198	\$ 677,805	\$ 22,341,894	\$ 147,388

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

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (2,711,981)	\$ -	\$ (2,711,981)	\$ -
(351,953)	-	(351,953)	-
(7,280,395)	-	(7,280,395)	-
5,672,919	-	5,672,919	-
(1,756,814)	-	(1,756,814)	-
(13,100,785)	-	(13,100,785)	-
(657,453)	-	(657,453)	-
(1,505,174)	-	(1,505,174)	-
(3,329,074)	-	(3,329,074)	-
<u>\$ (25,020,710)</u>	<u>\$ -</u>	<u>\$ (25,020,710)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,382,974)</u>	<u>\$ (1,382,974)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (1,382,974)</u>	<u>\$ (26,403,684)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,155,111)</u>
17,510,800	-	17,510,800	-
1,298,856	-	1,298,856	-
403,435	-	403,435	-
238,428	-	238,428	-
1,335,986	-	1,335,986	-
522,202	-	522,202	-
290,079	-	290,079	-
752,391	-	752,391	-
815,105	-	815,105	-
2,337,588	-	2,337,588	-
1,515,653	20,904	1,536,557	14,821
-	-	-	11,813,244
899,705	525,385	1,425,090	59,776
(455,885)	455,885	-	-
<u>\$ 27,464,343</u>	<u>\$ 1,002,174</u>	<u>\$ 28,466,517</u>	<u>\$ 11,887,841</u>
<u>\$ 2,443,633</u>	<u>\$ (380,800)</u>	<u>\$ 2,062,833</u>	<u>\$ (267,270)</u>
<u>52,620,532</u>	<u>17,010,216</u>	<u>69,630,748</u>	<u>23,969,647</u>
<u>\$ 55,064,165</u>	<u>\$ 16,629,416</u>	<u>\$ 71,693,581</u>	<u>\$ 23,702,377</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2009

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
ASSETS					
Cash and cash equivalents	\$ 23,505,757	\$ 36,741,131	\$ 810,644	\$ 268,636	\$ 61,326,168
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	1,300,750	-	-	-	1,300,750
Accounts	215,050	1,422,832	-	-	1,637,882
Note receivable	590,749	-	-	-	590,749
Restricted cash	1,154,693	2,200,000	-	-	3,354,693
Due from other governmental units	1,864,093	1,000,000	-	-	2,864,093
Total assets	\$ 28,631,092	\$ 41,363,963	\$ 810,644	\$ 268,636	\$ 71,074,335
LIABILITIES					
Accounts payable	\$ 651,101	\$ 484,684	\$ -	\$ 3,628	\$ 1,139,413
Due to component unit - School Board	3,534,913	-	-	-	3,534,913
Deferred revenue	973,120	-	-	-	973,120
Total liabilities	\$ 5,159,134	\$ 484,684	\$ -	\$ 3,628	\$ 5,647,446
FUND BALANCES					
Reserved for:					
Library operations	\$ -	\$ -	\$ 810,644	\$ -	\$ 810,644
Natatorium	-	2,200,000	-	-	2,200,000
Specific capital projects	-	18,379,524	-	-	18,379,524
Debt service	1,154,693	-	-	-	1,154,693
Wireless authority	-	-	-	265,008	265,008
Unreserved	22,317,265	20,299,755	-	-	42,617,020
Total fund balances	\$ 23,471,958	\$ 40,879,279	\$ 810,644	\$ 265,008	\$ 65,426,889
Total liabilities and fund balances	\$ 28,631,092	\$ 41,363,963	\$ 810,644	\$ 268,636	\$ 71,074,335

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

Total fund balances, balance sheet, governmental funds	\$ 65,426,889
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.	66,384,437
Bond issuance costs are reported as expenditures in governmental funds. However, the statement of net assets includes these issuance costs among the assets of the County as a whole.	919,759
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,201,571)
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.	973,120
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.	(77,438,469)
Net assets of governmental activities	\$ 55,064,165

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, 2009

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Permanent Fund	Wireless Authority Fund	
Revenues:					
General property taxes	\$ 17,381,006	\$ -	\$ -	\$ -	\$ 17,381,006
Other local taxes	5,656,482	-	-	-	5,656,482
Permits, privilege fees and regulatory licenses	464,441	6,647,643	-	-	7,112,084
Fines and forfeitures	255,499	-	-	-	255,499
Revenue from use of money and property	684,799	782,803	41,950	6,101	1,515,653
Charges for services	410,123	-	-	-	410,123
Miscellaneous	899,705	-	-	-	899,705
Intergovernmental:					
Contribution from the School Board	-	226,971	-	-	226,971
Commonwealth	5,694,639	46,177	-	-	5,740,816
Federal	969,895	-	-	-	969,895
Total revenues	\$ 32,416,589	\$ 7,703,594	\$ 41,950	\$ 6,101	\$ 40,168,234
Expenditures:					
Current:					
General government administration	\$ 2,486,555	\$ 411,734	\$ -	\$ -	\$ 2,898,289
Judicial administration	1,127,473	-	-	-	1,127,473
Public safety	7,774,845	574,882	-	-	8,349,727
Public works	1,334,747	444,308	-	-	1,779,055
Health and welfare	4,001,766	-	-	-	4,001,766
Education	11,311,272	5,673,842	-	-	16,985,114
Parks, recreation, and cultural	1,086,591	630,660	-	-	1,717,251
Community development	1,392,938	7,150	-	266,635	1,666,723
Debt service:					
Principal retirement	2,609,028	76,714	-	-	2,685,742
Interest and other fiscal charges	3,153,502	6,994	-	34,701	3,195,197
Total expenditures	\$ 36,278,717	\$ 7,826,284	\$ -	\$ 301,336	\$ 44,406,337
Excess (deficiency) of revenues over expenditures	\$ (3,862,128)	\$ (122,690)	\$ 41,950	\$ (295,235)	\$ (4,238,103)
Other financing sources (uses):					
Transfers in	\$ 5,763,828	\$ -	\$ -	\$ -	\$ 5,763,828
Transfers out	-	(6,219,713)	-	-	(6,219,713)
Payment to refunded bond escrow agent	-	(4,465,250)	-	-	(4,465,250)
Issuance of refunding bonds	-	4,473,200	-	-	4,473,200
Long-term debt issued	-	17,304,918	-	-	17,304,918
Bond premium	-	181,528	-	-	181,528
Total other financing sources (uses)	\$ 5,763,828	\$ 11,274,683	\$ -	\$ -	\$ 17,038,511
Net changes in fund balances	\$ 1,901,700	\$ 11,151,993	\$ 41,950	\$ (295,235)	\$ 12,800,408
Fund balances at beginning of year	21,570,258	29,727,286	768,694	560,243	52,626,481
Fund balances at end of year	\$ 23,471,958	\$ 40,879,279	\$ 810,644	\$ 265,008	\$ 65,426,889

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

	<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 12,800,408
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 7,405,431
Depreciation expense	<u>(2,317,488)</u> 5,087,943
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	(623,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.	129,794
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:	
Proceeds from issuance of long-term obligations	\$ (21,778,118)
Premium on bonds	(181,528)
Amortization of bond premium	31,969
Amortization of bond issuance costs	(34,065)
Principal retired on general obligation and lease revenue bonds	2,359,028
Payment to refunded bond escrow agent	4,465,250
Principal retired on state literary fund loans	250,000
Principal retired on capital lease obligations	<u>76,714</u> (14,810,750)
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	\$ (8,136)
Change in interest payable	<u>(131,781)</u> (139,917)
Change in net assets of governmental activities	\$ <u><u>2,443,633</u></u>

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

Statement of Net Assets - Proprietary Fund
At June 30, 2009

	<u>Business- Type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 4,278,172
Receivables (net of allowance for uncollectibles):	
Accounts receivable	480,721
Restricted cash	<u>2,241,686</u>
Total Current Assets	<u>\$ 7,000,579</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	39,184,409
Equipment	791,809
Construction in progress	2,398,222
Accumulated depreciation	<u>(7,823,479)</u>
Total Capital Assets	<u>\$ 36,813,315</u>
Bond issue costs, net of amortization	<u>\$ 271,679</u>
Total Noncurrent Assets	<u>\$ 37,084,994</u>
Total Assets	<u>\$ 44,085,573</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 226,866
Deferred revenue	1,741,441
Accrued interest payable	318,320
Current portion of long-term obligations	<u>883,866</u>
Total Current Liabilities	<u>\$ 3,170,493</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>24,285,664</u>
Total Liabilities	<u>\$ 27,456,157</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,166,998
Unrestricted assets	<u>462,418</u>
Total Net Assets	<u>\$ 16,629,416</u>
Total Liabilities and Net Assets	<u>\$ 44,085,573</u>

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

Statement of Revenues, Expenses and Change in Net Assets -
 Proprietary Fund
 Year Ended June 30, 2009

	Business- Type Activities
Operating revenues:	
Water revenues	\$ 845,048
Sewer revenues	963,042
Service fees	559,167
Other revenues	<u>525,385</u>
Total operating revenues	\$ <u>2,892,642</u>
Operating expenses:	
Personnel services	\$ 1,048,504
Fringe benefits	430,852
Contractual services	395,210
Depreciation and amortization	1,063,729
Other operating expenses	<u>967,307</u>
Total operating expenses	\$ <u>3,905,602</u>
Net income from operations	\$ <u>(1,012,960)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 20,904
State and local grant funds	1,340,934
Interest expense	<u>(1,185,563)</u>
Total nonoperating revenues (expenses)	\$ <u>176,275</u>
Net income before transfers	\$ (836,685)
Transfers:	
Transfers in	<u>455,885</u>
Change in net assets	\$ (380,800)
Net assets, beginning of year	<u>17,010,216</u>
Net assets, end of year	<u>\$ <u>16,629,416</u></u>

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

Statement of Cash Flows - Proprietary Fund
 Year Ended June 30, 2009

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,537,274
Payments to employees (including fringe benefits)	(1,477,415)
Payments for operating activities	<u>(1,663,510)</u>
Net cash provided by operating activities	<u>\$ 396,349</u>
Cash flows from non-capital financing activities:	
State, federal and local grant funds	<u>\$ 1,340,934</u>
Net cash provided by non-capital financing activities	<u>\$ 1,340,934</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (1,785,613)
Proceeds from long term indebtedness issued	2,306,996
Proceeds from issuance of refunding debt	4,046,407
Capital grants and contributions	455,885
Payment to refunded bonds escrow agent	(3,959,750)
Retirement of indebtedness	(820,436)
Interest paid on loans	<u>(1,186,278)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (942,789)</u>
Cash flows from investing activities:	
Interest received	<u>\$ 20,904</u>
Net increase (decrease) in cash and cash equivalents	\$ 815,398
Cash and cash equivalents (including restricted) at beginning of year	<u>5,704,460</u>
Cash and cash equivalents (included restricted) at end of year	<u><u>\$ 6,519,858</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income from operations	\$ (1,012,960)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,063,729
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(87,298)
(Decrease) in accounts payable and accrued liabilities	(300,993)
(Decrease) in deferred revenue	731,930
Increase in compensated absences	<u>1,941</u>
Net cash provided by operating activities	<u><u>\$ 396,349</u></u>

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

Statement of Fiduciary Net Assets
At June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 5,256,251
Accounts receivable	<u>67,405</u>
 Total assets	 \$ <u><u>5,323,656</u></u>
 LIABILITIES	
Accounts payable	\$ 112,752
Amounts held for others	1,186,100
Amounts held for landfill closure and postclosure costs	3,993,829
Amounts held for social services' clients	<u>30,975</u>
 Total liabilities	 \$ <u><u>5,323,656</u></u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements As of June 30, 2009

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

A. Financial Reporting Entity:

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

B. Individual Component Unit Disclosures:

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

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

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

Discretely Presented Component Unit - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2009.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major sources of revenue susceptible to accrual include but are not limited to state and local sales tax, PPTRA, other local taxes, and state and federal grants. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

a. General Fund

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

b. Capital Projects Fund

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

c. Permanent Fund

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

d. Wireless Authority Fund

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

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

Enterprise Funds

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

The County reports the following major enterprise fund:

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

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

D. Budgets and Budgetary Accounting:

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, School Operating Fund, and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

E. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is utilized as part of the County's accounting system.

F. Cash and Cash Equivalents:

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

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

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

G. Investments:

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

H. Receivables and Payables:

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$567,620 at June 30, 2009 and is comprised of the following:

Property taxes	\$ 497,576
Water & sewer accounts	<u>70,044</u>
Total	<u>\$ 567,620</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

I. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2009 totaled \$74,252.

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

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

J. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

J. Compensated Absences: (Continued)

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

K. Long-term Obligations:

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

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

L. Fund Equity:

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

M. Retirement Plan:

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

N. Use of Estimates:

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

O. Bond Issuance Costs:

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Costs relative to each bond issue are amortized over the life of the bonds. Amortization expense for the year ended June 30, 2009 totaled \$12,105 in the Enterprise funds and \$34,065 in the Governmental Funds.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

P. Prepaid Connection Fees:

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

Q. Net Assets

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

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

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

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

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

Note 2—Deposits and Investments:

Deposits

All cash of the County and its component unit is maintained in accounts collateralized in accordance with the Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2009 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Locality's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAA	AA+
U.S. Agencies	\$ -	\$ 8,769,238	\$ -
Local Government Investment Pool	4,560,607	-	-
State Non-Arbitrage Pool	23,214,197	-	-
U.S. Treasury Money Market Fund	11,568,094	-	-
U.S. Treasuries	-	6,748,667	-
Corporate Notes	-	1,452,465	1,493,972
Repurchase Agreements - Underlying: U.S. Agency Securities	-	16,878,056	-
Total	<u>\$ 39,342,898</u>	<u>\$ 33,848,426</u>	<u>\$ 1,493,972</u>

Interest Rate Risk

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

Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Repurchase Agreements	\$ 16,878,056	\$ -	\$ 3,530,285	\$ 3,786,463	\$ 9,561,308
Corporate Notes	2,946,437	740,929	2,205,508	-	-
U.S. Agencies	8,769,238	375,067	7,654,667	-	739,504
U.S. Treasuries	6,748,667	295,036	6,453,631	-	-
Total	<u>\$ 35,342,398</u>	<u>\$ 1,411,032</u>	<u>\$ 19,844,091</u>	<u>\$ 3,786,463</u>	<u>\$ 10,300,812</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares.

Note 3—Due From Other Governments:

At June 30, 2009, the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	255,953
PPTRA	1,088,066	-
Local sales taxes	112,875	-
Communications tax	58,554	-
Public assistance	48,996	-
Shared expenses	217,186	-
CSA	212,465	-
Other	62,910	12
Federal Government:		
School funds	-	178,461
Department of transportation	348	-
Public assistance	62,693	-
Totals	<u>\$ 2,864,093</u>	<u>\$ 434,426</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 3,534,913	\$ -
School	-	3,534,913
Totals	<u>\$ 3,534,913</u>	<u>\$ 3,534,913</u>

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

Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2009 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 5,763,828	\$ -
Service Authority	455,885	-
Capital Improvements Fund	-	6,219,713
Total	<u>\$ 6,219,713</u>	<u>\$ 6,219,713</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2009:

Primary Government:

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,707,040	\$ 535,654	-	\$ 5,242,694
Construction in progress-jointly owned assets	31,497,067	5,553,966	36,507,709	543,324
Construction in progress	<u>7,101,776</u>	<u>1,135,593</u>	<u>4,018,115</u>	<u>4,219,254</u>
Total capital assets not being depreciated	<u>\$ 43,305,883</u>	<u>\$ 7,225,213</u>	<u>\$ 40,525,824</u>	<u>\$ 10,005,272</u>
Capital assets being depreciated:				
Buildings	\$ 7,185,391	\$ 3,923,295	-	\$ 11,108,686
Equipment	7,111,470	275,038	70,534	7,315,974
Jointly owned assets	<u>12,318,926</u>	<u>36,507,709</u>	<u>984,647</u>	<u>47,841,988</u>
Total capital assets being depreciated	<u>\$ 26,615,787</u>	<u>\$ 40,706,042</u>	<u>\$ 1,055,181</u>	<u>\$ 66,266,648</u>
Less accumulated depreciation for:				
Buildings	\$ 3,181,785	212,536	-	\$ 3,394,321
Equipment	3,237,864	786,012	70,534	3,953,342
Jointly owned assets	<u>1,581,682</u>	<u>1,318,940</u>	<u>360,802</u>	<u>2,539,820</u>
Total accumulated depreciation	<u>\$ 8,001,331</u>	<u>\$ 2,317,488</u>	<u>\$ 431,336</u>	<u>\$ 9,887,483</u>
Total capital assets being depreciated, net	<u>\$ 18,614,456</u>	<u>\$ 38,388,554</u>	<u>\$ 623,845</u>	<u>\$ 56,379,165</u>
Governmental activities capital assets, net	<u><u>\$ 61,920,339</u></u>	<u><u>\$ 45,613,767</u></u>	<u><u>\$ 41,149,669</u></u>	<u><u>\$ 66,384,437</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	<u>852,812</u>	<u>1,785,613</u>	<u>240,203</u>	<u>2,398,222</u>
Total capital assets not being depreciated	<u>\$ 3,115,166</u>	<u>\$ 1,785,613</u>	<u>\$ 240,203</u>	<u>\$ 4,660,576</u>
Capital assets being depreciated:				
Infrastructure	\$ 38,944,206	\$ 240,203	\$ -	\$ 39,184,409
Equipment	<u>791,809</u>	<u>-</u>	<u>-</u>	<u>791,809</u>
Total capital assets being depreciated	<u>\$ 39,736,015</u>	<u>\$ 240,203</u>	<u>\$ -</u>	<u>\$ 39,976,218</u>
Less accumulated depreciation for:				
Infrastructure	\$ 6,342,513	\$ 985,597	\$ -	\$ 7,328,110
Equipment	<u>429,341</u>	<u>66,028</u>	<u>-</u>	<u>495,369</u>
Total accumulated depreciation	<u>\$ 6,771,854</u>	<u>\$ 1,051,625</u>	<u>\$ -</u>	<u>\$ 7,823,479</u>
Total capital assets being depreciated, net	<u>\$ 32,964,161</u>	<u>\$ (811,422)</u>	<u>\$ -</u>	<u>\$ 32,152,739</u>
Business-type activities capital assets, net	<u>\$ 36,079,327</u>	<u>\$ 974,191</u>	<u>\$ 240,203</u>	<u>\$ 36,813,315</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 182,483	\$ -	\$ -	\$ 182,483
Construction in progress	<u>8,648,972</u>	<u>110,000</u>	<u>8,758,972</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 8,831,455</u>	<u>\$ 110,000</u>	<u>\$ 8,758,972</u>	<u>\$ 182,483</u>
Capital assets, being depreciated:				
Buildings	\$ 17,575,049	\$ 8,648,972	\$ -	\$ 26,224,021
Equipment	3,747,966	334,264	-	4,082,230
Jointly owned assets	<u>6,269,531</u>	<u>984,647</u>	<u>-</u>	<u>7,254,178</u>
Total capital assets being depreciated	<u>\$ 27,592,546</u>	<u>\$ 9,967,883</u>	<u>\$ -</u>	<u>\$ 37,560,429</u>
Less accumulated depreciation for:				
Buildings	\$ 8,355,839	\$ 662,487	\$ -	\$ 9,018,326
Equipment	2,191,487	245,358	-	2,436,845
Jointly owned assets	<u>1,502,958</u>	<u>360,802</u>	<u>-</u>	<u>1,863,760</u>
Total accumulated depreciation	<u>\$ 12,050,284</u>	<u>\$ 1,268,647</u>	<u>\$ -</u>	<u>\$ 13,318,931</u>
Total capital assets being depreciated, net	<u>\$ 15,542,262</u>	<u>\$ 8,699,236</u>	<u>\$ -</u>	<u>\$ 24,241,498</u>
School Board capital assets, net	<u>\$ 24,373,717</u>	<u>\$ 8,809,236</u>	<u>\$ 8,758,972</u>	<u>\$ 24,423,981</u>

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

Net capital assets	<u>\$ 66,384,437</u>
Long-term debt applicable to capital assets at June 30, 2009	\$ 77,207,222
Less - debt proceeds received but not expended on capital assets at June 30, 2009	<u>(24,178,540)</u>
Net long-term debt, as adjusted	<u>\$ 53,028,682</u>
Net assets invested in capital assets, less related debt	<u>\$ 13,355,755</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 247,460
Judicial administration	10,404
Public safety	652,503
Public works	17,661
Health and Welfare	38,238
Education	1,318,940
Parks, recreation and cultural	24,103
Community development	<u>8,179</u>
Total	\$ <u>2,317,488</u>
Component Unit-School Board	\$ <u>907,845</u> (1)
King George Service Authority	\$ <u>1,051,625</u>
(1) Depreciation expense	\$ 907,845
Accumulated depreciation on Joint tenancy asset transfer	<u>360,802</u>
Total increase in accumulated depreciation, page 44	\$ <u>1,268,647</u>

Note 7—Restricted Assets:

Restricted assets at June 30, 2009 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$ 2,241,686
Natorium donation	2,200,000
Cash reserves for debt service	<u>1,154,693</u>
Total	\$ <u>5,596,379</u>

Note 8—Other Assets:

Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$ 140,749
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>450,000</u>
Total notes receivable	\$ <u>590,749</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 8—Other Assets: (Continued)

Bond Issuance Costs:

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
2004 IDA Bonds	\$ <u>1,021,954</u>	30	\$ <u>34,065</u>	\$ <u>102,195</u>	\$ <u>919,759</u>

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Issuance costs:					
2001 VRA bonds	\$ 212,149	30	\$ 7,072	\$ 56,221	\$ 155,928
2002 VRA bonds	<u>150,982</u>	30	<u>5,033</u>	<u>35,231</u>	<u>115,751</u>
Total	\$ <u>363,131</u>		\$ <u>12,105</u>	\$ <u>91,452</u>	\$ <u>271,679</u>

Note 9—Long-Term Obligations:

Governmental Funds:

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 12,923,640	\$ -	\$ 833,028	\$ 12,090,612	\$ 828,848
Revenue Bonds	44,769,000	21,778,118	5,646,000	60,901,118	1,898,650
Deferred amount on refunding	-	(345,250)	-	(345,250)	-
Wireless Authority Bonds	740,000	-	-	740,000	-
State Literary Fund Loans	2,750,000	-	250,000	2,500,000	250,000
Capital Leases	153,427	-	76,714	76,713	76,713
Compensated Absences	568,361	93,390	85,254	576,497	57,650
Premium on bonds payable	<u>749,220</u>	<u>181,528</u>	<u>31,969</u>	<u>898,779</u>	<u>35,857</u>
Total	\$ <u>62,653,648</u>	\$ <u>21,707,786</u>	\$ <u>6,922,965</u>	\$ <u>77,438,469</u>	\$ <u>3,147,718</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

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

Year Ending June 30,	Governmental Funds							
	General Obligation and Revenue Bonds		Literary Loans		Capital Leases		Wireless Authority Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,727,498	\$ 3,427,631	\$ 250,000	\$ 75,000	\$ 76,713	\$ 6,994	-	\$ 41,366
2011	2,466,288	3,312,362	250,000	67,500	-	-	-	41,366
2012	2,698,585	3,197,681	250,000	60,000	-	-	-	41,366
2013	2,778,220	3,082,534	250,000	52,500	-	-	740,000	41,366
2014	2,540,303	2,970,953	250,000	45,000	-	-	-	-
2015	2,603,919	2,872,034	250,000	37,500	-	-	-	-
2016	2,662,300	2,763,383	250,000	30,000	-	-	-	-
2017	2,359,036	2,650,949	250,000	22,500	-	-	-	-
2018	2,427,906	2,541,113	250,000	15,000	-	-	-	-
2019	2,499,634	2,429,483	250,000	7,500	-	-	-	-
2020	2,571,900	2,317,355	-	-	-	-	-	-
2021	2,654,728	2,189,440	-	-	-	-	-	-
2022	2,742,566	2,054,415	-	-	-	-	-	-
2023	2,839,140	1,916,121	-	-	-	-	-	-
2024	2,943,029	1,775,411	-	-	-	-	-	-
2025	3,045,672	1,628,303	-	-	-	-	-	-
2026	3,153,345	1,473,022	-	-	-	-	-	-
2027	2,895,189	1,324,900	-	-	-	-	-	-
2028	3,008,887	1,180,526	-	-	-	-	-	-
2029	2,744,222	1,041,385	-	-	-	-	-	-
2030	2,864,846	906,173	-	-	-	-	-	-
2031	2,983,406	759,771	-	-	-	-	-	-
2032	3,118,445	607,043	-	-	-	-	-	-
2033	2,850,433	457,601	-	-	-	-	-	-
2034	2,997,233	311,150	-	-	-	-	-	-
2035	1,860,000	190,750	-	-	-	-	-	-
2036	1,955,000	97,746	-	-	-	-	-	-
Total	\$ 72,991,730	\$ 49,479,235	\$ 2,500,000	\$ 412,500	\$ 76,713	\$ 6,994	\$ 740,000	\$ 165,464

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$2,476,000 IDA Loan Refunding Bonds issued March 29, 2005 payable in various principal annual installments from August 1, 2005 to August 1, 2015, interest at 3.61%	\$ 2,361,000	\$ 320,000
\$2,045,000 IDA Revenue Refunding Bonds, issued May 1, 2001 due in various principal annual installments through December 15, 2012, interest payable semiannually at rates ranging from 3.75% to 5.00%	1,070,000	245,000
\$17,304,918 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	17,304,918	-
\$4,473,200 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	4,473,200	214,650
\$5,100,000 IDA Lease Revenue Bonds Series 2006, payable in annual installments of \$204,000 through September 1, 2031, interest payable semiannually at 4.75%	4,692,000	204,000
\$5,000,000 IDA Lease Revenue Bonds Series 1996, payable in various installments through July 15, 2009, interest payable semiannually at rates ranging from 4.6% to 6.4%	275,000	275,000
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2036, interest payable semiannually at 4.76%	<u>30,725,000</u>	<u>640,000</u>
Total Revenue Bonds	\$ <u>60,901,118</u>	\$ <u>1,898,650</u>
<u>General Obligation Bonds:</u>		
\$1,840,000, Virginia Public School Authority bond issued August 30, 1990 due in various annual installments through July 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	240,000	120,000
\$1,015,000 Virginia Public School Authority bond issued April 25, 1991, due in various installments through December 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	110,000	55,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds: (Continued)</u>		
\$1,755,000, Virginia Public School Authority refunding bond issued December 15, 1993 due in various annual installments through December 15, 2009, interest payable semiannually at rates ranging from 6.76% to 7.2%	\$ 80,000	\$ 80,000
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	5,565,634	291,837
\$6,364,713 VPSA Subsidy Bonds, payable in various installments through July 15, 2027, interest payable semiannually at rates ranging from 4.1% to 5.1%	<u>6,094,978</u>	<u>282,011</u>
Total General Obligation Bonds	\$ <u>12,090,612</u>	\$ <u>828,848</u>
Total Lease Revenue and General Obligation Bonds	\$ <u>72,991,730</u>	\$ <u>2,727,498</u>
<u>Wireless Authority Bonds:</u>		
\$740,000 Revenue Bonds dated January 28, 2008 due in annual installments of interest with principal due December 1, 2012, interest at 5.59%	\$ <u>740,000</u>	\$ <u>-</u>
<u>State Literary Fund Loans:</u>		
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	\$ <u>2,500,000</u>	\$ <u>250,000</u>
<u>Capital Lease Obligations:</u>		
\$306,855 lease obligation due in annual installments of \$76,714 through November 1, 2010, interest payable annually at 5.98%, secured by mobile communications equipment	\$ <u>76,713</u>	\$ <u>76,713</u>
Compensated Absences	\$ <u>576,497</u>	\$ <u>57,650</u>
Premium on bonds payable	\$ <u>898,779</u>	\$ <u>35,857</u>
Deferred amount on refunding of 2006 revenue bonds	\$ <u>(345,250)</u>	\$ <u>-</u>
Total	\$ <u>77,438,469</u>	\$ <u>3,147,718</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Assets acquired under capital leases:

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

King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2009:

<u>Proprietary Funds</u>	<u>Balance July 1, 2008</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Notes Payable	\$ 635,564	\$ -	\$ 44,815	\$ 590,749	\$ 44,817
Virginia Water Facilities Loan	318,343	-	123,568	194,775	128,560
VRA Utility Revenue Bond	9,470,000	-	235,000	9,235,000	245,000
VRA Water Revenue Bond	7,410,000	-	175,000	7,235,000	180,000
VRA Infrastructure Revenue Bonds	-	6,261,882	-	6,261,882	190,350
Compensated absences	70,940	12,582	10,641	72,881	7,288
IDA Lease Revenue Bonds	3,868,800	-	3,868,800	-	-
Deferred amount on refunding	-	(252,150)	-	(252,150)	-
Water & Sewer Revenue Bond	1,820,725	-	80,853	1,739,872	84,403
Premium on bonds payable	-	91,521	-	91,521	3,448
Total	<u>\$ 23,594,372</u>	<u>\$ 6,113,835</u>	<u>\$ 4,538,677</u>	<u>\$ 25,169,530</u>	<u>\$ 883,866</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

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

Year Ending June 30,	Virginia Water Facilities Loan		VRA Water Revenue Bond		VRA Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 128,560	\$ 6,518	\$ 180,000	\$ 346,224	\$ 245,000	\$ 467,873
2011	66,215	1,324	185,000	340,104	255,000	457,215
2012	-	-	195,000	331,594	265,000	445,485
2013	-	-	205,000	322,624	280,000	431,970
2014	-	-	215,000	312,170	290,000	417,690
2015	-	-	220,000	303,356	305,000	402,900
2016	-	-	230,000	294,116	320,000	387,345
2017	-	-	240,000	284,224	335,000	371,025
2018	-	-	250,000	273,664	355,000	353,940
2019	-	-	265,000	262,416	370,000	335,835
2020	-	-	275,000	250,226	390,000	316,965
2021	-	-	285,000	237,232	410,000	297,075
2022	-	-	300,000	223,765	430,000	276,165
2023	-	-	315,000	209,365	450,000	254,235
2024	-	-	330,000	194,087	475,000	231,285
2025	-	-	345,000	178,083	500,000	207,060
2026	-	-	360,000	161,350	525,000	181,560
2027	-	-	380,000	143,890	550,000	154,785
2028	-	-	395,000	125,460	575,000	126,735
2029	-	-	415,000	105,315	605,000	97,410
2030	-	-	435,000	84,150	635,000	66,555
2031	-	-	460,000	61,965	670,000	34,170
2032	-	-	480,000	38,505	-	-
2033	-	-	275,000	14,025	-	-
Total	\$ 194,775	\$ 7,842	\$ 7,235,000	\$ 5,097,910	\$ 9,235,000	\$ 6,315,278

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Year Ending June 30,	Notes Payable		Water and Sewer Revenue Bonds		VRA Infrastructure Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 44,817	\$ 5,630	\$ 84,403	\$ 76,380	\$ 190,350	\$ 299,008
2011	44,817	4,504	88,108	72,676	181,503	291,383
2012	44,817	3,378	91,976	68,808	229,513	280,851
2013	44,817	2,258	96,014	64,770	234,790	270,579
2014	44,817	1,126	100,229	60,554	234,196	262,529
2015	16,667	-	104,629	56,154	234,188	255,210
2016	16,667	-	109,222	51,562	233,595	245,912
2017	16,667	-	114,017	46,766	237,108	234,196
2018	16,667	-	119,022	41,760	242,970	221,894
2019	16,667	-	124,247	36,536	246,483	210,423
2020	16,667	-	129,702	31,082	249,996	199,652
2021	16,667	-	135,396	25,388	253,509	187,629
2022	16,667	-	141,340	19,444	257,607	174,532
2023	16,667	-	147,545	13,238	262,291	161,210
2024	16,667	-	154,022	6,762	269,325	148,057
2025	16,667	-	-	-	274,009	134,502
2026	16,667	-	-	-	279,278	119,871
2027	16,667	-	-	-	287,483	104,640
2028	16,667	-	-	-	296,273	89,213
2029	16,667	-	-	-	299,778	73,715
2030	16,667	-	-	-	309,154	57,881
2031	16,667	-	-	-	315,594	41,637
2032	16,667	-	-	-	325,556	24,964
2033	16,667	-	-	-	154,567	12,480
2034	16,667	-	-	-	162,766	4,230
2035	16,667	-	-	-	-	-
2036	16,657	-	-	-	-	-
Total	\$ <u>590,749</u>	\$ <u>16,896</u>	\$ <u>1,739,872</u>	\$ <u>671,880</u>	\$ <u>6,261,882</u>	\$ <u>4,106,198</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$281,498 note payable issued February 2, 2004 payable in annual principal installments of \$28,150 through February 2, 2013, interest at 4.00%	\$ 140,749	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	450,000	16,667
\$1,816,890, Virginia Water Facilities Revolving Loan Fund issued April 1, 1991, payable in principal and interest semiannual installments of \$67,539 through September 2011, interest at 4%	194,775	128,560
\$10,700,000, Virginia Resources Authority bond issued December 14, 2001, payable in various principal annual installments through April 1, 2031, interest payable semiannually at 4.94%	9,235,000	245,000
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at rates ranging from 2.1% to 5.1%	7,235,000	180,000
\$2,115,986 Water and Sewer Revenue bond issued February 2, 2004, payable in various principal annual installments through February 2, 2024, interest payable semiannually at 4.39%	1,739,872	84,403
\$3,966,800 VRA Revenue Refunding Bonds Series 2008, payable in various annual installments through October 1, 2031, interest payable semiannually at rates ranging from 3.125% to 5.375%	3,966,800	190,350
\$2,295,082 VRA Revenue Bonds Series 2008, payable in various annual installments through October 1, 2033, interest payable semiannually at rates ranging from 3.125% to 5.375%	<u>2,295,082</u>	<u>-</u>
Total long-term debt	\$ 25,257,278	\$ 873,130
Compensated absences	\$ 72,881	\$ 7,288
Premium on bonds payable	\$ 91,521	\$ 3,448
Deferred amount on refunding of 2006 revenue bonds	\$ (252,150)	\$ -
Total long-term obligations	<u>\$ 25,169,530</u>	<u>\$ 883,866</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2009:

	<u>Amounts Payable July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Capital Leases	\$ 392,760	\$ 148,910	\$ 91,396	\$ 450,274	\$ 122,899
Other post employment benefits	-	105,400	38,700	66,700	66,700
Compensated absences payable	<u>259,544</u>	<u>52,871</u>	<u>38,932</u>	<u>273,483</u>	<u>27,348</u>
Total	<u>\$ 652,304</u>	<u>\$ 307,181</u>	<u>\$ 169,028</u>	<u>\$ 790,457</u>	<u>\$ 216,947</u>

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

<u>Year Ending June 30,</u>	<u>Component Unit School Board</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 122,899	\$ 21,450
2011	128,769	15,580
2012	134,919	9,430
2013	31,113	2,987
2014	<u>32,574</u>	<u>1,527</u>
Total	<u>\$ 450,274</u>	<u>\$ 50,974</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Capital Lease Obligations:</u>		
\$479,970 lease obligation due in annual installments of \$110,249 through June 14, 2012, interest payable annually at 4.80%, secured by school buses	\$ 301,364	\$ 95,783
\$148,910 lease obligation due in annual installments of \$34,100 through July 18, 2013, interest payable annually at 4.96%, secured by school buses	<u>148,910</u>	<u>27,116</u>
Total Capital Lease Obligations	<u>\$ 450,274</u>	<u>\$ 122,899</u>
Compensated Absences	<u>\$ 273,483</u>	<u>\$ 27,348</u>
Other post employment benefits	<u>66,700</u>	<u>66,700</u>
Total	<u>\$ 790,457</u>	<u>\$ 216,947</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 9—Long-Term Obligations: (Continued)

Component Unit School Board: (Continued)

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 628,880	\$ 52,407	\$ 92,405
Total	<u>\$ 628,880</u>	<u>\$ 52,407</u>	<u>\$ 92,405</u>

Note 10—Claims, Judgments, and Compensated Absences:

In accordance with GASB statement 16 “Accounting and Financial Reporting Principal for Claims and Judgments and Compensated Absences,” the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

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

Primary Government	\$ <u>576,497</u>
King George Service Authority	\$ <u>72,881</u>
Component Unit School Board	\$ <u>273,483</u>

Note 11—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$2,714,561 is comprised of the following:

- A. Prepaid connections fees for the King George Service Authority totaled \$1,741,441 at June 30, 2009.
- B. Deferred property tax revenues totaled \$973,120 at June 30, 2009.

Note 12—Litigation:

At June 30, 2009, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 13—Defined Benefit Pension Plan:

A. Plan Description:

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

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. 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/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employer contribution rates for the fiscal year ended 2009 were 8.05% and 8.02% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,570,458, \$1,754,680 and \$1,487,613 to the teacher cost-sharing pool for the fiscal years ended June 30, 2009, 2008 and 2007, respectively and these contributions represented 8.81%, 10.30%, and 9.20%, respectively, of current covered payroll.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 13–Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost:

For fiscal year 2009, the County’s annual pension cost of \$650,560 was equal to the County’s required and actual contributions.

For fiscal year 2009, the School Board’s annual pension cost for the non-professional employees was \$178,971, which was equal to the Board’s required and actual contributions.

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2009	\$	650,560	100%	\$	-
June 30, 2008		651,513	100%		-
June 30, 2007		384,376	100%		-
School Board:					
Non-professional:					
June 30, 2009	\$	178,971	100%	\$	-
June 30, 2008		111,578	100%		-
June 30, 2007		109,550	100%		-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the County’s plan was 86.26% funded. The actuarial accrued liability for benefits was \$19,035,779, and the actuarial value of assets was \$16,419,383, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,616,396. The covered payroll (annual payroll of active employees covered by the plan) was \$8,242,742, and ratio of the UAAL to the covered payroll was 31.74%.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 13–Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress: (Continued)

As of June 30, 2008, the most recent actuarial valuation date, the County School Board's plan was 85.95% funded. The actuarial accrued liability for benefits was \$3,881,182, and the actuarial value of assets was \$3,335,949, resulting in an unfunded actuarial accrued liability (UAAL) of \$545,233. The covered payroll (annual payroll of active employees covered by the plan) was \$2,175,928, and ratio of the UAAL to the covered payroll was 25.06%.

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

Note 14–Risk Management:

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

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

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

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

Note 15–Landfill Closure and Postclosure Care Cost:

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2009 the County has set aside escrow funds in the amount of \$3,993,829 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 16—Commitments and Contingencies:

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

Note 17—Expenditures Over Appropriations:

At June 30, 2009 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Medical examiner	\$ -	\$ 120	\$ (120)
Miscellaneous	8,870	44,358	(35,488)
Interest and fiscal charges	2,993,602	3,153,502	(159,900)
Capital Projects Fund:			
Land purchase	43,579	62,909	(19,330)
Potomac elementary school renovator	-	875	(875)
Wireless between buildings	109,871	110,000	(129)
School Operating Fund:			
Principal retirement	87,210	91,396	(4,186)

Note 18—Surety Bond:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 19—Construction Commitments:

At June 30, 2009 the County has several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2009</u>	<u>Contract Balance</u>
Arnold's Corner Water Storage Tank	\$ 1,488,000	\$ 1,462,000	\$ 26,000
Sealston Park Sports Complex	<u>888,768</u>	<u>869,488</u>	<u>19,280</u>
Total	<u>\$ 2,376,768</u>	<u>\$ 2,331,488</u>	<u>\$ 45,280</u>

Note 20—Debt Refunding:

On March 29, 2005 the County of King George, Virginia issued \$2,476,000 in General Obligation Refunding Bonds, Series, 2005 with an effective interest rate of 3.61%. The Series 2005 bonds were issued to refund \$2,476,000 of General Obligation Bonds, Series of 1996. The 2005 bonds will be repaid in various installments beginning January 15, 2008 to 2017. As a result, the 1996 bonds maturing annually on July 15, 2010 to January 15, 2016 are considered to be defeased in substance and the liability for those bonds have been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$166,288. The advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$727,664 and resulted in an economic gain of \$283,117. At June 30, 2009 the defeased bonds had balances outstanding of \$2,361,000.

On December 10, 2008 the County of King George, Virginia issued \$8,440,000 in VRA Revenue Refunding Bonds, Series, 2008 with an effective interest rate ranging from 3.125% to 5.375%. The Series 2008 bonds were issued to refund \$7,827,600 of IDA Lease Revenue Bonds, Series of 2006. The 2008 bonds will be repaid in various installments beginning October 1, 2009 to October 1, 2031. As a result, the 2006 bonds maturing annually on September 1, 2009 to September 1, 2031 are considered to be defeased in substance and the liability for those bonds have been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$597,400. The advance refunding increased the total debt service payments over the next 23 years by \$1,291,943 and resulted in an economic cost of \$661,843. At June 30, 2009 the defeased bonds had balances outstanding of \$7,827,600. The refunding was undertaken to free up collateral for other financing activities.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 21—Other Post-Employment Benefit Program:

School Board:

A. Plan Description:

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

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Participating retirees pay 100% of the monthly premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 105,400
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 105,400
Contributions made	(38,700)
Increase in net OPEB obligation	\$ 66,700
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 66,700

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 105,400	\$ 37%	\$ 66,700

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009 is as follows:

Actuarial accrued liability (AAL)	\$	684,300
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		684,300
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)		20,991,600
UAAL as a percentage of covered payroll		3.26%

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

Actuarial Methods and Assumptions

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

Cost Method

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

C. Annual Required Contribution (ARC): (Continued)

Cost Method: (Continued)

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

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

Interest Assumptions

In the January 1, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.10 percent initially, reduced by decrements to an ultimate rate of 5.10 percent after eighty years. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2009, was thirty years.

Unfunded

Discount rate	\$	4.00%
Payroll growth		3.75%

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 17,370,318	\$ 17,370,318	\$ 17,381,006	\$ 10,688
Other local taxes	5,209,830	5,209,830	5,656,482	446,652
Permits, privilege fees and regulatory licenses	543,651	543,651	464,441	(79,210)
Fines and forfeitures	226,670	226,670	255,499	28,829
Revenue from use of money and property	992,774	992,774	684,799	(307,975)
Charges for services	415,901	415,901	410,123	(5,778)
Miscellaneous	405,270	187,529	899,705	712,176
Recovered costs	175,000	175,000	-	(175,000)
Intergovernmental:				
Commonwealth	6,423,154	6,692,132	5,694,639	(997,493)
Federal	617,274	646,229	969,895	323,666
Total revenues	\$ 32,379,842	\$ 32,460,034	\$ 32,416,589	\$ (43,445)
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 64,099	\$ 64,099	\$ 59,541	\$ 4,558
General and financial administration:				
County administration	\$ 396,395	\$ 400,272	\$ 361,549	\$ 38,723
Legal services	98,447	98,447	97,748	699
Human resources	53,266	53,266	33,486	19,780
Commissioner of the Revenue	394,315	394,315	354,808	39,507
Reassessment	117,000	144,059	144,059	-
Treasurer	331,310	331,310	322,657	8,653
Information technology	246,103	250,782	219,310	31,472
Department of finance	814,667	814,902	734,359	80,543
Total general and financial administration	\$ 2,451,503	\$ 2,487,353	\$ 2,267,976	\$ 219,377
Board of Elections:				
Electoral board and officials	\$ 33,733	\$ 45,333	\$ 45,291	\$ 42
Registrar	123,332	119,938	113,747	6,191
Total board of elections	\$ 157,065	\$ 165,271	\$ 159,038	\$ 6,233
Total general government administration	\$ 2,672,667	\$ 2,716,723	\$ 2,486,555	\$ 230,168

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 48,965	\$ 115,959	\$ 100,663	\$ 15,296
Combined courts	26,586	26,586	14,824	11,762
Magistrates	3,950	3,950	3,926	24
Clerk of the circuit court	452,325	475,655	460,265	15,390
Law library	4,000	4,000	2,145	1,855
Victim assistance program	19,901	22,201	22,185	16
Total courts	\$ 555,727	\$ 648,351	\$ 604,008	\$ 44,343
Commonwealth's attorney:				
Commonwealth's attorney	\$ 530,449	\$ 528,149	\$ 523,465	\$ 4,684
Total judicial administration	\$ 1,086,176	\$ 1,176,500	\$ 1,127,473	\$ 49,027
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,190,028	\$ 3,183,028	\$ 3,042,517	\$ 140,511
VJCCCA / CHINS	51,473	54,148	53,676	472
E-911	527,471	534,471	532,601	1,870
Law enforcement	22,200	22,200	9,500	12,700
Public safety grants	10,012	19,067	15,336	3,731
Total law enforcement and traffic control	\$ 3,801,184	\$ 3,812,914	\$ 3,653,630	\$ 159,284
Fire and rescue services:				
Emergency services	\$ 2,095,168	\$ 2,094,139	\$ 1,878,045	\$ 216,094
Ambulance services	-	28,898	26,102	2,796
Fire and rescue grants	-	205,866	110,074	95,792
King George fire and rescue	388,990	394,640	371,698	22,942
Total fire and rescue services	\$ 2,484,158	\$ 2,723,543	\$ 2,385,919	\$ 337,624
Correction and detention:				
Juvenile detention	\$ 380,744	\$ 439,962	\$ 439,962	\$ -
Regional jail	1,098,194	1,098,194	1,073,117	25,077
Court service unit - juvenile court	3,190	3,190	3,190	-
Total correction and detention	\$ 1,482,128	\$ 1,541,346	\$ 1,516,269	\$ 25,077

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 218,611	\$ 218,611	\$ 205,877	\$ 12,734
Medical examiner	-	-	120	(120)
Miscellaneous public safety	74,500	13,500	13,030	470
Total other protection	\$ 293,111	\$ 232,111	\$ 219,027	\$ 13,084
Total public safety	\$ 8,060,581	\$ 8,309,914	\$ 7,774,845	\$ 535,069
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 259,141	\$ 254,431	\$ 155,525	\$ 98,906
Sanitation and waste removal:				
Landfill	\$ 223,065	\$ 223,065	\$ 222,738	\$ 327
Maintenance of general buildings and grounds:				
General properties	\$ 809,133	\$ 855,423	\$ 855,365	\$ 58
Miscellaneous	35,000	8,870	44,358	(35,488)
Citizen's center	55,841	56,841	56,761	80
Total maintenance of general buildings and grounds	\$ 899,974	\$ 921,134	\$ 956,484	\$ (35,350)
Total public works	\$ 1,382,180	\$ 1,398,630	\$ 1,334,747	\$ 63,883
Health and welfare:				
Health:				
Local health department	\$ 312,418	\$ 314,684	\$ 314,683	\$ 1
Mental health and mental retardation:				
Community services board	\$ 80,125	\$ 80,125	\$ 80,125	\$ -
Welfare:				
Administration and public assistance	\$ 2,369,782	\$ 2,261,867	\$ 1,951,838	\$ 310,029
Comprehensive services	1,320,354	1,664,354	1,655,120	9,234
Total welfare	\$ 3,690,136	\$ 3,926,221	\$ 3,606,958	\$ 319,263
Total health and welfare	\$ 4,082,679	\$ 4,321,030	\$ 4,001,766	\$ 319,264

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,902	\$ 4,902	\$ 4,902	\$ -
Contribution to Component Unit School Board	12,373,371	12,498,371	11,306,370	1,192,001
Total education	\$ 12,378,273	\$ 12,503,273	\$ 11,311,272	\$ 1,192,001
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 298,948	\$ 293,072	\$ 292,394	\$ 678
Bluemont concert series	8,000	8,000	8,000	-
Recreation programs and events	339,000	340,995	317,231	23,764
Total parks and recreation	\$ 645,948	\$ 642,067	\$ 617,625	\$ 24,442
Library:				
Library	\$ 521,470	\$ 521,470	\$ 468,966	\$ 52,504
Total parks, recreation and cultural	\$ 1,167,418	\$ 1,163,537	\$ 1,086,591	\$ 76,946
Community development:				
Planning and community development:				
Community development	\$ 794,316	\$ 804,242	\$ 776,827	\$ 27,415
Economic development	167,424	167,424	113,576	53,848
Planning / community zoning boards	36,290	36,290	8,980	27,310
Welcome center	-	976	975	1
Community organizations	353,210	354,349	354,349	-
Total planning and community development	\$ 1,351,240	\$ 1,363,281	\$ 1,254,707	\$ 108,574
Environmental management:				
Litter control	\$ 2,800	\$ 6,547	\$ 6,106	\$ 441
Soil and water conservation district	32,248	32,248	32,248	-
Total environmental management	\$ 35,048	\$ 38,795	\$ 38,354	\$ 441

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Community development: (continued)				
Cooperative extension program:				
VPI extension	\$ 107,628	\$ 108,137	\$ 99,877	\$ 8,260
Total community development	\$ 1,493,916	\$ 1,510,213	\$ 1,392,938	\$ 117,275
Debt service:				
Principal retirement	\$ 2,770,228	\$ 2,770,228	\$ 2,609,028	\$ 161,200
Interest and fiscal charges	2,993,601	2,993,602	3,153,502	(159,900)
Total debt service	\$ 5,763,829	\$ 5,763,830	\$ 5,762,530	\$ 1,300
Total expenditures	\$ 38,087,719	\$ 38,863,650	\$ 36,278,717	\$ 2,584,933
Excess (deficiency) of revenues over expenditures	\$ (5,707,877)	\$ (6,403,616)	\$ (3,862,128)	\$ 2,541,488
Other financing sources (uses):				
Operating transfers in	\$ 5,763,829	\$ 5,763,829	\$ 5,763,828	\$ (1)
Total other financing sources (uses)	\$ 5,763,829	\$ 5,763,829	\$ 5,763,828	\$ (1)
Net changes in fund balance	\$ 55,952	\$ (639,787)	\$ 1,901,700	\$ 2,541,487
Fund balance at beginning of year	(55,952)	639,787	21,570,258	20,930,471
Fund balance at end of year	\$ -	\$ -	\$ 23,471,958	\$ 23,471,958

Schedule of Pension Funding Progress
Last Three Fiscal Years

**Virginia Retirement System:
County:**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 16,419,383	\$ 19,035,779	\$ 2,616,396	86.26%	\$ 8,242,742	31.74%
6/30/2007	14,123,472	15,427,286	1,303,814	91.55%	7,562,646	17.24%
6/30/2006	11,936,751	13,661,148	1,724,397	87.38%	6,841,519	25.20%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 3,335,949	\$ 3,881,182	\$ 545,233	85.95%	\$ 2,175,928	25.06%
6/30/2007	2,870,148	3,511,893	641,745	81.73%	2,134,539	30.06%
6/30/2006	2,432,984	3,027,255	594,271	80.37%	1,899,046	31.29%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2009	\$ -	\$ 684,300	\$ 684,300	0.00%	\$ 20,991,600	3.26%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,560,000	\$ 6,560,000	\$ 6,647,643	\$ 87,643
Revenue from use of money and property	750,000	750,000	782,803	32,803
Miscellaneous	75,000	75,000	-	(75,000)
Intergovernmental:				
Contribution from the School Board	-	226,971	226,971	-
Commonwealth	-	46,017	46,177	160
Federal	-	25,000	-	(25,000)
Total revenues	\$ 7,385,000	\$ 7,682,988	\$ 7,703,594	\$ 20,606
Expenditures:				
Capital outlay:				
Public safety:				
Equipment acquisition - EMS	\$ -	\$ 68,987	\$ 13,394	\$ 55,593
Vehicle acquisition - EMS	-	583,847	-	583,847
Communications equipment - sheriff	-	141,380	-	141,380
Vehicle acquisition - sheriff	-	199,600	76,548	123,052
Total public safety	\$ -	\$ 993,814	\$ 89,942	\$ 903,872
Education:				
Equipment additions	\$ -	\$ 39,560	\$ 9,000	\$ 30,560
Total education	\$ -	\$ 39,560	\$ 9,000	\$ 30,560
Capital projects:				
General government administration:				
Construction program	\$ 1,165,287	\$ 2,289,172	\$ 20,200	\$ 2,268,972
Land purchase	-	43,579	62,909	(19,330)
County complex	-	3,185,748	328,625	2,857,123
Total general government administration	\$ 1,165,287	\$ 5,518,499	\$ 411,734	\$ 5,106,765
Judicial administration:				
Courthouse HVAC project	\$ -	\$ 93,815	\$ -	\$ 93,815
Total judicial administration	\$ -	\$ 93,815	\$ -	\$ 93,815
Public safety:				
Courthouse area fire and rescue project	\$ -	\$ 147,679	\$ 103,126	\$ 44,553
Sheriff's office at county complex	-	8,829,450	201,676	8,627,774
Animal pound	-	1,725,500	180,138	1,545,362
Total public safety	\$ -	\$ 10,702,629	\$ 484,940	\$ 10,217,689
Public works:				
New service authority facility	\$ -	\$ 450,000	\$ 444,308	\$ 5,692
Total public works	\$ -	\$ 450,000	\$ 444,308	\$ 5,692

Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (Continued)				
Capital projects: (Continued)				
Education:				
School construction - new high school	\$ -	\$ 7,086,003	\$ 4,836,103	\$ 2,249,900
Old high school renovations	-	982,121	518,054	464,067
High school vo-tech wing	-	331,025	199,810	131,215
Tennis courts - old high school	-	50,000	-	50,000
Potomac elementary school renovations	-	-	875	(875)
Wireless between buildings	-	109,871	110,000	(129)
Total education	<u>\$ -</u>	<u>\$ 8,559,020</u>	<u>\$ 5,664,842</u>	<u>\$ 2,894,178</u>
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 779,934	\$ 561,226	\$ 218,708
Library expansion	-	385,542	69,434	316,108
Total parks and recreation	<u>\$ -</u>	<u>\$ 1,165,476</u>	<u>\$ 630,660</u>	<u>\$ 534,816</u>
Community development:				
Citizens center renovations	\$ -	\$ 65,000	\$ -	\$ 65,000
Anglewood project	-	25,000	7,150	17,850
Total community development	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 7,150</u>	<u>\$ 82,850</u>
Debt service:				
Principal retirement	\$ -	\$ 76,714	\$ 76,714	\$ -
Interest and fiscal charges	-	6,994	6,994	-
Total debt service	<u>\$ -</u>	<u>\$ 83,708</u>	<u>\$ 83,708</u>	<u>\$ -</u>
Total expenditures	<u>\$ 1,165,287</u>	<u>\$ 27,696,521</u>	<u>\$ 7,826,284</u>	<u>\$ 19,870,237</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,219,713</u>	<u>\$ (20,013,533)</u>	<u>\$ (122,690)</u>	<u>\$ 19,890,843</u>
Other financing sources (uses):				
Transfers (out)	\$ (6,219,713)	\$ (6,219,713)	\$ (6,219,713)	-
Payment to refunded bond escrow agent	-	-	(4,465,250)	(4,465,250)
Issuance of refunding bonds	-	-	4,473,200	4,473,200
Long-term debt issued	-	10,554,950	17,304,918	6,749,968
Bond premium	-	-	181,528	181,528
Total other financing sources (uses):	<u>\$ (6,219,713)</u>	<u>\$ 4,335,237</u>	<u>\$ 11,274,683</u>	<u>\$ 6,939,446</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (15,678,296)</u>	<u>\$ 11,151,993</u>	<u>\$ 26,830,289</u>
Fund balance at beginning of year	-	15,678,296	29,727,286	14,048,990
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,879,279</u>	<u>\$ 40,879,279</u>

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2009

	<u>Special Welfare Fund</u>	<u>Payroll Taxes Fund</u>	<u>Landfill Escrow Fund</u>	<u>EDA Fund</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 30,975	\$ -	\$ 3,993,829	\$ 1,231,447	\$ 5,256,251
Accounts receivable	<u>-</u>	<u>67,405</u>	<u>-</u>	<u>-</u>	<u>67,405</u>
Total assets	<u>\$ 30,975</u>	<u>\$ 67,405</u>	<u>\$ 3,993,829</u>	<u>\$ 1,231,447</u>	<u>\$ 5,323,656</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 112,752	\$ 112,752
Amounts held for others	-	67,405	-	1,118,695	1,186,100
Amounts held for landfill closure and postclosure costs	-	-	3,993,829	-	3,993,829
Amounts held for social services' clients	<u>30,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,975</u>
Total liabilities	<u>\$ 30,975</u>	<u>\$ 67,405</u>	<u>\$ 3,993,829</u>	<u>\$ 1,231,447</u>	<u>\$ 5,323,656</u>

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2009

	<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	\$ 22,703	\$ 33,707	\$ 25,435	\$ 30,975
Liabilities:				
Amounts held for social services' clients	\$ 22,703	\$ 33,707	\$ 25,435	\$ 30,975
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,365,179	\$ 2,365,179	\$ -
Accounts receivable	50,358	67,405	50,358	67,405
Total assets	\$ 50,358	\$ 2,432,584	\$ 2,415,537	\$ 67,405
Liabilities:				
Amounts held for others	\$ 50,358	\$ 2,432,584	\$ 2,415,537	\$ 67,405
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,968,833	\$ 24,996	\$ -	\$ 3,993,829
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,968,833	\$ 24,996	\$ -	\$ 3,993,829
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ 2,016,092	\$ 230,165	\$ 1,014,810	\$ 1,231,447
Liabilities:				
Accounts payable	\$ 52,540	\$ 112,752	\$ 52,540	\$ 112,752
Amounts held for others	1,963,552	117,413	962,270	1,118,695
Total liabilities	\$ 2,016,092	\$ 230,165	\$ 1,014,810	\$ 1,231,447
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 6,007,628	\$ 2,654,047	\$ 3,405,424	\$ 5,256,251
Accounts receivable	50,358	67,405	50,358	67,405
Total assets	\$ 6,057,986	\$ 2,721,452	\$ 3,455,782	\$ 5,323,656
Liabilities:				
Accounts payable	\$ 52,540	\$ 112,752	\$ 52,540	\$ 112,752
Amounts held for social services' clients	22,703	33,707	25,435	30,975
Amounts held for landfill closure and postclosure costs	3,968,833	24,996	-	3,993,829
Amounts held for others	2,013,910	2,549,997	3,377,807	1,186,100
Total liabilities	\$ 6,057,986	\$ 2,721,452	\$ 3,455,782	\$ 5,323,656

Discretely Presented Component Unit-School Board

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2009

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 150,889	\$ 150,889
Receivables (Net of allowance for uncollectibles):			
Accounts	438	173	611
Due from primary government	3,534,913	-	3,534,913
Due from other governmental units	<u>434,426</u>	<u>-</u>	<u>434,426</u>
 Total assets	 <u>\$ 3,969,777</u>	 <u>\$ 151,062</u>	 <u>\$ 4,120,839</u>
 LIABILITIES			
Accounts payable	\$ 513,957	\$ -	\$ 513,957
Accrued liabilities	<u>3,453,820</u>	<u>84,209</u>	<u>3,538,029</u>
 Total liabilities	 <u>\$ 3,967,777</u>	 <u>\$ 84,209</u>	 <u>\$ 4,051,986</u>
 FUND BALANCES			
Unreserved:			
Undesignated	<u>\$ 2,000</u>	<u>\$ 66,853</u>	<u>\$ 68,853</u>
 Total fund balances	 <u>\$ 2,000</u>	 <u>\$ 66,853</u>	 <u>\$ 68,853</u>
 Total liabilities and fund balances	 <u>\$ 3,969,777</u>	 <u>\$ 151,062</u>	 <u>\$ 4,120,839</u>

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

Total fund balances, balance sheet, governmental funds \$ 68,853

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the School Board as a whole. 24,423,981

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. (790,457)

Net assets of Governmental Activities \$ 23,702,377

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2009

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 14,821	\$ -	\$ -	\$ 14,821
Charges for services	26,076	651,729	-	677,805
Miscellaneous	53,213	6,563	-	59,776
Intergovernmental:				
County contribution to School Board	11,306,370	-	-	11,306,370
Commonwealth	20,600,072	16,689	-	20,616,761
Federal	1,341,809	530,712	-	1,872,521
 Total revenues	 \$ 33,342,361	 \$ 1,205,693	 \$ -	 \$ 34,548,054
Expenditures:				
Current:				
Education	\$ 33,381,023	\$ 1,158,103	\$ -	\$ 34,539,126
Contribution to the primary government	-	-	226,971	226,971
Debt service:				
Principal retirement	91,396	-	-	91,396
Interest and fiscal charges	18,852	-	-	18,852
 Total expenditures	 \$ 33,491,271	 \$ 1,158,103	 \$ 226,971	 \$ 34,876,345
 Excess (deficiency) of revenues over expenditures	 \$ (148,910)	 \$ 47,590	 \$ (226,971)	 \$ (328,291)
Other financing sources (uses):				
Capital lease proceeds	\$ 148,910	\$ -	\$ -	\$ 148,910
 Total other financing sources (uses)	 \$ 148,910	 \$ -	 \$ -	 \$ 148,910
 Net changes in fund balances	 \$ -	 \$ 47,590	 \$ (226,971)	 \$ (179,381)
 Fund balances at beginning of year	 2,000	 19,263	 226,971	 248,234
 Fund balances at end of year	 \$ 2,000	 \$ 66,853	 \$ -	 \$ 68,853

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 Governmental Funds
 Year Ended June 30, 2009

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 14,821	\$ (5,179)
Charges for services	110,000	110,000	26,076	(83,924)
Miscellaneous	254,338	254,338	53,213	(201,125)
Intergovernmental:				
County contribution to School Board	12,373,371	12,498,371	11,306,370	(1,192,001)
Commonwealth	21,218,097	21,227,916	20,600,072	(627,844)
Federal	1,215,439	1,548,523	1,341,809	(206,714)
Total revenues	\$ 35,191,245	\$ 35,659,148	\$ 33,342,361	\$ (2,316,787)
Expenditures:				
Current:				
Instruction	\$ 25,981,437	\$ 26,424,340	\$ 24,671,727	\$ 1,752,613
Administration, attendance and health	1,115,109	1,115,109	1,080,197	34,912
Pupil transportation	3,087,647	3,126,308	2,645,918	480,390
Operation and maintenance	3,331,808	3,331,808	3,330,903	905
School food service costs	-	-	-	-
Facilities	254,061	279,061	274,799	4,262
Technology	1,421,183	1,421,183	1,377,479	43,704
Total education	\$ 35,191,245	\$ 35,697,809	\$ 33,381,023	\$ 2,316,786
Contribution to primary government	-	-	-	-
Debt service:				
Principal retirement	-	87,210	91,396	(4,186)
Interest and fiscal charges	-	23,039	18,852	4,187
Total expenditures	\$ 35,191,245	\$ 35,808,058	\$ 33,491,271	\$ 2,316,787
Excess (deficiency) of revenues over expenditures	\$ -	\$ (148,910)	\$ (148,910)	\$ -
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ 148,910	\$ 148,910	\$ -
Total other financing sources (uses)	\$ -	\$ 148,910	\$ 148,910	\$ -
Net changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	2,000	2,000
Fund balances at end of year	\$ -	\$ -	\$ 2,000	\$ 2,000

School Cafeteria Fund				School Construction Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
921,536	921,536	651,729	(269,807)	-	-	-	-
2,100	2,100	6,563	4,463	-	-	-	-
-	-	-	-	-	-	-	-
16,684	16,684	16,689	5	-	-	-	-
325,000	385,000	530,712	145,712	-	-	-	-
<u>\$ 1,265,320</u>	<u>\$ 1,325,320</u>	<u>\$ 1,205,693</u>	<u>\$ (119,627)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,265,320	1,325,320	1,158,103	167,217	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,265,320</u>	<u>\$ 1,325,320</u>	<u>\$ 1,158,103</u>	<u>\$ 167,217</u>	<u>\$ -</u>	<u>\$ 226,971</u>	<u>\$ 226,971</u>	<u>\$ -</u>
\$ -	\$ -	\$ 47,590	\$ 47,590	\$ -	\$ (226,971)	\$ (226,971)	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,265,320</u>	<u>\$ 1,325,320</u>	<u>\$ 1,158,103</u>	<u>\$ 167,217</u>	<u>\$ -</u>	<u>\$ 226,971</u>	<u>\$ 226,971</u>	<u>\$ -</u>
\$ -	\$ -	\$ 47,590	\$ 47,590	\$ -	\$ (226,971)	\$ (226,971)	\$ -
-	-	19,263	19,263	-	226,971	226,971	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,853</u>	<u>\$ 66,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of Schedule of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2009

**Component
Unit
School
Board**

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

Net changes in fund balances - total governmental funds \$ (179,381)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which the capital outlays exceeded depreciation in the current period is computed as follows:

Capital additions	\$	334,264	
Depreciation expense		<u>(907,845)</u>	(573,581)

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

Capital lease	(148,910)
Other post employment benefits	(66,700)
Principal retired on capital lease obligations	91,396

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. (13,939)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 623,845

Change in net assets of governmental activities \$ (267,270)

Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,879,217	\$ 11,879,217	\$ 12,239,994	\$ 360,777
Public service taxes	1,185,127	1,185,127	1,037,672	(147,455)
Personal property taxes	3,871,915	3,871,915	3,645,661	(226,254)
Mobile home taxes	22,323	22,323	20,551	(1,772)
Machinery and tools taxes	123,016	123,016	131,015	7,999
Penalties	186,970	186,970	198,709	11,739
Interest	101,750	101,750	107,404	5,654
Total general property taxes	<u>\$ 17,370,318</u>	<u>\$ 17,370,318</u>	<u>\$ 17,381,006</u>	<u>\$ 10,688</u>
Other local taxes:				
Local sales and use taxes	\$ 1,143,830	\$ 1,143,830	\$ 1,298,856	\$ 155,026
Communication tax	382,080	382,080	403,435	21,355
Consumer utility taxes	215,270	215,270	238,428	23,158
Local consumption tax	64,480	64,480	72,949	8,469
Business license taxes	1,083,360	1,083,360	1,335,986	252,626
Cable TV franchise license taxes	40,000	40,000	-	(40,000)
Motor vehicle licenses	506,520	506,520	522,202	15,682
Bank franchise taxes	82,800	82,800	67,668	(15,132)
Recordation taxes	444,410	444,410	290,079	(154,331)
Local tax from clerk	106,800	106,800	64,906	(41,894)
Interest on fines	2,320	2,320	3,396	1,076
Transient occupancy tax	96,850	96,850	115,320	18,470
Meals tax	641,110	641,110	752,391	111,281
Ambulance fees	400,000	400,000	490,866	90,866
Total other local taxes	<u>\$ 5,209,830</u>	<u>\$ 5,209,830</u>	<u>\$ 5,656,482</u>	<u>\$ 446,652</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,370	\$ 7,370	\$ 10,798	\$ 3,428
Building and related permits	250,890	250,890	163,644	(87,246)
Landfill inspection fees	186,891	186,891	189,784	2,893
Other permits and licenses	98,500	98,500	100,215	1,715
Total permits, privilege fees and regulatory licenses	<u>\$ 543,651</u>	<u>\$ 543,651</u>	<u>\$ 464,441</u>	<u>\$ (79,210)</u>
Fines and Forfeitures:				
Court and other fines and forfeitures	<u>\$ 226,670</u>	<u>\$ 226,670</u>	<u>\$ 255,499</u>	<u>\$ 28,829</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 939,700	\$ 939,700	\$ 617,369	\$ (322,331)
Revenue from use of property	53,074	53,074	67,430	14,356
Total revenue from use of money and property	<u>\$ 992,774</u>	<u>\$ 992,774</u>	<u>\$ 684,799</u>	<u>\$ (307,975)</u>
Charges for services:				
Sheriff's fees	\$ 921	\$ 921	\$ 921	\$ -
Law library fees	4,000	4,000	3,444	(556)
Local court appointed attorney fees	1,100	1,100	2,561	1,461
Courthouse maintenance fees	11,710	11,710	11,629	(81)
Commonwealth attorney fees	1,410	1,410	980	(430)
Courthouse security personnel fee	54,440	54,440	59,356	4,916
Jail admission fee	3,070	3,070	3,069	(1)
Charges for parks and recreation	339,000	339,000	326,969	(12,031)
Charges for maps / publications	250	250	649	399
Other charges for services	-	-	545	545
Total charges for services	<u>\$ 415,901</u>	<u>\$ 415,901</u>	<u>\$ 410,123</u>	<u>\$ (5,778)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 395,270	\$ 177,529	\$ 298,753	\$ 121,224
Disaster management reimbursements	-	-	574,904	574,904
Insurance recoveries	10,000	10,000	26,048	16,048
Total miscellaneous revenue	<u>\$ 405,270</u>	<u>\$ 187,529</u>	<u>\$ 899,705</u>	<u>\$ 712,176</u>
Recovered costs:				
Service authority cost allocation	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Total revenue from local sources	<u>\$ 25,339,414</u>	<u>\$ 25,121,673</u>	<u>\$ 25,752,055</u>	<u>\$ 630,382</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 9,851	\$ 9,851	\$ -	\$ (9,851)
Wine taxes	10,690	10,690	-	(10,690)
Rolling stock tax	3,310	3,310	3,490	180
Mobile home titling taxes	25,110	25,110	30,199	5,089
Recordation tax	128,321	128,321	116,608	(11,713)
Auto rental tax	30,940	30,940	39,423	8,483
PPTRA	2,147,868	2,147,868	2,147,868	-
Total noncategorical aid	<u>\$ 2,356,090</u>	<u>\$ 2,356,090</u>	<u>\$ 2,337,588</u>	<u>\$ (18,502)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 273,937	\$ 273,937	\$ 257,773	\$ (16,164)
Sheriff	1,014,960	1,014,960	972,519	(42,441)
Commissioner of the Revenue	130,471	130,471	121,521	(8,950)
Treasurer	107,157	107,157	106,132	(1,025)
Medical examiner	50	50	-	(50)
Registrar/electoral board	49,005	49,005	45,261	(3,744)
Clerk of the Circuit Court	198,825	198,825	256,447	57,622
Total shared expenses	<u>\$ 1,774,405</u>	<u>\$ 1,774,405</u>	<u>\$ 1,759,653</u>	<u>\$ (14,752)</u>
Other categorical aid:				
Welfare administration and assistance	\$ 1,096,475	\$ 1,096,475	\$ 511,266	\$ (585,209)
Litter control	2,800	2,540	2,540	-
Four for life funds	21,000	23,731	23,731	-
Health department	1,280	1,280	-	(1,280)
Comprehensive services	955,950	1,172,670	843,118	(329,552)
VJCCA grant	20,791	20,791	19,791	(1,000)
VA commission of the arts	4,000	4,000	-	(4,000)
Fire programs	40,000	45,726	45,726	-
Welcome center grant	-	-	1,719	1,719
Drug asset seizure	-	-	1,432	1,432

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DCJS - Victim witness assistance grant	\$ 19,901	\$ 19,901	\$ 19,900	\$ (1)
Library grant	94,192	107,192	103,412	(3,780)
DUI enforcement grant	10,012	10,012	-	(10,012)
Technology trust funds	26,258	26,258	-	(26,258)
PSAP grant	-	31,061	23,132	(7,929)
Other categorical aid	-	-	1,631	1,631
Total other categorical aid	\$ 2,292,659	\$ 2,561,637	\$ 1,597,398	\$ (964,239)
Total categorical aid	\$ 4,067,064	\$ 4,336,042	\$ 3,357,051	\$ (978,991)
Total revenue from the Commonwealth	\$ 6,423,154	\$ 6,692,132	\$ 5,694,639	\$ (997,493)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 612,274	\$ 612,274	\$ 940,218	\$ 327,944
US Fish and wildlife service	5,000	5,000	-	(5,000)
Emergency management grant	-	-	12,820	12,820
Bluemont grant	-	-	4,000	4,000
Law enforcement grants	-	9,055	12,857	3,802
Other categorical aid	-	19,900	-	(19,900)
Total revenue from the federal government	\$ 617,274	\$ 646,229	\$ 969,895	\$ 323,666
Total General Fund	\$ 32,379,842	\$ 32,460,034	\$ 32,416,589	\$ (43,445)
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,360,000	\$ 6,360,000	\$ 6,302,211	\$ (57,789)
Landfill fees - beneficial use	200,000	200,000	345,432	145,432
Total permits, privilege fees and regulatory licenses	\$ 6,560,000	\$ 6,560,000	\$ 6,647,643	\$ 87,643

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Improvements Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 750,000	\$ 750,000	\$ 782,803	\$ 32,803
Miscellaneous revenue:				
Miscellaneous	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Total miscellaneous revenue	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Total revenue from local sources	\$ 7,385,000	\$ 7,385,000	\$ 7,430,446	\$ 45,446
Intergovernmental revenue:				
Contribution from the School Board	\$ -	\$ 226,971	\$ 226,971	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
VPSA subsidy	\$ -	\$ 46,017	\$ 46,177	\$ 160
Total revenue from the Commonwealth	\$ -	\$ 46,017	\$ 46,177	\$ 160
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 25,000	\$ -	\$ (25,000)
Total Capital Improvements Fund	\$ 7,385,000	\$ 7,682,988	\$ 7,703,594	\$ 20,606
Grand Total Revenues -- Primary Government	\$ 39,764,842	\$ 40,143,022	\$ 40,120,183	\$ (22,839)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 20,000	\$ 20,000	\$ 14,821	\$ (5,179)
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 14,821	\$ (5,179)
Charges for services:				
Charges for education	\$ 110,000	\$ 110,000	\$ 26,076	\$ (83,924)
Total charges for services	\$ 110,000	\$ 110,000	\$ 26,076	\$ (83,924)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 204,000	\$ 204,000	\$ 50,967	\$ (153,033)
Other reimbursements and recoveries	50,338	50,338	2,246	(48,092)
Total miscellaneous revenue	<u>\$ 254,338</u>	<u>\$ 254,338</u>	<u>\$ 53,213</u>	<u>\$ (201,125)</u>
Total revenue from local sources	<u>\$ 384,338</u>	<u>\$ 384,338</u>	<u>\$ 94,110</u>	<u>\$ (290,228)</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 12,373,371</u>	<u>\$ 12,498,371</u>	<u>\$ 11,306,370</u>	<u>\$ (1,192,001)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,077,381	\$ 3,077,381	\$ 2,855,935	\$ (221,446)
Basic school aid	13,765,740	13,765,740	13,515,993	(249,747)
Remedial education	30,516	206,634	186,433	(20,201)
Textbook	287,567	287,567	280,711	(6,856)
Vocational education SOQ	135,874	135,874	132,634	(3,240)
Special education	1,070,006	1,070,006	1,044,495	(25,511)
Fringe benefits	1,358,737	1,358,737	1,326,342	(32,395)
K-3	109,799	109,799	103,211	(6,588)
Lottery - school construction and operating costs	578,094	578,094	470,449	(107,645)
Technology grant	180,000	180,000	180,000	-
Gifted education	109,184	109,184	106,581	(2,603)
School construction	147,753	147,753	147,388	(365)
Other state funds	367,446	201,147	249,900	48,753
Total categorical aid	<u>\$ 21,218,097</u>	<u>\$ 21,227,916</u>	<u>\$ 20,600,072</u>	<u>\$ (627,844)</u>
Total revenue from the Commonwealth	<u>\$ 21,218,097</u>	<u>\$ 21,227,916</u>	<u>\$ 20,600,072</u>	<u>\$ (627,844)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 304,473	\$ 638,503	\$ 477,400	\$ (161,103)
Title VI - B	660,734	681,792	447,271	(234,521)
Title II - EESA	112,589	119,383	111,155	(8,228)
Other federal assistance	137,643	108,845	305,983	197,138
Total categorical aid	<u>\$ 1,215,439</u>	<u>\$ 1,548,523</u>	<u>\$ 1,341,809</u>	<u>\$ (206,714)</u>
Total revenue from the federal government	<u>\$ 1,215,439</u>	<u>\$ 1,548,523</u>	<u>\$ 1,341,809</u>	<u>\$ (206,714)</u>
Total School Operating Fund	<u>\$ 35,191,245</u>	<u>\$ 35,659,148</u>	<u>\$ 33,342,361</u>	<u>\$ (2,316,787)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 921,536	\$ 921,536	\$ 651,729	\$ (269,807)
Miscellaneous revenue:				
Miscellaneous	\$ 2,100	\$ 2,100	\$ 6,563	\$ 4,463
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 16,684	\$ 16,684	\$ 16,689	\$ 5
Revenue from the federal government:				
Categorical aid:				
School food	\$ 325,000	\$ 385,000	\$ 530,712	\$ 145,712
Total School Cafeteria Fund	<u>\$ 1,265,320</u>	<u>\$ 1,325,320</u>	<u>\$ 1,205,693</u>	<u>\$ (119,627)</u>
Grand Total Revenues--Component Unit-School Board	<u>\$ 36,456,565</u>	<u>\$ 36,984,468</u>	<u>\$ 34,548,054</u>	<u>\$ (2,436,414)</u>

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COUNTY OF KING GEORGE, VIRGINIA

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:								
Invested in capital assets, net of related debt	\$ 675,920	\$ 1,731,053	\$ 3,327,685	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035	\$ 14,166,206	\$ 13,355,755
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777	3,354,693
Unrestricted	11,011,148	12,648,884	13,502,050	34,789,461	34,535,361	34,057,246	35,118,549	38,353,717
Total governmental activities net assets	<u>\$ 28,649,365</u>	<u>\$ 22,715,996</u>	<u>\$ 36,506,605</u>	<u>\$ 44,044,946</u>	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>	<u>\$ 52,620,532</u>	<u>\$ 55,064,165</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 4,921,921	\$ 5,505,139	\$ 9,507,244	\$ 10,843,832	\$ 11,307,604	\$ 16,032,120	\$ 16,422,476	\$ 16,166,998
Unrestricted	481,599	1,063,433	(851,067)	(495,069)	1,424,196	825,978	587,740	462,418
Total business-type net assets	<u>\$ 5,403,520</u>	<u>\$ 6,568,572</u>	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>	<u>\$ 12,731,800</u>	<u>\$ 16,858,098</u>	<u>\$ 17,010,216</u>	<u>\$ 16,629,416</u>
Primary government:								
Invested in capital assets, net of related debt	\$ 5,597,841	\$ 7,236,192	\$ 12,834,929	\$ 19,008,713	\$ 21,452,376	\$ 30,478,155	\$ 30,588,682	\$ 29,522,753
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229	3,335,777	3,354,693
Unrestricted	11,492,747	13,712,317	12,650,983	34,294,392	35,959,557	34,883,224	35,706,289	38,816,135
Total primary government net assets	<u>\$ 34,052,885</u>	<u>\$ 29,284,568</u>	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>	<u>\$ 58,507,242</u>	<u>\$ 66,474,608</u>	<u>\$ 69,630,748</u>	<u>\$ 71,693,581</u>

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

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

	2002	2003	2004	2005	2006	2007	2008	2009
Expenses:								
Governmental activities:								
General government administration	\$ 1,664,322	\$ 1,670,290	\$ 1,849,874	\$ 2,416,186	\$ 2,419,782	\$ 2,150,214	\$ 2,920,975	\$ 2,984,895
Judicial administration	573,647	525,825	677,795	690,419	822,200	1,029,314	759,823	1,140,286
Public safety	3,444,046	3,915,821	4,630,196	5,510,533	6,052,406	10,514,774	7,977,187	8,468,031
Public works	1,269,716	1,686,464	640,060	829,157	817,142	2,473,860	1,518,581	1,328,152
Health and welfare	1,658,895	2,081,684	2,452,852	2,674,443	3,301,427	3,549,674	3,568,445	4,051,416
Education	9,390,953	22,783,569	4,585,292	9,378,083	12,866,014	10,140,846	18,229,598	13,146,962
Parks, recreation, and cultural	813,369	954,301	973,255	1,021,219	1,184,066	1,221,343	1,167,026	1,091,834
Community development	786,177	865,855	899,621	1,022,069	6,149,803	1,513,450	1,399,071	1,630,889
Capital outlays	594,523	150,747	-	-	-	-	-	-
Interest and other fiscal charges	1,128,152	753,898	1,178,484	1,991,875	2,159,093	2,727,195	2,918,611	3,329,074
Total governmental activities expenses	\$ 21,323,800	\$ 35,388,454	\$ 17,887,429	\$ 25,533,984	\$ 35,771,933	\$ 35,320,670	\$ 40,459,317	\$ 37,171,539
Business-type activities:								
Water and sewer	1,974,251	2,282,953	2,687,122	2,741,913	3,139,797	4,696,891	5,238,869	5,091,165
Total primary government expenses	\$ 23,298,051	\$ 37,671,407	\$ 20,574,551	\$ 28,275,897	\$ 38,911,730	\$ 40,017,561	\$ 45,698,186	\$ 42,262,704
Program revenues:								
Governmental activities:								
Charges for services:								
Judicial administration	\$ 140,405	\$ 205,779	\$ 237,879	\$ 334,301	\$ 390,426	\$ 321,648	\$ 258,458	\$ 274,113
Public safety	184,884	308,009	397,896	444,281	468,579	399,206	302,013	74,689
Public works	7,137,675	7,568,193	7,001,573	6,838,203	6,900,871	6,642,913	7,597,954	7,001,071
Parks, recreation, and cultural	129,548	153,859	186,397	206,766	304,635	329,970	364,795	326,969
Community development	45,762	77,859	166,228	177,588	203,819	305,066	90,253	100,864
Operating grants and contributions:								
General government administration	189,173	205,563	201,783	221,922	224,212	266,564	296,199	272,914
Judicial administration	392,684	294,437	432,244	434,475	528,744	611,895	551,648	514,220
Public safety	1,042,841	1,006,160	1,115,955	1,024,800	1,298,468	1,174,675	1,250,193	1,112,947
Public works	-	1,840	4,495	4,375	6,568	-	-	-
Health and welfare	1,068,865	1,362,179	1,641,217	1,754,522	1,964,992	2,126,283	2,069,467	2,294,602
Education	-	170,027	-	-	-	-	-	-
Parks, recreation, and cultural	79,003	59,878	80,051	68,120	75,624	103,747	96,339	107,412
Community development	5,754	15,815	17,250	18,286	4,618	-	20,728	24,851
Capital grants and contributions	-	-	-	840,000	1,385,549	396,834	798,438	46,177
Total governmental activities program revenues	\$ 10,416,594	\$ 11,429,598	\$ 11,482,968	\$ 12,367,639	\$ 13,757,105	\$ 12,678,801	\$ 13,696,485	\$ 12,150,829
Business-type activities:								
Charges for services:								
Water and sewer	\$ 1,311,942	\$ 1,657,299	\$ 2,547,694	\$ 1,950,443	\$ 2,499,579	\$ 2,887,323	\$ 3,252,836	\$ 2,367,257
Operating grants and contributions								
Capital grants and contributions	1,322,033	1,790,706	1,328,038	63,290	-	3,286,792	-	1,340,934
Total business-type activities program revenues	\$ 2,633,975	\$ 3,448,005	\$ 3,875,732	\$ 2,013,733	\$ 2,499,579	\$ 6,186,208	\$ 3,263,486	\$ 3,708,191
Total primary government program revenues	\$ 13,050,569	\$ 14,877,603	\$ 15,358,700	\$ 14,381,372	\$ 16,256,684	\$ 18,865,009	\$ 16,959,971	\$ 15,859,020
Net (expense) / revenue								
Governmental activities	\$ (10,907,206)	\$ (23,958,856)	\$ (6,404,461)	\$ (13,166,345)	\$ (22,014,828)	\$ (22,641,869)	\$ (26,762,832)	\$ (25,020,710)
Business-type activities	659,724	1,165,052	1,188,610	(728,180)	(640,218)	1,489,317	(1,975,383)	(1,382,974)
Total primary government net expense	\$ (10,247,482)	\$ (22,793,804)	\$ (5,215,851)	\$ (13,894,525)	\$ (22,655,046)	\$ (21,152,552)	\$ (28,738,215)	\$ (26,403,684)

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

	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities:								
General property taxes	\$ 9,427,227	\$ 11,685,962	\$ 12,621,512	\$ 13,568,389	\$ 14,454,855	\$ 15,379,778	\$ 17,077,378	\$ 17,510,800
Local sales and use taxes	883,908	947,874	1,030,237	1,103,560	1,185,968	1,253,579	1,224,072	1,298,856
Communication sales taxes	-	-	-	-	-	-	450,124	403,435
Consumer utility taxes	322,347	306,359	324,936	334,509	372,235	301,276	229,585	238,428
Business license taxes	840,367	881,947	1,044,156	1,052,792	1,171,729	1,209,143	1,203,024	1,335,986
Motor vehicle licenses	374,152	395,760	426,854	456,906	483,352	446,312	493,466	522,202
Recordation taxes	117,575	173,998	241,285	485,706	741,770	607,113	434,099	290,079
Meals tax	438,032	457,174	520,961	640,118	635,687	674,535	702,153	752,391
E-911 taxes	217,788	219,806	223,770	227,575	230,387	200,141	-	-
Other local taxes	199,060	246,301	336,802	416,180	450,673	522,896	575,123	815,105
Grants and contributions not restricted to specific programs	-	1,957,494	2,184,442	2,365,848	2,637,595	2,458,363	2,316,124	2,337,588
Unrestricted revenues from use of money and property	621,796	626,202	399,015	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653
Miscellaneous	166,487	126,611	860,599	390,189	427,254	557,181	2,470,865	899,705
Transfers	-	-	(706,477)	(1,678,298)	(1,699,783)	(1,108,173)	(569,857)	(455,885)
Total governmental activities	\$ 13,608,739	\$ 18,025,488	\$ 19,508,092	\$ 20,704,687	\$ 23,745,324	\$ 26,482,937	\$ 29,766,854	\$ 27,464,343
Business-type activities:								
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ 99,431	\$ 166,945	\$ 111,979	\$ 210,224	\$ 133,175	\$ 20,904
Miscellaneous	-	-	361,451	574,623	1,211,493	1,318,584	1,424,469	525,385
Transfers	-	-	706,477	1,678,298	1,699,783	1,108,173	569,857	455,885
Total business-type activities	\$ -	\$ -	\$ 1,167,359	\$ 2,419,866	\$ 3,023,255	\$ 2,636,981	\$ 2,127,501	\$ 1,002,174
Total primary government	\$ 13,608,739	\$ 18,025,488	\$ 20,675,451	\$ 23,124,553	\$ 26,768,579	\$ 29,119,918	\$ 31,894,355	\$ 28,466,517
Change in Net Assets								
Governmental activities	\$ 2,701,533	\$ (5,933,368)	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496	\$ 3,841,068	\$ 3,004,022	\$ 2,443,633
Business-type activities	659,724	1,165,052	2,355,969	1,691,686	2,383,037	4,126,298	152,118	(380,800)
Total primary government	\$ 3,361,257	\$ (4,768,316)	\$ 15,459,600	\$ 9,230,028	\$ 4,113,533	\$ 7,967,366	\$ 3,156,140	\$ 2,062,833

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

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund					
Reserved	\$ 60,501	\$ 290,158	\$ 252,734	\$ 1,381,447	\$ 1,703,385
Unreserved	5,968,158	7,823,619	11,108,069	12,532,709	13,755,238
Total General Fund	\$ 6,028,659	\$ 8,113,777	\$ 11,360,803	\$ 13,914,156	\$ 15,458,623
All other Governmental Funds					
Reserved for capital projects	\$ 4,583,000	\$ 7,432,450	\$ 16,138,304	\$ 6,323,709	\$ 17,196,042
Reserved for natatorium	-	-	-	-	-
Reserved for library operations	-	-	715,836	719,816	1,149,272
Reserved for wireless authority operations	-	-	-	-	-
Unreserved, reported in:					
Special Revenue	137,244	254,056	-	-	-
Debt Service	603,419	537,211	-	-	-
Capital Projects	4,863,637	6,306,718	-	-	-
Total all other governmental funds	\$ 10,187,300	\$ 14,530,435	\$ 16,854,140	\$ 7,043,525	\$ 18,345,314

Table 3

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	1,450,717	\$ 1,261,813	\$ 1,113,229	\$ 1,135,777	\$ 1,154,693
	<u>19,059,078</u>	<u>17,619,894</u>	<u>18,312,583</u>	<u>20,434,481</u>	<u>22,317,265</u>
\$	<u><u>20,509,795</u></u>	<u><u>18,881,707</u></u>	<u><u>19,425,812</u></u>	<u><u>21,570,258</u></u>	<u><u>23,471,958</u></u>
\$	53,871,288	\$ 53,852,195	\$ 51,546,624	\$ 15,228,296	\$ 18,379,524
	-	-	-	2,200,000	2,200,000
	1,086,385	1,073,649	1,078,067	768,694	810,644
	-	-	-	560,243	265,008
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	12,298,990	20,299,755
\$	<u><u>54,957,673</u></u>	<u><u>54,925,844</u></u>	<u><u>52,624,691</u></u>	<u><u>31,056,223</u></u>	<u><u>41,954,931</u></u>

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:					
General property taxes	\$ 9,510,284	\$ 9,484,387	\$ 9,561,119	\$ 11,644,240	\$ 12,391,790
Other local taxes	2,851,057	3,112,812	3,393,229	3,629,219	4,149,001
Permits, privilege fees and regulatory licenses	6,751,718	7,191,862	7,289,227	7,866,325	7,553,367
Fines and forfeitures	780,083	125,082	131,065	187,635	193,299
Revenue from use of money and property	386,004	1,151,602	621,796	626,202	399,015
Charges for services	228,334	215,519	217,982	259,739	243,307
Miscellaneous	69,784	438,592	166,487	126,611	860,599
Recovered costs	20,612	5,786	178,815	-	129,953
Intergovernmental:					
School Board	-	-	-	170,027	-
Commonwealth	2,479,533	4,047,071	3,918,268	4,099,294	4,669,116
Federal	718,734	851,082	784,521	804,072	1,008,321
Total revenues	\$ 23,796,143	\$ 26,623,795	\$ 26,262,509	\$ 29,413,364	\$ 31,597,768
Expenditures:					
General government administration	\$ 1,049,670	\$ 1,180,897	\$ 1,540,980	\$ 1,526,946	\$ 1,691,011
Judicial administration	392,397	527,313	571,430	523,670	631,216
Public safety	2,722,162	3,379,592	3,563,653	3,826,071	4,552,953
Public works	423,181	35,156	599,590	761,308	724,495
Health and welfare	1,731,808	1,908,407	1,654,251	2,077,203	2,462,346
Education	3,868	3,982	7,677,143	21,190,220	8,850,378
Parks, recreation, and cultural	557,663	603,876	772,020	928,529	952,483
Community development	525,126	524,325	773,992	864,064	898,036
NonDepartmental	119,507	41,068	-	-	-
Capital outlays and projects	1,661,105	1,310,398	1,821,680	2,097,260	2,737,547
Debt service:					
Principal retirement	415,094	501,506	1,245,520	1,230,829	1,161,983
Interest and other fiscal charges	335,376	372,090	1,106,426	782,048	882,588
Total expenditures	\$ 9,936,957	\$ 10,388,610	\$ 21,326,685	\$ 35,808,148	\$ 25,545,036
Excess (deficiency) of revenues over expenditures	\$ 13,859,186	\$ 16,235,185	\$ 4,935,824	\$ (6,394,784)	\$ 6,052,732
Other financing sources (uses):					
Transfers in	\$ 8,012,058	\$ 7,042,185	\$ 240,015	\$ 279,900	\$ 1,583,277
Transfers (out)	(16,746,004)	(16,437,355)	(823,380)	(1,142,378)	(2,289,754)
Sale of property	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Early retirement of indebtedness	-	2,045,000	-	-	-
Payment to refunded bond escrow agent	-	(1,956,762)	-	-	-
Long-term debt issued	-	-	-	-	7,500,000
Total other financing sources (uses)	\$ (8,733,946)	\$ (9,306,932)	\$ (583,365)	\$ (862,478)	\$ 6,793,523
Net changes in fund balances	\$ 5,125,240	\$ 6,928,253	\$ 4,352,459	\$ (7,257,262)	\$ 12,846,255
Debt service as a percentage of noncapital expenditures	10.25%	10.32%	12.17%	9.50%	9.02%

Table 4

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	13,555,599	\$ 14,424,491	\$ 15,174,874	\$ 17,092,704	\$ 17,381,006
	4,717,346	5,271,801	5,214,995	5,311,646	5,656,482
	7,437,075	7,563,053	7,301,776	7,936,085	7,112,084
	292,217	332,871	300,583	236,338	255,499
	1,341,213	2,653,602	3,980,793	3,160,698	1,515,653
	271,847	372,406	396,444	441,050	410,123
	260,832	427,254	557,181	2,470,865	899,705
	159,314	177,900	-	175,200	-
	141,685	-	-	-	226,971
	4,858,819	6,758,941	5,642,960	6,414,676	5,740,816
	<u>1,033,529</u>	<u>1,367,429</u>	<u>1,495,401</u>	<u>984,460</u>	<u>969,895</u>
\$	<u>34,069,476</u>	<u>39,349,748</u>	<u>40,065,007</u>	<u>44,223,722</u>	<u>40,168,234</u>
\$	2,432,055	\$ 2,413,529	\$ 3,834,032	\$ 3,994,241	\$ 2,898,289
	684,282	818,117	1,025,967	1,086,764	1,127,473
	7,697,855	7,049,962	11,176,769	7,903,243	8,349,727
	947,689	982,312	1,594,220	1,685,536	1,779,055
	2,670,886	3,285,612	3,518,011	3,530,265	4,001,766
	12,464,331	11,919,739	22,034,801	36,189,527	16,985,114
	1,238,568	1,149,277	1,216,147	1,885,728	1,717,251
	1,021,505	5,887,223	1,519,877	1,391,591	1,666,723
	-	-	-	-	-
	-	-	-	-	-
	1,119,800	1,194,852	1,959,618	2,401,440	2,685,742
	<u>889,860</u>	<u>2,666,216</u>	<u>2,721,295</u>	<u>2,957,614</u>	<u>3,195,197</u>
\$	<u>31,166,831</u>	<u>37,366,839</u>	<u>50,600,737</u>	<u>63,025,949</u>	<u>44,406,337</u>
\$	<u>2,902,645</u>	<u>1,982,909</u>	<u>(10,535,730)</u>	<u>(18,802,227)</u>	<u>(4,238,103)</u>
\$	3,077,927	\$ 1,568,980	\$ 2,823,173	\$ 4,969,447	\$ 5,763,828
	(4,756,225)	(3,268,763)	(3,931,346)	(5,539,304)	(6,219,713)
	145,561	-	-	-	-
	444,067	-	-	343,349	181,528
	-	(7,500,000)	-	(7,500,000)	-
	(2,641,444)	(855,000)	-	-	(4,465,250)
	<u>42,491,000</u>	<u>6,411,957</u>	<u>9,886,855</u>	<u>7,104,713</u>	<u>21,778,118</u>
\$	<u>38,760,886</u>	<u>(3,642,826)</u>	<u>8,778,682</u>	<u>(621,795)</u>	<u>17,038,511</u>
\$	<u>41,663,531</u>	<u>(1,659,917)</u>	<u>(1,757,048)</u>	<u>(19,424,022)</u>	<u>12,800,408</u>
	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>	<u>13.06%</u>	<u>15.89%</u>

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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Direct Tax Rate</u>	<u>Personal Property</u>	<u>Direct Tax Rate</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
1999-00	\$ 821,184,338	\$ 0.75	\$ 86,319,427	\$ 3.10	\$ 37,925,570	\$ 44,297,238	\$ 989,726,573
2000-01	850,101,794	0.75	99,346,814	3.10	38,328,941	41,744,517	1,029,522,066
2001-02	855,894,803	0.75	104,253,943	3.10	37,680,535	44,177,050	1,042,006,331
2002-03	1,041,571,270	0.72	112,915,457	3.10	4,020,860	304,800,899	1,463,308,486
2003-04	1,120,896,350	0.72	118,008,072	3.10	3,753,075	288,954,628	1,531,612,125
2004-05	1,198,174,927	0.77	134,469,239	3.10	3,595,430	253,830,593	1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	2,941,002,174
2007-08	2,624,082,696	0.45	183,542,127	3.20	5,200,413	261,852,310	3,074,677,546
2008-09	2,722,995,335	0.45	174,355,891	3.20	5,718,355	230,164,658	3,133,234,239

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Farm Machinery and Tools	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half
1999-00	\$ 0.75	\$ 0.75	\$ 3.10	\$ 2.00	\$ 2.50	\$ 0.75	\$ 0.75
2000-01	0.75	0.75	3.10	1.00	2.50	0.75	0.75
2001-02	0.75	0.75	3.10	1.00	2.50	0.75	0.72
2002-03	0.72	0.72	3.10	1.00	2.50	0.72	0.77
2003-04	0.77	0.72	3.10	-	2.50	0.77	0.72
2004-05	0.77	0.77	3.10	-	2.50	0.77	0.77
2005-06	0.77	0.40	3.10	-	2.50	0.77	0.40
2006-07	0.40	0.44	3.20	-	2.50	0.40	0.44
2007-08	0.44	0.45	3.20	-	2.50	0.44	0.45
2008-09	0.45	0.45	3.20	-	2.50	0.45	0.45

(1) Per \$100 of assessed value.

Principal Taxpayers
 Current Year and Nine Years Prior

Taxpayer	Taxes Paid	Fiscal Year 2009	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 828,971	\$ 184,215,758	6.51%
Virginia Electric & Power Company	87,952	19,544,784	0.69%
Birchwood Power Partners, LLC	79,299	17,622,000	0.62%
Verizon South, Inc.	58,084	12,907,533	0.46%
Payne Street, LLC	44,551	9,900,329	0.35%
Monmouth Woods Associates	43,616	9,692,502	0.34%
Hilliard & Bartko	43,479	9,661,902	0.34%
Robert Gollahon	38,454	8,545,409	0.30%
Dahlgren Office Building 1, LP	29,446	6,543,502	0.23%
Dahlgren Office Building IV, LLC	27,336	6,074,604	0.21%
TOTAL	\$ 1,281,188	\$ 284,708,323	10.05%

Source - Commissioner of the Revenue

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

COUNTY OF KING GEORGE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
1999-00	\$ 10,110,205	\$ 8,984,689	88.87%	\$ 202,086
2000-01	10,718,961	10,654,566	99.40%	210,639
2001-02	11,054,691	10,752,105	97.26%	287,271
2002-03	13,414,768	12,932,809	96.41%	231,346
2003-04	14,431,070	13,909,897	96.39%	266,915
2004-05	15,673,264	15,195,623	96.95%	457,637
2005-06	16,478,637	16,138,236	97.93%	392,040
2006-07	17,388,433	16,720,812	96.16%	333,070
2007-08	19,108,607	18,539,554	97.02%	365,503
2008-09	19,303,194	18,775,585	97.27%	447,176

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

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

Table 8

	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>		<u>Outstanding Delinquent Taxes (1)(3)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$	9,186,775	90.87%	\$	1,148,562	11.36%
	10,865,205	101.36%		1,408,757	13.14%
	11,039,376	99.86%		905,910	8.19%
	13,164,155	98.13%		918,312	6.85%
	14,176,812	98.24%		1,014,078	7.03%
	15,653,260	99.87%		1,103,844	7.04%
	16,530,276	100.31%		1,131,343	6.87%
	17,053,882	98.08%		1,611,078	9.27%
	18,905,057	98.93%		1,737,848	9.09%
	19,222,761	99.58%		1,798,362	9.32%

COUNTY OF KING GEORGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	State Literary Loans	Capital Leases	Virginia Water Facilities Loan	Revenue Bonds	Notes Payable
1999-00	\$ 12,020,000	\$ 5,108,400	\$ 521,239	\$ 1,148,918	\$ 4,793,683	\$ -
2000-01	11,375,000	4,813,600	388,384	1,058,906	4,604,225	-
2001-02	10,560,000	4,518,800	277,591	965,257	15,132,074	-
2002-03	9,715,000	4,224,000	213,481	867,825	18,730,000	1,000,000
2003-04	8,945,000	3,929,200	7,645,371	766,457	20,495,986	948,165
2004-05	40,636,000	3,634,400	15,073,052	660,993	20,068,450	496,099
2005-06	45,365,957	3,339,600	7,500,000	551,269	19,627,374	725,198
2006-07	53,357,853	3,044,800	7,730,141	437,112	23,203,178	680,381
2007-08	58,432,640	2,750,000	153,427	318,343	22,569,525	635,564
2008-09	73,386,480	2,500,000	76,713	194,775	24,219,604	590,749

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics - Table 13.

Table 9

	Total Primary Government	Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
\$	23,592,240	\$ 27,842	5.04%	16,803	\$ 1,404
	22,240,115	30,074	4.38%	16,887	1,317
	31,453,722	31,196	5.90%	17,088	1,841
	34,750,306	N/A	N/A	17,657	1,968
	42,730,179	N/A	N/A	18,213	2,346
	80,568,994	30,425	13.68%	19,355	4,163
	77,109,398	31,338	11.92%	20,637	3,736
	88,453,465	33,778	12.02%	21,780	4,061
	84,859,499	33,778	11.31%	22,205	3,822
	100,968,321	33,778	12.90%	23,170	4,358

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage Of Estimated Actual Taxable Value of Property	Per Capita
1999-00	16,803	\$ 989,726,573	\$ 17,128,400	\$ 603,419	\$ 16,524,981	1.67%	\$ 983
2000-01	16,887	1,029,522,066	16,188,600	537,211	15,651,389	1.52%	927
2001-02	17,088	1,042,006,331	15,078,800	-	15,078,800	1.45%	882
2002-03	17,657	1,463,308,486	13,939,000	-	13,939,000	0.95%	789
2003-04	18,213	1,531,612,125	12,874,200	-	12,874,200	0.84%	707
2004-05	19,355	1,590,070,189	44,270,400	1,090,604	43,179,796	2.72%	2,231
2005-06	20,637	2,201,826,217	48,705,557	1,095,309	47,610,248	2.16%	2,307
2006-07	21,780	2,941,002,174	56,402,653	1,113,229	55,289,424	1.88%	2,539
2007-08	22,205	3,074,677,546	61,182,640	1,135,777	60,046,863	1.95%	2,704
2008-09	23,170	3,133,234,239	75,886,480	1,154,693	74,731,787	2.39%	3,225

Sources:

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2009

Direct: (1)

County of King George	\$	74,731,787	100%	\$	74,731,787
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The County of King George has no overlapping debt.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999-00	\$ 1,649,777	\$ 1,402,156	\$ 247,621	\$ 86,517	48,560	1.83
2000-01	1,585,305	1,526,600	58,705	90,012	45,065	0.43
2001-02	2,050,609	1,557,588	493,021	93,649	41,428	3.65
2002-03	2,413,565	1,669,250	744,315	342,432	364,531	1.05
2003-04	3,008,576	2,456,146	552,430	451,368	926,310	0.40
2004-05	2,692,011	2,637,057	54,954	894,483	1,030,308	0.03
2005-06	3,823,051	3,021,332	801,719	821,701	1,005,324	0.44
2006-07	4,416,131	3,539,727	876,404	613,170	1,065,683	0.52
2007-08	4,821,130	3,039,040	1,782,090	797,239	1,135,260	0.92
2008-09	4,254,480	2,841,873	1,412,607	743,001	1,167,279	0.74

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Student Enrollment
1999-00	16,803	1.50	\$ 27,842	2,980
2000-01	16,887	1.80	30,074	3,101
2001-02	17,088	2.10	31,196	3,107
2002-03	17,657	2.60	N/A	3,235
2003-04	18,213	2.20	N/A	3,356
2004-05	19,355	2.90	30,425	3,372
2005-06	20,637	2.80	31,338	3,825
2006-07	21,780	3.31	33,778	3,801
2007-08	22,205	5.30	33,778	3,982
2008-09	23,170	7.90	33,778	4,066

NA - Not available

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

Principal Employers
Current Year and Nine Years Prior

Employer	Fiscal Year 2009		Percentage of Total Employment	Fiscal Year 2000 (1)	
	Employees	Rank		Employees	Rank
U.S. Department of Defense	3,270	1	34.74%	1000 and over	1
King George County Public School Board	672	2	7.14%	250 to 499	2
TRW Inc.	N/A	3	N/A	-	-
EG & G, Inc.	281	4	2.98%	100 to 249	5
King George County Government	265	5	2.81%	100 to 249	10
Integrated Microcomputer System, Lockheed Martin	253	6	2.69%	-	-
Marconi Technology	203	7	2.16%	100 to 249	3
Chugach McKinley Inc.	182	8	1.93%	-	-
Bowhead Information Tech Inc.	176	9	1.87%	-	-
Anteon Corporation	N/A	10	N/A	-	-
Village Farms of Virginia Inc.	-	-	N/A	100 to 249	7
Syscon Corporation	-	-	N/A	100 to 249	9
White Packing Company	-	-	N/A	100 to 249	6
Computer Sciences Corporation	-	-	N/A	100 to 249	4
Synetics	-	-	N/A	100 to 249	8

Source: Virginia Employment Commission

(1) For fiscal year 2000 only ranges were available from the Virginia Employment Commission.

(2) These numbers have not been verified by VEC - the VEC is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	20	21	29	27	31	30	29	29	29
Judicial administration	7	7	7	8	9	10	13	12	12
Public safety									
Sheriffs department	34	34	36	36	39	38	43	43	43
Fire & rescue	5	5	9	14	17	20	21	25	25
Animal control	2	2	2	2	2	2	2	2	2
Public works									
General maintenance	21	25	6	3	5	9	9	9	9
Landfill	3	3	3	3	3	2	3	3	3
Engineering	-	-	2	2	2	2	2	2	2
Health and welfare									
Department of social services	-	-	-	-	13	14	14	16	16
Culture and recreation									
Parks and recreation	6	6	7	7	8	4	4	4	4
Library	-	-	3	3	3	3	4	4	4
Community development									
Planning	4	5	7	9	9	10	11	11	11
Totals	<u>102</u>	<u>108</u>	<u>111</u>	<u>114</u>	<u>141</u>	<u>144</u>	<u>155</u>	<u>160</u>	<u>160</u>

Source: Individual county departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Sheriffs department:										
Physical arrests	653	673	854	1,341	2,129	1,410	908	892	652	601
Traffic violations	2,386	5,799	1,975	2,354	2,882	3,744	5,418	3,093	3,038	3,172
Civil papers	5,497	6,222	7,097	7,077	7,125	6,994	7,713	7,940	7,914	7,800
Fire and rescue:										
Number of calls answered	N/A	N/A	N/A	N/A	1,668	2,828	3,188	3,256	3,291	3,005
Building inspections:										
Permits issued	155	115	190	242	385	388	484	340	160	78
Animal control:										
Number of calls answered	952	867	869	850	776	636	452	488	705	636
Public works										
General maintenance:										
Trucks/vehicles	9	9	12	12	12	12	12	3	3	3
Component Unit - School Board										
Education:										
School age population	2,981	2,939	3,050	3,163	3,400	3,524	3,830	3,791	3,882	3,997
Number of teachers	239	237	N/A	260	255	257	257	283	285	279
Local expenditures per pupil	6,755	6,893	6,845	7,107	7,178	7,084	7,529	7,823	9,281	8,585

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	-	-	-	1	1	1
Public safety										
Sheriff's department:										
Patrol units	10	15	15	21	28	29	29	29	31	36
Other vehicles	4	4	4	4	6	7	7	7	7	7
Building inspections:										
Vehicles	-	-	-	-	-	-	-	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	9	9	12	12	12	12	12	3	3	3
Landfill:										
Vehicles	1	1	1	1	1	1	1	2	2	2
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	5	5	5	5	5	5	5	6	6	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	7	8	10	10	10	10	10	6	6	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.63
Community development										
Planning:										
Vehicles	2	2	4	4	5	6	6	6	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	7	7	8	8	8	8	10
School buses	50	53	56	57	62	64	67	58	65	71

Source: Individual county departments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated November 19, 2009. 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 George, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of King George, Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

November 19, 2009

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

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

Compliance

We have audited the compliance of the County of King George, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of King George, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of King George, Virginia's management. Our responsibility is to express an opinion on the County of King George, Virginia's compliance based on our audit.

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

In our opinion, the County of King George, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 19, 2009

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2009

<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 TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Virginia Department of Rail and Public Transportation: State and community highway safety program	20.600 \$	12,857
<u>NATIONAL ENDOWMENT FOR THE ARTS:</u>		
<u>Pass through payments:</u>		
Virginia Commission for the Arts: Promotion of the arts - partnership agreements	45.025 \$	4,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Pass through payments:</u>		
Department of Emergency Services: Emergency management performance grant	97.042 \$	12,820
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services: State administration matching grants for the supplemental nutrition assistance program	10.561 \$	163,375
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services: Promoting safe and stable families	93.556 \$	18,436
Temporary assistance for needy families	93.558	108,859
Refugee and entrant assistance - state administered programs	93.566	292
Low-income home energy assistance	93.568	6,878
Child care and development block grant	93.575	144,510
Child care mandatory and matching funds of the child care and development fund	93.596	105,202
ARRA - child care and development block grant	93.713	228
Foster care-title IV-E	93.658	191,210
ARRA - foster care-title IV-E	93.658	14,413
Adoption assistance	93.659	9,798
ARRA - adoption assistance	93.659	604
Social services block grant	93.667	53,613
Child welfare services - state grants	93.645	645
Chafee foster care independence program	93.674	1,651
Children's health insurance program	93.767	12,389
Medical assistance program	93.778	108,115
Total Department of Health and Human Services	\$	776,843
Total Primary Government	\$	969,895

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2009 (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 \$	365,245
Department of Education:		
National school breakfast program	10.553	90,025
National school lunch program	10.555	<u>75,442</u>
Total Department of Agriculture	\$	<u>530,712</u>
<u>DEPARTMENT OF DEFENSE:</u>		
<u>Direct payments:</u>		
ROTC Instruction	12.000 \$	<u>64,673</u>
Total Department of Labor	\$	<u>64,673</u>
<u>NATIONAL SCIENCE FOUNDATION</u>		
<u>Direct payments:</u>		
Material world module grant	47.000 \$	<u>10,697</u>
Total National Science Foundation	\$	<u>10,697</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Direct payments:</u>		
Impact aid	84.041 \$	70,085
<u>Pass through payments:</u>		
Department of Education:		
Title I grants to local educational agencies	84.010	477,400
Special education - grants to states	84.027	447,271
Special education - preschool grants	84.173	22,580
Career and technical education - basic grants to states	84.048	39,109
State grants for innovative programs	84.298	3,047
Safe and drug-free schools and communities - state grants	84.186	15,419
Education technology state grants	84.318	1,394
School improvement grant	84.377	78,979
Improving teacher quality state grants	84.367	<u>111,155</u>
Total Department of Education	\$	<u>1,266,439</u>
Total Component Unit School Board	\$	<u><u>1,872,521</u></u>
Total Reporting Entity	\$	<u><u>2,842,416</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2009

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ <u>969,895</u>
Total primary government	\$ <u>969,895</u>
Component Unit Public Schools:	
School Operating Fund	\$ 1,341,809
School Cafeteria Fund	530,712
Total component unit public schools	\$ <u>1,872,521</u>
Total federal expenditures per basic financial statements	\$ <u>2,842,416</u>
 Total federal expenditures per the Schedule of Expenditures of Federal Awards	 \$ <u>2,842,416</u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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>
93.658	Foster care-title IV-E
93.658	ARRA - foster care-title IV-E
10.555	Food distribution - child nutrition cluster
10.553	National school breakfast program - child nutrition cluster
10.555	National school lunch program - child nutrition cluster
84.027	Special education - grants to states - special education cluster (IDEA)
84.173	Special education - preschool grants - special education cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Audit Findings

There were no prior year audit findings.