

COUNTY OF CHARLES CITY, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2008

COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Gilbert A. Smith, Chairperson

Sherri M. Bowman

Timothy W. Cotman

Board of Social Services

Sherri Holmes, Chairperson

Clyde L. Miles
Muriel Adkins

Beatrice M. Cole
Brenda J. Wade

COUNTY SCHOOL BOARD

Barbara C. Crawley, Chairperson

Ray L. Campbell, Vice Chairperson
E. Preston Adkins

Royce E. Paige
Dr. Henry O. Hollimon, Jr.

Other Officials

Chief Judge of the Circuit Court Samuel T. Powell, III
Judge of the Circuit Court..... Thomas B. Hoover
Clerk of the Circuit Court..... Edith K. Holmes
Commonwealth's Attorney Robert Tyler
Commissioner of the Revenue Denise B. Smith
Treasurer Cecelia Bradby
Sheriff..... Javier J. Smith
Superintendent of Schools..... Dr. Janet C. Crawley
Director of Social Services..... Byron M. Adkins
County Administrator..... John F. Miniclier
Chief Judge of the General District Court Colleen K. Killilea
Judge of the General District Court Colleen K. Killilea
Chief Judge of the Juvenile and Domestic Relations Court..... Isabel Hall Atlee
County Attorney B. Randolph Boyd

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2009, on our consideration of the County of Charles City, 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 is important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Charles City, Virginia, basic financial statements. The introductory section, combining and individual fund financial statements, and other statistical information 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 Charles City, Virginia. The other supplementary information including the combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other statistical information 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.

Roberts, Tam, Cox Associates

Richmond, Virginia
February 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Charles City County, Virginia

As management of the County of Charles City, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- ▶ The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$9,789,994 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other uses of \$1,248,517 (Exhibit 5) after making contributions totaling \$5,930,599 to the School Board.

- ▶ As of the close of the current fiscal year; the County's funds reported ending fund balances of \$2,849,412, a decrease of \$1,248,517 in comparison with the prior year.
- ▶ At the end of the current fiscal year, the unreserved fund balance (designated for projects and the general fund) was \$2,849,412 or 18% of total general fund expenditures and other uses.
- ▶ The combined long-term obligations decreased \$987,813 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

The statement of net assets presents information on all of the County's 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.

The 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 giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The Government-wide financial statements include not only the County of Charles City, Virginia itself (known as the primary government), but also a legally separate school district and an industrial development authority for which the County of Charles City, Virginia is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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 Charles City, Virginia, 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.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is a custodian.

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.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$9,789,994 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Charles City, Virginia's Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,734,117	\$ 4,890,259	\$ 26,852	\$ 43,708	\$ 3,760,969	\$ 4,933,967
Capital assets	<u>11,350,999</u>	<u>12,070,310</u>	<u>1,833,198</u>	<u>1,919,127</u>	<u>13,184,197</u>	<u>13,989,437</u>
Total assets	\$ <u>15,085,116</u>	\$ <u>16,960,569</u>	\$ <u>1,860,050</u>	\$ <u>1,962,835</u>	\$ <u>16,945,166</u>	\$ <u>18,923,404</u>
Current liabilities	\$ 400,734	\$ 319,040	\$ 1,466	\$ -	\$ 402,200	\$ 319,040
Long-term liabilities outstanding	<u>6,621,461</u>	<u>7,609,274</u>	<u>131,511</u>	<u>115,827</u>	<u>6,752,972</u>	<u>7,725,101</u>
Total liabilities	\$ <u>7,022,195</u>	\$ <u>7,928,314</u>	\$ <u>132,977</u>	\$ <u>115,827</u>	\$ <u>7,155,172</u>	\$ <u>8,044,141</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,123,187	\$ 5,011,207	\$ 1,723,159	\$ 1,803,300	\$ 6,846,346	\$ 6,814,507
Restricted for:						
Debt Service	-	-	-	20,934	-	20,934
Unrestricted	<u>2,939,734</u>	<u>4,021,048</u>	<u>3,914</u>	<u>22,774</u>	<u>2,943,648</u>	<u>4,043,822</u>
Total net assets	\$ <u>8,062,921</u>	\$ <u>9,032,255</u>	\$ <u>1,727,073</u>	\$ <u>1,847,008</u>	\$ <u>9,789,994</u>	\$ <u>10,879,263</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets decreased by \$1,089,269. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 3,222,283	\$ 3,143,642	\$ 103,053	\$ 117,628	\$ 3,325,336	\$ 3,261,270
Operating grants and contributions	2,572,482	2,241,386	-	-	2,572,482	2,241,386
General revenues:						
General property taxes	6,373,816	5,776,256	-	-	6,373,816	5,776,256
Other local taxes	851,971	846,451	-	-	851,971	846,451
Grants and other contributions not restricted	749,543	747,470	-	-	749,543	747,470
Other general revenues	401,495	520,951	-	-	401,495	520,951
Transfers	(230,000)	(240,490)	230,000	240,490	-	-
Total revenues	\$ 13,941,590	\$ 13,035,666	\$ 333,053	\$ 358,118	\$ 14,274,643	\$ 13,393,784
Expenses:						
General government						
administration	\$ 1,862,735	\$ 1,838,094	\$ -	\$ -	\$ 1,862,735	\$ 1,838,094
Judicial administration	643,074	677,752	-	-	643,074	677,752
Public safety	1,691,980	1,567,677	-	-	1,691,980	1,567,677
Public works	1,002,415	1,112,282	452,988	434,208	1,455,403	1,546,490
Health and welfare	1,993,208	1,732,268	-	-	1,993,208	1,732,268
Education	6,453,624	6,088,937	-	-	6,453,624	6,088,937
Parks, recreation, and cultural	500,508	536,976	-	-	500,508	536,976
Community development	460,901	555,357	-	-	460,901	555,357
Interest and other fiscal charges	302,479	352,806	-	-	302,479	352,806
Total expenses	\$ 14,910,924	\$ 14,462,149	\$ 452,988	\$ 434,208	\$ 15,363,912	\$ 14,896,357
Change in net assets	\$ (969,334)	\$ (1,426,483)	\$ (119,935)	\$ (76,090)	\$ (1,089,269)	\$ (1,502,573)
Beginning of year	9,032,255	10,458,738	1,847,008	1,923,098	10,879,263	12,381,836
End of year	\$ 8,062,921	\$ 9,032,255	\$ 1,727,073	\$ 1,847,008	\$ 9,789,994	\$ 10,879,263

Financial Analysis of the County's Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available 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 fund balances of \$2,849,412, a decrease of \$1,248,517 in comparison with the prior year.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$3,914. Net assets decreased \$119,935. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget were decreases of \$319,588, attributable to budget reductions implemented by the Board of Supervisors spread throughout departments.

The decrease in budgeted General Fund expenditures resulted in a decrease in the budgeted beginning General Fund balance. During the year, budgetary estimates were less than actual revenues and other financing sources by \$353,120. Expenditures and other uses were less than budgetary estimates by \$920,082. The final budget included a decrease to the fund balance of \$2,521,719. The actual fund balance decreased \$1,248,517.

Capital Asset and Debt Administration

- ▶ **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2008 amounts to \$11,350,999 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$6,227,812. Of this amount, \$2,247,874 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, capital leases and revenue bonds).

During the current fiscal year, the County's total debt decreased by \$831,291. Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors

- ▶ According to the Bureau of Labor Statistics, the unemployment rate for the County was

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

5.0% and 6.3% in December 2007 and December 2008 respectively. The state unemployment rate was 3.2% and 5.2% in December 2007 and in December 2008.

This factor was considered in preparing the County's budget for the 2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County of Charles City, 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 County Administrator, 10900 Courthouse Road, Charles City, Virginia, 23030.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Charles City, Virginia
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 2,352,033	\$ 14,499	\$ 2,366,532	\$ 638,749	\$ 125,426
Investments	-	-	-	-	841,648
Receivables (net of allowance for uncollectibles):					
Taxes receivable	582,649	-	582,649	-	-
Accounts receivable	294,316	12,353	306,669	-	-
Leases receivable	71,750	-	71,750	-	123,768
Due from other governmental units	433,369	-	433,369	224,534	-
Capital assets (net of accumulated depreciation):					
Land	1,554,783	7,819	1,562,602	263,786	-
Buildings and improvements	9,200,971	1,825,379	11,026,350	9,258,263	-
Machinery and equipment	588,445	-	588,445	568,497	-
Construction in progress	6,800	-	6,800	-	-
Total assets	<u>\$ 15,085,116</u>	<u>\$ 1,860,050</u>	<u>\$ 16,945,166</u>	<u>\$ 10,953,829</u>	<u>\$ 1,090,842</u>
LIABILITIES					
Accounts payable	\$ 137,138	989	\$ 138,127	\$ 28,104	\$ -
Accrued liabilities	-	-	-	761,353	-
Accrued interest payable	70,942	477	71,419	-	-
Due to other governmental units	-	-	-	-	42,311
Deferred revenue	106,459	-	106,459	-	-
Performance bonds payable	86,195	-	86,195	-	-
Long-term liabilities:					
Due within one year	899,188	8,231	907,419	60,329	-
Due in more than one year	5,722,273	123,280	5,845,553	236,622	-
Total liabilities	<u>\$ 7,022,195</u>	<u>\$ 132,977</u>	<u>\$ 7,155,172</u>	<u>\$ 1,086,408</u>	<u>\$ 42,311</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 5,123,187	\$ 1,723,159	\$ 6,846,346	\$ 9,947,510	\$ -
Unrestricted (deficit)	2,939,734	3,914	2,943,648	(80,089)	1,048,531
Total net assets	<u>\$ 8,062,921</u>	<u>\$ 1,727,073</u>	<u>\$ 9,789,994</u>	<u>\$ 9,867,421</u>	<u>\$ 1,048,531</u>
 Total Liabilities and Net Assets	 <u>\$ 15,085,116</u>	 <u>\$ 1,860,050</u>	 <u>\$ 16,945,166</u>	 <u>\$ 10,953,829</u>	 <u>\$ 1,090,842</u>

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

County of Charles City, Virginia
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	School Board	IDA	
				Governmental Activities	Business-type Activities				
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,862,735	\$ 518	\$ 196,816	\$ (1,665,401)	\$ -	\$ (1,665,401)	\$ -	\$ -	
Judicial administration	643,074	63,752	254,485	(324,837)	-	(324,837)	-	-	
Public safety	1,691,980	17,421	618,811	(1,055,748)	-	(1,055,748)	-	-	
Public works	1,002,415	3,107,661	49,143	2,154,389	-	2,154,389	-	-	
Health and welfare	1,993,208	-	1,249,011	(744,197)	-	(744,197)	-	-	
Education	6,453,624	-	-	(6,453,624)	-	(6,453,624)	-	-	
Parks, recreation, and cultural	500,508	32,931	-	(467,577)	-	(467,577)	-	-	
Community development	460,901	-	204,216	(256,685)	-	(256,685)	-	-	
Interest on long-term debt	302,479	-	-	(302,479)	-	(302,479)	-	-	
Total governmental activities	\$ 14,910,924	\$ 3,222,283	\$ 2,572,482	\$ (9,116,159)	\$ -	\$ (9,116,159)	\$ -	\$ -	
Business-type activities:									
Sanitary District	\$ 452,988	\$ 103,053	\$ -	\$ -	\$ (349,935)	\$ (349,935)	\$ -	\$ -	
Total primary government	\$ 15,363,912	\$ 3,325,336	\$ 2,572,482	\$ (9,116,159)	\$ (349,935)	\$ (9,466,094)	\$ -	\$ -	
COMPONENT UNITS:									
School Board	\$ 12,614,460	\$ 219,505	\$ 6,165,032	\$ -	\$ -	\$ (6,229,923)	\$ -	\$ (165,471)	
Industrial Development Authority	255,950	90,479	-	-	-	-	-	(165,471)	
Total component units	\$ 12,870,410	\$ 309,984	\$ 6,165,032	\$ -	\$ -	\$ (6,229,923)	\$ -	\$ (165,471)	
General revenues:									
General property taxes	\$ 6,373,816			\$ 6,373,816	\$ -	\$ 6,373,816	\$ -	\$ -	
Local sales and use taxes	433,057			433,057	-	433,057	-	-	
Consumer's utility taxes	133,519			133,519	-	133,519	-	-	
Other local taxes	285,395			285,395	-	285,395	-	-	
Unrestricted revenues from use of money and property	204,194			204,194	-	204,194	-	36,739	
Miscellaneous	197,301			197,301	-	197,301	162,223	-	
Grants and contributions not restricted to specific programs	749,543			749,543	-	749,543	-	-	
Payment from Charles City County	-			-	-	-	6,322,100	-	
Transfers	(230,000)			(230,000)	230,000	-	-	-	
Total general revenues	\$ 8,146,825	\$ 230,000	\$ 8,376,825	\$ 8,376,825	\$ 6,484,323	\$ 6,484,323	\$ 6,484,323	\$ 36,739	
Change in net assets	(969,334)			(119,935)		(1,089,269)	254,400	(128,732)	
Net assets - beginning	9,032,255			1,847,008		10,879,263	9,613,021	1,177,263	
Net assets - ending	\$ 8,062,921	\$ 1,727,073	\$ 9,789,994	\$ 9,789,994	\$ 9,867,421	\$ 9,867,421	\$ 9,867,421	\$ 1,048,531	

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

FUND FINANCIAL STATEMENTS

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County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,352,033
Receivables (net of allowance for uncollectibles):	
Taxes receivable	582,649
Accounts receivable	294,316
Leases receivable	71,750
Due from other governmental units	433,369
Total assets	<u>\$ 3,734,117</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 137,138
Deferred revenue	661,372
Performance bonds payable	86,195
Total liabilities	<u>\$ 884,705</u>
Fund balances:	
Unreserved, designated for:	
Other capital projects	\$ 259,481
Indoor plumbing rehab.	25,360
Employee health insurance	12,000
Landfill closure	253,178
E-911 system	179,454
Unreserved, reported in:	
General fund	2,119,939
Total fund balances	<u>\$ 2,849,412</u>
Total liabilities and fund balances	<u>\$ 3,734,117</u>

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

County of Charles City, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,849,412
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,350,999
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		554,913
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Lease revenue bonds	(3,899,181)	
Literary fund loans	(6,407)	
General obligation bonds	(2,241,467)	
Compensated absences	(393,649)	
Capital lease obligations	(80,757)	
Accrued interest payable	<u>(70,942)</u>	(6,692,403)
Net assets of governmental activities	\$	<u><u>8,062,921</u></u>

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

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

		<u>General</u>
REVENUES		
General property taxes	\$	6,354,328
Other local taxes		851,971
Permits, privilege fees, and regulatory licenses		3,119,343
Fines and forfeitures		927
Revenue from the use of money and property		230,520
Charges for services		102,013
Miscellaneous		197,301
Recovered costs		383,410
Intergovernmental revenues:		
Commonwealth		2,553,829
Federal		768,196
Total revenues	\$	<u>14,561,838</u>
EXPENDITURES		
Current:		
General government administration	\$	1,939,120
Judicial administration		557,295
Public safety		1,625,252
Public works		1,019,792
Health and welfare		1,967,938
Education		5,931,686
Parks, recreation, and cultural		458,689
Community development		493,780
Nondepartmental		165,547
Capital projects		269,968
Debt service:		
Principal retirement		831,291
Interest and other fiscal charges		319,997
Total expenditures	\$	<u>15,580,355</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(1,018,517)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	\$	(230,000)
Total other financing sources (uses)	\$	<u>(230,000)</u>
Net change in fund balances	\$	(1,248,517)
Fund balances - beginning		4,097,929
Fund balances - ending	\$	<u><u>2,849,412</u></u>

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

**County of Charles City, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2008**

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

Net change in fund balances - total governmental funds \$ (1,248,517)

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 is a summary of items supporting this adjustment:

Capital outlay	\$ 196,559	
Transfer of jointly owned assets to Component Unit School Board	(741,775)	
Depreciation expense	<u>(174,095)</u>	(719,311)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred tax revenue	\$ 19,488	
Leases receivable	<u>(26,326)</u>	(6,838)

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 when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$ 285,049	
Principal retirement on capital leases	24,305	
Principal retirement on literary loans	6,000	
Principal retirement on general obligations bonds	<u>515,937</u>	831,291

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 156,523	
Change in accrued interest payable	<u>17,518</u>	174,041

Change in net assets of governmental activities \$ (969,334)

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

County of Charles City, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Enterprise Fund Sanitary District</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 14,499
Accounts receivable, net of allowance for uncollectibles	12,353
Total current assets	<u>\$ 26,852</u>
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 3,437,144
Machinery and equipment	24,400
Less accumulated depreciation	(1,636,165)
Land	7,819
Total capital assets	<u>\$ 1,833,198</u>
Total noncurrent assets	<u>\$ 1,833,198</u>
Total assets	<u>\$ 1,860,050</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 989
Accrued interest payable	477
Compensated absences	2,147
Bonds payable - current portion	6,084
Total current liabilities	<u>\$ 9,697</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 103,955
Compensated absences	19,325
Total noncurrent liabilities	<u>\$ 123,280</u>
Total liabilities	<u>\$ 132,977</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,723,159
Unrestricted	3,914
Total net assets	<u>\$ 1,727,073</u>

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Fund Sanitary District
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 39,883
Connection fees	27,215
Other revenues	35,955
Total operating revenues	\$ 103,053
OPERATING EXPENSES	
Water	\$ 54,847
Wastewater	59,795
Industrial center	115,199
Government utility	131,081
Depreciation	85,929
Total operating expenses	\$ 446,851
Operating income (loss)	\$ (343,798)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (6,137)
Total nonoperating revenues (expenses)	\$ (6,137)
Income before contributions and transfers	(349,935)
Transfers in	\$ 230,000
Change in net assets	\$ (119,935)
Total net assets - beginning	1,847,008
Total net assets - ending	\$ 1,727,073

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

County of Charles City, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Enterprise Fund Sanitary District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 113,474
Payments for operating activities	(338,461)
Net cash provided (used) by operating activities	<u>\$ (224,987)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 230,000
Net cash provided (used) by noncapital financing activities	<u>\$ 230,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (5,788)
Interest payments	(5,660)
Net cash provided (used) by capital and related financing activities	<u>\$ (11,448)</u>
Net increase (decrease) in cash and cash equivalents	\$ (6,435)
Cash and cash equivalents - beginning	20,934
Cash and cash equivalents - ending	<u>\$ 14,499</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (343,798)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 85,929
(Increase) decrease in accounts receivable	10,421
Increase (decrease) in accounts payable accrued liabilities	22,461
Total adjustments	<u>\$ 118,811</u>
Net cash provided (used) by operating activities	<u>\$ (224,987)</u>

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

**County of Charles City, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 43,319</u>
LIABILITIES	
Amounts held for social services clients	<u>\$ 43,319</u>

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1—Summary of Significant Accounting Policies:

The County of Charles City, Virginia (the "County") is governed by an elected three member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection; recreational activities, cultural events, education, and social services.

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

COUNTY OF CHARLES CITY, VIRGINIA

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

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

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

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

Separate financial statements are provided for governmental funds, 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 report, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the 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 Charles City (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.

COUNTY OF CHARLES CITY, VIRGINIA

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

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2008.

Discretely Presented Component Units. The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2008.

The Industrial Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2008. The Industrial Development Authority of Charles City County does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

Excluded from the County's Annual Financial Report

Riverside Regional Jail Authority

The Riverside Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions provide the financial support for the Authority and appoint its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations.

Heritage Public Library

The Heritage Public Library is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions of New Kent County and Charles City County provide the financial support for the Library and appoint its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. During the fiscal year ended June 30, 2008, the County contributed \$63,650 to the operations of the Library.

COUNTY OF CHARLES CITY, VIRGINIA

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

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

C. Other Related Organizations Included in the County's Financial Report (Continued)

Excluded from the County's Comprehensive Annual Financial Report (Continued)

Middle Peninsula Detention Center

The Middle Peninsula Juvenile Detention Commission was created to construct, equip, maintain and operate a juvenile detention facility serving nineteen member jurisdictions of which the County's Director of Finance serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o the County of James City, Virginia. The County does not retain an ongoing financial interest in or responsibility for the Commission.

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

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

The 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 fiduciary fund financial statements. 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.

COUNTY OF CHARLES CITY, VIRGINIA

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 CHARLES CITY, VIRGINIA

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

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental 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 revenue 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.

Proprietary Funds - 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 non-operating 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 County's Major Enterprise Fund consists of the Sanitary District.

The County reports the following non-major governmental funds:

Fiduciary Funds - (Trust and Agency Funds) - Fiduciary 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.

E. Cash and Cash Equivalents

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

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

Investments for the government, as well as for its component units are reported at fair value.

COUNTY OF CHARLES CITY, VIRGINIA

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

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

F. 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.

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the 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 \$159,004 at June 30, 2008 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5/December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF CHARLES CITY, VIRGINIA

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

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, 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. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as 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.

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>
Building Improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

I. 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 Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulated rights to be received for sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Retirement Plan

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

K. Use of Estimates

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

COUNTY OF CHARLES CITY, VIRGINIA

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

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

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. 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.

N. 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 is 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.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 15th, 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 or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The Board of Supervisors 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. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2008.

COUNTY OF CHARLES CITY, VIRGINIA

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

NOTE 3 - Deposits and Investments:

Deposits

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

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

	Fair Quality Ratings			
	AAA	AA-	AA+	A-1
Local Government Investment Pool	\$ 329,952	\$ -	\$ -	\$ -
Money Market Mutual Fund	551,719	-	-	-
Corporate Debt	-	150,502	60,066	-
Commercial Paper	-	-	-	99,458
Municipal/Public Bonds	727,292	-	100,567	-
Total	<u>\$ 1,608,963</u>	<u>\$ 150,502</u>	<u>\$ 160,633</u>	<u>\$ 99,458</u>

Interest Rate Risk

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year
Municipal/Public Bonds	\$ 827,859	\$ 827,859
Corporate Debt	210,568	210,568
Commercial Paper	99,458	99,458
Total	<u>\$ 1,137,885</u>	<u>\$ 1,137,885</u>

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>	<u>Component Unit Industrial Development Authority</u>
Other Local Governments:			
Charles City County Industrial Development Authority	\$ 42,311	\$ -	\$ -
Commonwealth of Virginia:			
Local sales tax	80,054	-	-
Shared expenses	115,964	-	-
Recordation tax	4,839	-	-
Rolling stock tax	6,500	-	-
VPA funds	36,539	-	-
E-911 wireless	7,453	-	-
State Sales Tax	-	136,742	-
Mobile home titling tax	1,141	-	-
Comprehensive services act	48,593	-	-
Communications tax	28,515	-	-
Federal Government:			
School fund grants	-	87,792	-
Community Development Block Grant	6,500	-	-
VPA funds	54,960	-	-
Total due from other governments	\$ <u>433,369</u>	\$ <u>224,534</u>	\$ <u>-</u>

At June 30, 2008 amounts due to other local governments are as follows:

Other Local Governments:			
County of Charles City	\$ <u>-</u>	\$ <u>-</u>	\$ <u>42,311</u>

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 5—Capital Assets:

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Primary Government:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,554,783	\$ -	\$ -	\$ 1,554,783
Construction in Progress	192,170	1,800	187,170	6,800
Total capital assets not subject to depreciation	<u>\$ 1,746,953</u>	<u>\$ 1,800</u>	<u>\$ 187,170</u>	<u>\$ 1,561,583</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 9,886,018	\$ 305,790	\$ -	\$ 10,191,808
Equipment	2,161,242	76,139	-	2,237,381
Jointly owned assets	4,391,739	-	741,775	3,649,964
Total capital assets being depreciated	<u>\$ 16,438,999</u>	<u>\$ 381,929</u>	<u>\$ 741,775</u>	<u>\$ 16,079,153</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,001,728	\$ 236,982	\$ -	\$ 3,238,710
Equipment	1,491,986	156,950	-	1,648,936
Jointly owned assets	1,621,928	130,437	350,274	1,402,091
Total accumulated depreciation	<u>\$ 6,115,642</u>	<u>\$ 524,369</u>	<u>\$ 350,274</u>	<u>\$ 6,289,737</u>
Total capital assets subject to depreciation, net	<u>\$ 10,323,357</u>	<u>\$ (142,440)</u>	<u>\$ 391,501</u>	<u>\$ 9,789,416</u>
Net capital assets primary government	<u>\$ 12,070,310</u>	<u>\$ (140,640)</u>	<u>\$ 578,671</u>	<u>\$ 11,350,999</u>
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Total capital assets not subject to depreciation	<u>\$ 7,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,819</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,437,144	\$ -	\$ -	\$ 3,437,144
Equipment	24,400	-	-	24,400
Total capital assets being depreciated	<u>\$ 3,461,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,461,544</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,525,836	\$ 85,929	\$ -	\$ 1,611,765
Equipment	24,400	-	-	24,400
Total accumulated depreciation	<u>\$ 1,550,236</u>	<u>\$ 85,929</u>	<u>\$ -</u>	<u>\$ 1,636,165</u>
Total capital assets subject to depreciation, net	<u>\$ 1,911,308</u>	<u>\$ (85,929)</u>	<u>\$ -</u>	<u>\$ 1,825,379</u>
Net capital assets enterprise fund	<u>\$ 1,919,127</u>	<u>\$ (85,929)</u>	<u>\$ -</u>	<u>\$ 1,833,198</u>

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 5—Capital Assets: (Continued)

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

Component Unit-School Board:	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not subject to depreciation:				
Land and land improvements	\$ 263,786	\$ -	\$ -	\$ 263,786
Construction in Progress	392,434	-	392,434	-
Total capital assets not subject to depreciation	\$ 656,220	\$ -	\$ 392,434	\$ 263,786
Capital assets subject to depreciation:				
Equipment	\$ 2,242,640	\$ 163,752	\$ -	\$ 2,406,392
Jointly owned assets	13,594,720	1,438,298	-	15,033,018
Total capital assets being depreciated	\$ 15,837,360	\$ 1,602,050	\$ -	\$ 17,439,410
Less accumulated depreciation for:				
Equipment	\$ 1,675,526	\$ 162,369	\$ -	\$ 1,837,895
Jointly owned assets	5,020,712	754,043	-	5,774,755
Total accumulated depreciation	\$ 6,696,238	\$ 916,412	\$ -	\$ 7,612,650
Total capital assets subject to depreciation, net	\$ 9,141,122	\$ 685,638	\$ -	\$ 9,826,760
Net capital assets Component Unit-School Board	\$ 9,797,342	\$ 685,638	\$ 392,434	\$ 10,090,546

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government	\$ 63,147
Judicial administration	141,053
Public safety	103,320
Public works	28,542
Health and welfare	21,833
Education	130,437
Parks, recreation and cultural	35,737
Community development	300
Total Governmental activities	\$ 524,369

Business-type activities \$ 85,929

Component Unit School Board \$ 916,412

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 6—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ -	\$ 230,000
Sanitary District	230,000	-
	<u>230,000</u>	<u>-</u>
Total	\$ <u>230,000</u>	\$ <u>230,000</u>

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

Note 7—Long Term Obligations:

Primary Government:

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

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County					
Claims, judgments and compensated absences payable	\$ 550,171	\$ -	\$ 156,522	\$ 393,649	\$ 39,365
Lease revenue bond payable	4,184,230	-	285,049	3,899,181	295,718
Capital lease obligations (Note 8)	105,062	-	24,305	80,757	25,568
Total incurred by County	<u>\$ 4,839,463</u>	<u>\$ -</u>	<u>\$ 465,876</u>	<u>\$ 4,373,587</u>	<u>\$ 360,651</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 12,407	\$ -	\$ 6,000	\$ 6,407	\$ 6,000
General obligation bonds payable	2,757,404	-	515,937	2,241,467	532,537
Total incurred by School Board	<u>\$ 2,769,811</u>	<u>\$ -</u>	<u>\$ 521,937</u>	<u>\$ 2,247,874</u>	<u>\$ 538,537</u>
Total Governmental Obligations	<u>\$ 7,609,274</u>	<u>\$ -</u>	<u>\$ 987,813</u>	<u>\$ 6,621,461</u>	<u>\$ 899,188</u>
Enterprise Obligations:					
Claims, judgments and compensated absences payable	\$ -	\$ 21,472	\$ -	\$ 21,472	\$ 2,147
Revenue bonds payable	115,827	-	5,788	110,039	6,084
Total Enterprise Obligations	<u>\$ 115,827</u>	<u>\$ 21,472</u>	<u>\$ 5,788</u>	<u>\$ 131,511</u>	<u>\$ 8,231</u>

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bond Payable	
	Principal	Interest
2009	\$ 295,718	\$ 138,535
2010	306,785	127,467
2011	318,268	115,985
2012	330,179	104,076
2013	342,537	91,715
2014	355,357	78,896
2015	368,657	65,595
2016	382,455	51,798
2017	396,769	37,484
2018	411,619	22,634
2019	390,837	7,228
Total	\$ <u>3,899,181</u>	\$ <u>841,413</u>

Year Ending June 30	School Obligations			
	Literary Fund Loans		Bonds Payable	
	Principal	Interest	Principal	Interest
2009	\$ 6,000	\$ 193	\$ 532,537	\$ 130,363
2010	407	12	550,270	94,630
2011	-	-	569,212	57,688
2012	-	-	589,448	19,452
Total	\$ <u>6,407</u>	\$ <u>205</u>	\$ <u>2,241,467</u>	\$ <u>302,133</u>

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Enterprise Fund	
	Revenue Bonds Payable	
	Principal	Interest
2009	\$ 6,084	\$ 5,364
2010	6,395	5,052
2011	6,723	4,725
2012	7,067	4,381
2013	7,428	4,020
2014	7,808	3,640
2015	8,208	3,240
2016	8,628	2,820
2017	9,069	2,379
2018	9,533	1,915
2019	10,021	1,427
2020	10,533	915
2021	11,072	376
2022	1,470	6
Total	\$ 110,039	\$ 40,260

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

General Obligations:

Incurred by County:

Lease Revenue Bond Payable:

\$5,000,000 lease revenue bond payable issued through the Industrial Development Authority of Charles City County on May 15, 2003, payable in monthly installments of principal and interest totaling \$36,188 through May 1, 2019, interest payable annually a

\$ 3,899,181

Capital Lease Payable:

\$129,950 Fire Truck lease issued on December 15, 2005, due in annual installments of \$29,763 on each September 1 through 2010.

\$ 80,757

Compensated absences

\$ 393,649

Total Incurred by County

\$ 4,373,587

Incurred by School Board:

State Literary Fund Loans:

\$114,407 State Literary Fund loan issued July 15, 1990, due in annual principal installments of \$6,000 through 2010, interest payable annually at 3%.

\$ 6,407

General Obligation Bonds Payable:

\$9,103,808 School Bonds issued March 1992, due in various annual principal installments each July 15 through 2011; interest payable semi-annually at an average rate of 6.60%.

\$ 2,241,467

Total Incurred by School Board

\$ 2,247,874

Total Governmental Obligations

\$ 6,621,461

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Enterprise Fund:

Revenue Bond Payable:

\$194,200 Water System Revenue Bonds Series 1982 issued April 14, 1982 payable in monthly principal and interest installments of \$954 through 2022, interest at 5.00% \$ 110,039

Component Unit-School Board:

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

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Claims, judgments and compensated absences payable	\$ 154,490	\$ -	\$ 575	\$ 153,915	\$ 15,392
Capital lease obligations (Note 8)	<u>29,831</u>	<u>163,752</u>	<u>50,547</u>	<u>143,036</u>	<u>44,937</u>
Total Component Unit-School Board	<u>\$ 184,321</u>	<u>\$ 163,752</u>	<u>\$ 51,122</u>	<u>\$ 296,951</u>	<u>\$ 60,329</u>

Details of long-term obligations:

Capital Leases Payable:

\$56,939 School Bus lease issued on June 24, 2005, due in annual installments of \$16,020 on each June 15 through 2009; interest rate 4.90%. \$ 15,273

\$81,876 School Bus lease issued on August 15, 2007, due in annual installments of \$17,994 on each July 15 through 2011; interest rate 4.95%. 63,882

\$81,876 School Bus lease issued on January 15, 2008, due in annual installments of \$17,994 on each July 15 through 2011; interest rate 4.95%. 63,881

Total Capital Leases Payable \$ 143,036

Compensated absences \$ 153,915

Total Component Unit-School Board \$ 296,951

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of school buses and fire truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government	Component Unit- School Board
Asset:		
Equipment	\$ 157,690	\$ 236,711
Less: accumulated depreciation	<u>(15,769)</u>	<u>(45,559)</u>
 Total	 <u>\$ 141,921</u>	 <u>\$ 191,152</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, are as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2009	\$ 29,763	\$ 52,008
2010	29,763	35,989
2011	29,763	35,988
2012	<u>-</u>	<u>35,990</u>
 Total minimum lease payments	 \$ 89,289	 \$ 159,975
Less: amount representing interest	<u>(8,532)</u>	<u>(16,939)</u>
 Present value of minimum lease payments	 <u>\$ 80,757</u>	 <u>\$ 143,036</u>

Note 9—Landfill Closure and Post-closure Costs:

The County has contracted with a third party, USA Waste of Virginia, to operate a solid waste landfill site under a lease purchase agreement with the County. Under this agreement, USA Waste of Virginia is responsible for all closure and postclosure monitoring costs related to the landfill. USA Waste of Virginia is obligated to finance these costs through a trust fund mechanism. This trust fund is currently being monitored by the County. No amounts have been recorded in these financial statements for this liability because the third party has assumed all closure and postclosure obligations.

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$661,372 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$483,162 at June 30, 2008.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008 but paid in advance by the taxpayers totaled \$106,460 at June 30, 2008.

Lease Purchase Receivable - Deferred revenue representing uncollected lease/purchase payments not available for funding of current expenditures totaled \$71,750.

Note 11—Contingent Liabilities:

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

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

Note 12—Litigation:

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

Note 13 —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 and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 13 –Risk Management: (Continued)

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 14 –Lease-Purchase Receivable:

On November 1, 1995, the County entered into a lease-purchase agreement with Timothy A. Carroll to sell a lot and building at the Roxbury Industrial Center. The agreement included a \$15,000 down payment and monthly installments of principal and interest of \$2,697.50 for 15 years to be received by the County. The interest rate is 7%, and the total amount financed was \$300,000. At June 30, 2008, the balance of the lease purchase receivable was \$71,750.

Note 15 –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 and School Board contribute to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 15 – Defined Benefit Pension Plan (Continued):

A. Plan Description (Continued)

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 at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2008 were 7.13% and 2.67% of annual covered payroll, respectively.

The School Board's professional employees contributed \$532,697, \$456,986, and \$306,903, to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007, and 2006 respectively. The County's rate was 10.30%, 9.20%, and 6.62% of annual covered payroll, respectively.

C. Annual Pension Cost

For fiscal year 2008, the County's annual pension cost of \$208,879 (which does not include the employee's portion of \$146,479) was equal to the County's required and actual contributions.

For fiscal year 2008, the County School Board's annual pension cost for the Board's non-professional employees was \$7,952 (which does not include the employees portion assumed by the School Board of \$14,892) which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2008	\$ 208,879	100%	\$ -
June 30, 2007	208,336	100%	-
June 30, 2006	107,473	100%	-
School Board:			
Non-Professional:			
June 30, 2008	\$ 7,952	100%	\$ -
June 30, 2007	7,528	100%	-
June 30, 2006	-	100%	-

(1) Employer portion only

COUNTY OF CHARLES CITY, VIRGINIA

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

Note 15 – Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost (Continued)

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the Primary Government plan was 88.49% funded. The actuarial accrued liability for benefits was \$10,785,200, and the actuarial value of assets was \$9,543,656, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,241,544. The covered payroll (annual payroll of active employees covered by the plan) was \$2,915,765, and ratio of the UAAL to the covered payroll was 42.58%.

As of June 30, 2007, the most recent actuarial valuation date, the School Board's Non-Professional plan was 120.33% funded. The actuarial accrued liability for benefits was \$1,302,015, and the actuarial value of assets was \$1,566,765, resulting in an unfunded actuarial accrued liability (UAAL) of (\$264,750). The covered payroll (annual payroll of active employees covered by the plan) was \$286,776, and ratio of the UAAL to the covered payroll was <92.32%>.

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

Note 16 – Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
Edith Holmes, Clerk of the Circuit Court	\$ 265,000
Cecelia Bradby, Treasurer	300,000
Denise B. Smith, Commissioner of the Revenue	3,000
Javier Smith, Sheriff	30,000
Fidelity and Deposit company of Maryland - Surety	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool	
- Public Officials Liability	2,000,000
- Employee Dishonesty Policy	250,000

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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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County of Charles City, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 6,228,182	\$ 6,228,182	\$ 6,354,328	\$ 126,146
Other local taxes	809,122	804,100	851,971	47,871
Permits, privilege fees, and regulatory licenses	3,250,892	3,250,892	3,119,343	(131,549)
Fines and forfeitures	13,000	13,000	927	(12,073)
Revenue from the use of money and property	371,745	371,745	230,520	(141,225)
Charges for services	57,500	57,500	102,013	44,513
Miscellaneous	325,840	322,151	197,301	(124,850)
Recovered costs	37,500	37,500	383,410	345,910
Intergovernmental revenues:				
Commonwealth	2,491,757	2,514,071	2,553,829	39,758
Federal	593,101	609,577	768,196	158,619
Total revenues	\$ 14,178,639	\$ 14,208,718	\$ 14,561,838	\$ 353,120
EXPENDITURES				
Current:				
General government administration	\$ 1,821,868	\$ 1,874,963	\$ 1,939,120	\$ (64,157)
Judicial administration	515,774	551,061	557,295	(6,234)
Public safety	1,875,340	1,827,528	1,625,252	202,276
Public works	1,071,760	1,052,113	1,019,792	32,321
Health and welfare	2,453,068	2,345,474	1,967,938	377,536
Education	6,302,279	6,147,279	5,931,686	215,593
Parks, recreation, and cultural	459,286	471,935	458,689	13,246
Community development	376,834	383,744	493,780	(110,036)
Nondepartmental	277,945	83,047	165,547	(82,500)
Capital projects	515,837	583,494	269,968	313,526
Debt service:				
Principal retirement	778,018	802,323	831,291	(28,968)
Interest and other fiscal charges	344,333	349,793	319,997	29,796
Total expenditures	\$ 16,792,342	\$ 16,472,754	\$ 15,580,355	\$ 892,399
Excess (deficiency) of revenues over (under) expenditures	\$ (2,613,703)	\$ (2,264,036)	\$ (1,018,517)	\$ 1,245,519
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (237,503)	\$ (257,683)	\$ (230,000)	\$ 27,683
Total other financing sources (uses)	\$ (237,503)	\$ (257,683)	\$ (230,000)	\$ 27,683
Net change in fund balances	\$ (2,851,206)	\$ (2,521,719)	\$ (1,248,517)	\$ 1,273,202
Fund balances - beginning	2,851,206	2,521,719	4,097,929	1,576,210
Fund balances - ending	\$ -	\$ -	\$ 2,849,412	\$ 2,849,412

County of Charles City, Virginia
Schedule of Funding Progress-Virginia Retirement System
For The Year Ended June 30, 2008

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
County:						
6/30/2007	\$ 9,543,656	\$ 10,785,200	\$ 1,241,544	88.49%	\$ 2,915,765	42.58%
6/30/2006	8,451,312	9,359,572	908,260	90.30%	2,773,547	32.75%
6/30/2005	7,912,044	9,125,817	1,213,773	86.70%	2,420,764	50.14%
6/30/2004	7,637,723	7,677,418	39,695	99.48%	2,471,727	1.61%
6/30/2003	7,447,850	7,195,264	(252,586)	103.51%	2,306,694	-10.95%
6/30/2002	7,277,551	6,431,341	(846,210)	113.16%	2,455,937	-34.46%
6/30/2001	6,957,701	5,865,105	(1,092,596)	118.63%	2,377,182	-45.96%
6/30/2000	6,213,465	5,095,119	(1,118,346)	121.95%	2,154,499	-51.91%
6/30/1999	5,303,635	5,102,638	(200,997)	103.94%	2,099,632	-9.57%
6/30/1998	4,533,403	4,212,813	(320,590)	107.61%	1,846,223	-17.36%
School Board Non-Professionals:						
6/30/2007	\$ 1,566,765	\$ 1,302,015	\$ (264,750)	120.33%	\$ 286,776	-92.32%
6/30/2006	1,396,860	1,263,842	(133,018)	110.52%	275,773	-48.23%
6/30/2005	1,348,754	1,310,835	(37,919)	102.89%	258,882	-14.65%
6/30/2004	1,342,583	1,042,674	(299,909)	128.76%	255,206	-117.52%
6/30/2003	1,342,739	968,902	(373,837)	138.58%	265,077	-141.03%
6/30/2002	1,354,254	975,214	(379,040)	138.87%	270,971	-139.88%
6/30/2001	1,333,683	905,710	(427,973)	147.25%	247,851	-172.67%
6/30/2000	1,232,733	846,040	(386,693)	145.71%	256,108	-150.99%
6/30/1999	1,082,042	947,045	(134,997)	114.25%	244,027	-55.32%
6/30/1998	959,497	891,724	(67,773)	107.60%	237,577	-28.53%

OTHER SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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County of Charles City, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 35,295	\$ 21,941	\$ 13,917	\$ 43,319
Liabilities:				
Amounts held for social services clients	\$ 35,295	\$ 21,941	\$ 13,917	\$ 43,319

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DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD

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County of Charles City, Virginia
 Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2008

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 638,749
Due from other governmental units	224,534
Total assets	\$ 863,283
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 28,104
Accrued liabilities	761,353
Deferred revenue	73,826
Total liabilities	\$ 863,283
Fund balances:	
Unreserved:	
Undesignated	\$ -
Total fund balances	\$ -
Total liabilities and fund balances	\$ 863,283
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:	
Total fund balances per above	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,090,546
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	73,826
Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	(296,951)
Net assets of governmental activities	\$ 9,867,421

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2008

	School Operating Fund
REVENUES	
Charges for services	\$ 219,505
Miscellaneous	162,223
Recovered costs	36,174
Intergovernmental revenues:	
Local government	5,930,599
Commonwealth	5,195,106
Federal	896,100
Total revenues	\$ 12,439,707
EXPENDITURES	
Current:	
Education	\$ 12,551,450
Debt service:	
Principal retirement	50,547
Interest and other fiscal charges	1,462
Total expenditures	\$ 12,603,459
Excess (deficiency) of revenues over (under) expenditures	\$ (163,752)
OTHER FINANCING SOURCES (USES)	
Capital lease issuance	\$ 163,752
Total other financing sources and uses	\$ 163,752
Net change in fund balances	\$ -
Fund balances - beginning	-
Fund balances - ending	\$ -
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ -
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.	293,204
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	73,826
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 when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(113,205)
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.	575
Change in net assets of governmental activities	\$ 254,400

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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 340,410	\$ 340,410	\$ 219,505	\$ (120,905)
Miscellaneous	6,600	6,600	162,223	155,623
Recovered costs	-	110,000	36,174	(73,826)
Intergovernmental revenues:				
Local government	6,301,193	6,146,193	5,930,599	(215,594)
Commonwealth	4,964,053	5,215,547	5,195,106	(20,441)
Federal	882,448	1,406,929	896,100	(510,829)
Total revenues	<u>\$ 12,494,704</u>	<u>\$ 13,225,679</u>	<u>\$ 12,439,707</u>	<u>\$ (785,972)</u>
EXPENDITURES				
Current:				
Education	\$ 12,442,695	\$ 13,173,670	\$ 12,551,450	\$ 622,220
Debt service:				
Principal retirement	50,547	50,547	50,547	-
Interest and other fiscal charges	1,462	1,462	1,462	-
Total expenditures	<u>\$ 12,494,704</u>	<u>\$ 13,225,679</u>	<u>\$ 12,603,459</u>	<u>\$ 622,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (163,752)</u>	<u>\$ (163,752)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease issuance	\$ -	\$ -	\$ 163,752	\$ 163,752
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,752</u>	<u>\$ 163,752</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Charles City, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 125,426
Investments	841,648
Leases receivable	<u>123,768</u>
Total current assets	<u>\$ 1,090,842</u>
Total assets	<u>\$ 1,090,842</u>

LIABILITIES

Current liabilities:

Due to other governmental units	<u>42,311</u>
Total liabilities	<u>\$ 42,311</u>

NET ASSETS

Unrestricted	<u>\$ 1,048,531</u>
Total net assets	<u><u>\$ 1,048,531</u></u>

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2008

OPERATING REVENUES

Charges for services:

Bond fees	\$ 90,479
Total operating revenues	\$ 90,479

OPERATING EXPENSES

Other expenses	\$ 255,950
Total operating expenses	\$ 255,950

Operating income (loss)	\$ (165,471)
-------------------------	--------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	\$ 36,739
Total nonoperating revenues (expenses)	\$ 36,739

Change in net assets	\$ (128,732)
----------------------	--------------

Total net assets - beginning	1,177,263
Total net assets - ending	\$ 1,048,531

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

County of Charles City, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 90,479
Payments for operating activities	<u>(213,639)</u>
Net cash provided (used) by operating activities	<u>\$ (123,160)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	<u>\$ 2,642</u>
Net cash provided (used) by investing activities	<u>\$ 2,642</u>

Net increase (decrease) in cash and cash equivalents \$ (120,518)

Cash and cash equivalents - beginning	<u>245,944</u>
Cash and cash equivalents - ending	<u><u>\$ 125,426</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	<u>\$ (165,471)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable and accrued liabilities	42,311
Total adjustments	<u>\$ 42,311</u>
Net cash provided (used) by operating activities	<u><u>\$ (123,160)</u></u>

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

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SUPPORTING SCHEDULES

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County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,790,682	\$ 4,790,682	\$ 4,727,875	\$ (62,807)
Real and personal public service corporation taxes	150,000	150,000	212,413	62,413
Personal property taxes	992,000	992,000	1,118,116	126,116
Mobile home taxes	7,500	7,500	8,600	1,100
Machinery and tools taxes	150,000	150,000	125,434	(24,566)
Merchant's capital taxes	20,000	20,000	21,911	1,911
Penalties	70,000	70,000	82,738	12,738
Interest	48,000	48,000	57,241	9,241
Total general property taxes	<u>\$ 6,228,182</u>	<u>\$ 6,228,182</u>	<u>\$ 6,354,328</u>	<u>\$ 126,146</u>
Other local taxes:				
Local sales and use taxes	\$ 400,000	\$ 400,000	\$ 433,057	\$ 33,057
Consumers' utility taxes	216,800	216,800	133,519	(83,281)
Consumption tax	-	-	41,538	41,538
Communications tax	-	-	177,476	177,476
Cable television franchise license tax	16,000	16,000	-	(16,000)
E911	63,322	58,300	-	(58,300)
Gross Receipts	29,000	29,000	-	(29,000)
Motor vehicle licenses	5,000	5,000	280	(4,720)
Bank stock tax	-	-	3,627	3,627
Taxes on recordation and wills	79,000	79,000	62,474	(16,526)
Total other local taxes	<u>\$ 809,122</u>	<u>\$ 804,100</u>	<u>\$ 851,971</u>	<u>\$ 47,871</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,200	\$ 11,200	\$ 14,783	\$ 3,583
Transfer fees	300	300	301	1
Landfill host fees	2,800,000	2,800,000	2,741,511	(58,489)
Permits and other licenses	439,392	439,392	362,748	(76,644)
Total permits, privilege fees, and regulatory licenses	<u>\$ 3,250,892</u>	<u>\$ 3,250,892</u>	<u>\$ 3,119,343</u>	<u>\$ (131,549)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 13,000	\$ 13,000	\$ 927	\$ (12,073)
Revenue from use of money and property:				
Revenue from use of money	\$ 199,000	\$ 199,000	\$ 167,407	\$ (31,593)
Revenue from use of property	172,745	172,745	63,113	(109,632)
Total revenue from use of money and property	<u>\$ 371,745</u>	<u>\$ 371,745</u>	<u>\$ 230,520</u>	<u>\$ (141,225)</u>
Charges for services:				
Clerk's interest fees	\$ 1,000	\$ 1,000	\$ 113	\$ (887)
Sheriff's fees	500	500	688	188
Courthouse fees	1,000	4,000	4,782	782
Courthouse security fees	8,000	8,000	21,062	13,062
Court fees	20,900	17,900	35,480	17,580
Commonwealth's attorney fees	500	500	320	(180)
Charges for parks and recreation	17,600	17,600	32,931	15,331
Charges for other protection	2,500	2,500	1,950	(550)
Document reproduction fees	4,000	4,000	518	(3,482)
Jail admission fees	1,500	1,500	1,068	(432)
Charges for EMS transport	-	-	3,101	3,101
Total charges for services	<u>\$ 57,500</u>	<u>\$ 57,500</u>	<u>\$ 102,013</u>	<u>\$ 44,513</u>
Miscellaneous revenue:				
Miscellaneous	\$ 325,840	\$ 322,151	\$ 197,301	\$ (124,850)

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 1
 Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Central gas	\$ -	\$ -	\$ 275,913	\$ 275,913
Jurors	2,500	2,500	3,060	560
Sheriff support -- IDA	35,000	35,000	42,311	7,311
Visitor's center -- IDA	-	-	39,110	39,110
Indoor plumbing rehab	-	-	23,016	23,016
Total recovered costs	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 383,410</u>	<u>\$ 345,910</u>
Total revenue from local sources	<u>\$ 11,093,781</u>	<u>\$ 11,085,070</u>	<u>\$ 11,239,813</u>	<u>\$ 154,743</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 4,060	\$ 4,060	\$ -	\$ (4,060)
Wine taxes	4,256	4,256	-	(4,256)
Auto rental tax	-	-	(106)	(106)
Mobile home titling tax	10,000	10,000	18,849	8,849
Rolling stock tax	5,500	5,500	6,500	1,000
State recordation tax	13,000	13,000	33,338	20,338
Personal property tax relief funds	690,963	690,963	690,962	(1)
Total noncategorical aid	<u>\$ 727,779</u>	<u>\$ 727,779</u>	<u>\$ 749,543</u>	<u>\$ 21,764</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 78,000	\$ 78,000	\$ 86,973	\$ 8,973
Sheriff	470,000	474,000	524,775	50,775
Commissioner of revenue	64,000	64,000	71,865	7,865
Treasurer	60,100	73,100	82,767	9,667
Registrar/electoral board	33,000	33,000	40,378	7,378
Clerk of the Circuit Court	130,000	130,000	167,512	37,512
Total shared expenses	<u>\$ 835,100</u>	<u>\$ 852,100</u>	<u>\$ 974,270</u>	<u>\$ 122,170</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 291,503	\$ 291,503	\$ 295,051	\$ 3,548
Comprehensive services act program	549,795	549,795	357,184	(192,611)
Emergency medical services	6,602	6,602	13,433	6,831
Emergency services	15,000	15,000	30,000	15,000
Asset forfeiture	-	2,880	-	(2,880)
Law enforcement grants	-	5,844	-	(5,844)
Litter control	6,000	7,546	4,760	(2,786)
Wireless grant	39,978	35,022	44,383	9,361
Cultural alliance	5,000	5,000	-	(5,000)
Fire programs fund	15,000	15,000	18,258	3,258
Indoor plumbing grant	-	-	64,067	64,067
Other state funds	-	-	2,880	2,880
Total other categorical aid	<u>\$ 928,878</u>	<u>\$ 934,192</u>	<u>\$ 830,016</u>	<u>\$ (104,176)</u>
Total categorical aid	<u>\$ 1,763,978</u>	<u>\$ 1,786,292</u>	<u>\$ 1,804,286</u>	<u>\$ 17,994</u>
Total revenue from the Commonwealth	<u>\$ 2,491,757</u>	<u>\$ 2,514,071</u>	<u>\$ 2,553,829</u>	<u>\$ 39,758</u>

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 1
 Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 3,000	\$ 3,000	\$ 1,806	\$ (1,194)
Categorical aid:				
Public assistance and welfare administration	\$ 589,601	\$ 589,601	\$ 596,776	\$ 7,175
Emergency preparedness	-	-	14,034	14,034
Indoor plumbing grant	-	-	64,580	64,580
Transportation safety	-	16,476	10,646	(5,830)
Community development block grant	-	-	75,569	75,569
Homeland security	-	-	4,785	4,785
USDA summer food	500	500	-	(500)
Total categorical aid	\$ 590,101	\$ 606,577	\$ 766,390	\$ 159,813
Total revenue from the federal government	\$ 593,101	\$ 609,577	\$ 768,196	\$ 158,619
Total General Fund	\$ 14,178,639	\$ 14,208,718	\$ 14,561,838	\$ 353,120
Total Primary Government	\$ 14,178,639	\$ 14,208,718	\$ 14,561,838	\$ 353,120
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
School food service	\$ 330,057	\$ 330,057	\$ 219,505	\$ (110,552)
Tuition and payments from other divisions	10,353	10,353	-	(10,353)
Total charges for services	\$ 340,410	\$ 340,410	\$ 219,505	\$ (120,905)
Miscellaneous revenue:				
Miscellaneous	\$ 6,600	\$ 6,600	\$ 162,223	\$ 155,623
Recovered costs:				
Williamsburg community health grant	\$ -	\$ 110,000	\$ 36,174	\$ (73,826)
Total recovered costs	\$ -	\$ 110,000	\$ 36,174	\$ (73,826)
Total revenue from local sources	\$ 347,010	\$ 457,010	\$ 417,902	\$ (39,108)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 6,301,193	\$ 6,146,193	\$ 5,930,599	\$ (215,594)
Total revenues from local governments	\$ 6,301,193	\$ 6,146,193	\$ 5,930,599	\$ (215,594)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 826,592	\$ 826,592	\$ 790,640	\$ (35,952)
Basic school aid	2,401,791	2,401,791	2,568,980	167,189
Regular foster care	32,055	32,055	25,731	(6,324)

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Gifted and talented	\$ 19,789	\$ 19,789	\$ 20,752	\$ 963
Remedial education	69,501	69,501	72,886	3,385
Enrollment loss	24,450	24,450	-	(24,450)
Special education	405,425	405,425	450,966	45,541
Textbook payment	48,400	48,400	50,757	2,357
GED funding	7,859	7,859	7,859	-
Vocational education	71,422	71,422	74,709	3,287
English as a second language	3,923	3,923	4,577	654
School fringes	342,198	342,198	358,863	16,665
Technology grant	128,000	128,000	128,000	-
Early reading intervention	9,674	9,674	11,287	1,613
Remedial Ed-Summer School	8,930	8,930	33,546	24,616
School food program	5,483	5,483	9,330	3,847
School construction	110,164	353,805	110,315	(243,490)
Lottery proceeds	106,661	106,661	112,771	6,110
At risk payments	97,120	97,120	99,843	2,723
Primary class size	68,083	68,083	68,918	835
Salary supplement	164,101	164,101	173,611	9,510
Standards of Learning algebra readiness	9,911	9,911	8,298	(1,613)
Mentor teacher	-	3,853	3,823	(30)
Other state	-	4,000	7,500	3,500
Homebound	2,521	2,521	1,144	(1,377)
Total categorical aid	<u>\$ 4,964,053</u>	<u>\$ 5,215,547</u>	<u>\$ 5,195,106</u>	<u>\$ (20,441)</u>
Total revenue from the Commonwealth	<u>\$ 4,964,053</u>	<u>\$ 5,215,547</u>	<u>\$ 5,195,106</u>	<u>\$ (20,441)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 173,000	\$ 173,000	\$ 207,926	\$ 34,926
Summer food	15,632	15,632	20,955	5,323
Title I	207,169	400,449	212,790	(187,659)
Commodities	-	-	19,982	19,982
Vocational education	18,622	18,622	15,372	(3,250)
Drug free schools	3,509	7,444	1,977	(5,467)
Title V	5,900	5,900	-	(5,900)
Title VIB	301,386	301,386	76,065	(225,321)
Title II -- part d	-	-	12	12
Teach first grant	-	32,000	-	(32,000)
Preschool grant	7,998	24,044	7,305	(16,739)
Title II -- part a	88,100	138,100	85,725	(52,375)
21st Century learning	-	229,220	184,968	(44,252)
Advanced placement	-	-	318	318
JROTC grant	61,132	61,132	62,705	1,573
Total categorical aid	<u>\$ 882,448</u>	<u>\$ 1,406,929</u>	<u>\$ 896,100</u>	<u>\$ (510,829)</u>
Total revenue from the federal government	<u>\$ 882,448</u>	<u>\$ 1,406,929</u>	<u>\$ 896,100</u>	<u>\$ (510,829)</u>
Total School Operating Fund	<u>\$ 12,494,704</u>	<u>\$ 13,225,679</u>	<u>\$ 12,439,707</u>	<u>\$ (785,972)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 12,494,704</u>	<u>\$ 13,225,679</u>	<u>\$ 12,439,707</u>	<u>\$ (785,972)</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 72,389	\$ 64,892	\$ 62,583	\$ 2,309
General and financial administration:				
County administrator	\$ 276,805	\$ 288,165	\$ 222,458	\$ 65,707
Legal services	57,783	57,783	57,483	300
Commissioner of revenue	174,478	174,342	172,619	1,723
Independent Auditor	28,700	28,700	28,500	200
Treasurer	185,232	181,862	178,107	3,755
Motor pool	154,957	154,001	134,786	19,215
Central gas	6,883	8,743	287,873	(279,130)
Memberships	2,260	2,260	2,481	(221)
Information technology	331,294	321,179	242,869	78,310
Management services	240,680	248,073	239,399	8,674
Other general and financial administration	225,100	279,656	249,983	29,673
Total general and financial administration	<u>\$ 1,684,172</u>	<u>\$ 1,744,764</u>	<u>\$ 1,816,558</u>	<u>\$ (71,794)</u>
Board of elections:				
Electoral board and officials	\$ 19,707	\$ 19,707	\$ 15,517	\$ 4,190
Registrar	45,600	45,600	44,462	1,138
Total board of elections	<u>\$ 65,307</u>	<u>\$ 65,307</u>	<u>\$ 59,979</u>	<u>\$ 5,328</u>
Total general government administration	<u>\$ 1,821,868</u>	<u>\$ 1,874,963</u>	<u>\$ 1,939,120</u>	<u>\$ (64,157)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 34,100	\$ 34,100	\$ 20,666	\$ 13,434
General district court	14,150	11,250	4,263	6,987
Courthouse security fund	10,000	10,000	13,230	(3,230)
Special Magistrates	1,800	1,800	-	1,800
Sheriff	145,046	153,524	177,743	(24,219)
9th district court services	11,500	24,728	13,228	11,500
Crater Criminal Justice	5,638	5,638	5,638	-
Clerk of the circuit court	190,060	203,200	215,832	(12,632)
Total courts	<u>\$ 412,294</u>	<u>\$ 444,240</u>	<u>\$ 450,600</u>	<u>\$ (6,360)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 103,480	\$ 106,821	\$ 106,695	\$ 126
Total commonwealth's attorney	<u>\$ 103,480</u>	<u>\$ 106,821</u>	<u>\$ 106,695</u>	<u>\$ 126</u>
Total judicial administration	<u>\$ 515,774</u>	<u>\$ 551,061</u>	<u>\$ 557,295</u>	<u>\$ (6,234)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 756,529	\$ 821,289	\$ 788,201	\$ 33,088
E-911	106,300	96,322	105,690	(9,368)
Total law enforcement and traffic control	<u>\$ 862,829</u>	<u>\$ 917,611</u>	<u>\$ 893,891</u>	<u>\$ 23,720</u>
Fire and rescue services:				
Fire department	\$ 275,480	\$ 165,715	\$ 116,019	\$ 49,696
Ambulance and rescue services	40,302	65,302	64,257	1,045
Total fire and rescue services	<u>\$ 315,782</u>	<u>\$ 231,017</u>	<u>\$ 180,276</u>	<u>\$ 50,741</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Confinement and care of prisoners	\$ 373,300	\$ 358,300	\$ 294,139	\$ 64,161
Criminal justice planner	5,294	5,294	5,294	-
Total correction and detention	<u>\$ 378,594</u>	<u>\$ 363,594</u>	<u>\$ 299,433</u>	<u>\$ 64,161</u>
Other protection:				
Animal control	\$ 114,405	\$ 109,360	\$ 95,976	\$ 13,384
Codes enforcement	126,697	127,734	123,714	4,020
Emergency services	73,731	74,910	28,900	46,010
VJCCCA	3,002	3,002	3,002	-
Medical examiner	300	300	60	240
Total other protection	<u>\$ 318,135</u>	<u>\$ 315,306</u>	<u>\$ 251,652</u>	<u>\$ 63,654</u>
Total public safety	<u>\$ 1,875,340</u>	<u>\$ 1,827,528</u>	<u>\$ 1,625,252</u>	<u>\$ 202,276</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 305,466	\$ 304,187	\$ 241,959	\$ 62,228
Maintenance of general buildings and grounds:				
General properties	\$ 766,294	\$ 747,926	\$ 777,833	\$ (29,907)
Total public works	<u>\$ 1,071,760</u>	<u>\$ 1,052,113</u>	<u>\$ 1,019,792</u>	<u>\$ 32,321</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 97,614	\$ 97,614	\$ 87,890	\$ 9,724
Mental health and mental retardation:				
Henrico area community services	\$ 106,951	\$ 106,951	\$ 106,951	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,297,783	\$ 1,263,832	\$ 1,143,090	\$ 120,742
Comprehensive services act	787,900	772,401	535,865	236,536
Office on youth	59,448	58,344	52,810	5,534
Contributions	103,372	46,332	41,332	5,000
Total welfare	<u>\$ 2,248,503</u>	<u>\$ 2,140,909</u>	<u>\$ 1,773,097</u>	<u>\$ 367,812</u>
Total health and welfare	<u>\$ 2,453,068</u>	<u>\$ 2,345,474</u>	<u>\$ 1,967,938</u>	<u>\$ 377,536</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,086	\$ 1,086	\$ 1,087	\$ (1)
Contribution to County School Board	6,301,193	6,146,193	5,930,599	215,594
Total education	<u>\$ 6,302,279</u>	<u>\$ 6,147,279</u>	<u>\$ 5,931,686</u>	<u>\$ 215,593</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 346,236	\$ 351,300	\$ 346,701	\$ 4,599
Total parks and recreation	<u>\$ 346,236</u>	<u>\$ 351,300</u>	<u>\$ 346,701</u>	<u>\$ 4,599</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Center for local history	\$ 25,000	\$ 25,017	\$ 22,727	\$ 2,290
2007 Planning committee	15,300	24,868	17,016	7,852
Total cultural enrichment	<u>\$ 40,300</u>	<u>\$ 49,885</u>	<u>\$ 39,743</u>	<u>\$ 10,142</u>
Library:				
Library	\$ 72,750	\$ 70,750	\$ 72,245	\$ (1,495)
Total library	<u>\$ 72,750</u>	<u>\$ 70,750</u>	<u>\$ 72,245</u>	<u>\$ (1,495)</u>
Total parks, recreation, and cultural	<u>\$ 459,286</u>	<u>\$ 471,935</u>	<u>\$ 458,689</u>	<u>\$ 13,246</u>
Community development:				
Planning and community development:				
Indoor plumbing rehab grant	\$ -	\$ -	\$ 162,412	\$ (162,412)
Planning commission	5,500	5,500	3,247	2,253
Department of development	282,234	281,598	247,480	34,118
Community development contribution	38,190	38,190	38,338	(148)
Total planning and community development	<u>\$ 325,924</u>	<u>\$ 325,288</u>	<u>\$ 451,477</u>	<u>\$ (126,189)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 6,657	\$ 6,657	\$ 6,657	\$ -
Litter control program	-	7,546	7,546	-
Total environmental management	<u>\$ 6,657</u>	<u>\$ 14,203</u>	<u>\$ 14,203</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 44,253	\$ 44,253	\$ 28,100	\$ 16,153
Total cooperative extension program	<u>\$ 44,253</u>	<u>\$ 44,253</u>	<u>\$ 28,100</u>	<u>\$ 16,153</u>
Total community development	<u>\$ 376,834</u>	<u>\$ 383,744</u>	<u>\$ 493,780</u>	<u>\$ (110,036)</u>
Nondepartmental:				
Recreation revolving accounts	\$ 3,000	\$ 3,000	\$ 14,770	\$ (11,770)
Contingency	274,945	80,047	150,777	(70,730)
Total nondepartmental	<u>\$ 277,945</u>	<u>\$ 83,047</u>	<u>\$ 165,547</u>	<u>\$ (82,500)</u>
Capital projects:				
County capital improvements	\$ 515,837	\$ 583,494	\$ 269,968	\$ 313,526
Total capital projects	<u>\$ 515,837</u>	<u>\$ 583,494</u>	<u>\$ 269,968</u>	<u>\$ 313,526</u>
Debt service:				
Principal retirement	\$ 778,018	\$ 802,323	\$ 831,291	\$ (28,968)
Interest and other fiscal charges	344,333	349,793	319,997	29,796
Total debt service	<u>\$ 1,122,351</u>	<u>\$ 1,152,116</u>	<u>\$ 1,151,288</u>	<u>\$ 828</u>
Total General Fund	<u>\$ 16,792,342</u>	<u>\$ 16,472,754</u>	<u>\$ 15,580,355</u>	<u>\$ 892,399</u>
Total Primary Government	<u>\$ 16,792,342</u>	<u>\$ 16,472,754</u>	<u>\$ 15,580,355</u>	<u>\$ 892,399</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 870,955	\$ 865,955	\$ 778,200	\$ 87,755
Instruction costs	8,566,126	9,098,460	8,641,743	456,717
Pupil transportation	852,197	822,197	973,296	(151,099)
Operation and maintenance of school plant	1,632,535	1,866,176	1,642,591	223,585
Commodities	-	-	19,982	(19,982)
School food	520,882	520,882	495,638	25,244
Total education	\$ 12,442,695	\$ 13,173,670	\$ 12,551,450	\$ 622,220
Debt service:				
Principal retirement	\$ 50,547	\$ 50,547	\$ 50,547	\$ -
Interest and other fiscal charges	1,462	1,462	1,462	-
Total debt service	\$ 52,009	\$ 52,009	\$ 52,009	\$ -
Total School Fund	\$ 12,494,704	\$ 13,225,679	\$ 12,603,459	\$ 622,220
Total Discretely Presented Component Unit - School Board	\$ 12,494,704	\$ 13,225,679	\$ 12,603,459	\$ 622,220

OTHER STATISTICAL INFORMATION

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Table 1

County of Charles City, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2002-03	\$ 1,280,313	\$ 281,621	\$ 1,538,497	\$ 748,877	\$ 1,480,090	\$ 5,436,649	\$ 439,485	\$ 602,701	\$ 334,896	\$ 324,644	\$ 12,467,773
2003-04	1,401,119	570,278	1,348,489	910,300	1,527,490	6,041,220	459,389	884,606	478,919	318,300	13,940,110
2004-05	1,640,312	690,019	1,437,013	920,261	1,222,107	6,119,134	532,155	819,989	437,104	362,368	14,180,462
2005-06	1,982,532	469,581	1,578,343	953,873	1,730,460	6,589,265	487,665	674,304	386,302	436,259	15,288,584
2006-07	1,838,094	677,752	1,567,677	1,112,282	1,732,268	6,088,937	536,976	555,357	352,806	434,208	14,896,357
2007-08	1,862,735	643,074	1,691,980	1,002,415	1,993,208	6,453,624	500,508	460,901	302,479	452,988	15,363,912

(1) Information has only been available for six years.

Table 2

County of Charles City, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain (Loss) on Disposal of Capital Assets		
2002-03	\$ 3,517,174	\$ 1,851,347	\$ 4,798,814	\$ 950,453	\$ 318,651	\$ 130,441	\$ 694,491	\$ 27,457	\$ 12,288,828	
2003-04	3,418,059	2,406,970	4,792,362	821,513	275,457	171,516	686,784	53,953	12,626,614	
2004-05	3,241,398	2,245,149	5,107,477	1,008,952	223,172	155,966	768,807	29,930	12,780,851	
2005-06	3,365,879	2,432,800	5,486,231	1,053,249	327,691	224,878	744,316	(61,550)	13,573,494	
2006-07	3,261,270	2,241,386	5,776,256	846,451	298,119	204,708	747,470	18,124	13,393,784	
2007-08	3,222,283	2,572,482	6,373,816	851,971	204,194	197,301	749,543	-	14,171,590	

(1) Information has only been available for six years.

Table 3

County of Charles City, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (3)
1998-99	\$ 943,262	\$ 397,967	\$ 1,237,733	\$ 654,437	\$ 1,387,324	\$ 8,588,435	\$ 296,267	\$ 327,783	\$ 11,736	\$ 1,190,462	\$ 15,035,406
1999-00	1,014,076	420,913	989,422	668,239	1,412,468	9,346,605	321,566	330,399	15,693	1,191,817	15,711,198
2000-01	1,202,117	457,381	1,100,160	719,160	1,293,372	8,918,510	334,519	343,138	9,078	1,122,382	15,499,817
2001-02	1,124,642	438,414	1,162,355	717,850	1,407,783	8,829,191	348,555	485,553	78,828	1,074,506	15,667,677
2002-03	1,203,309	455,102	1,360,216	744,647	1,466,635	9,339,730	386,709	589,958	107,365	1,014,218	16,667,889
2003-04	1,255,577	482,952	1,410,583	825,381	1,517,094	10,133,017	374,170	872,143	124,424	1,083,992	18,079,333
2004-05	1,556,015	470,843	1,409,671	833,135	1,240,503	11,438,067	406,200	819,884	134,600	1,246,882	19,555,820
2005-06	1,785,759	498,124	1,609,986	945,834	1,734,926	11,756,333	447,457	664,952	222,131	1,173,905	20,839,407
2006-07	1,904,866	488,797	1,592,741	1,034,972	1,667,864	11,205,424	482,327	551,372	47,682	1,185,668	20,161,713
2007-08	1,939,120	557,295	1,625,252	1,019,792	1,967,938	12,552,537	458,689	493,780	165,547	1,203,297	21,983,247

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) Excludes capital projects expenditures.

Table 4

County of Charles City, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
1998-99	\$ 3,976,067	\$ 607,665	\$ 4,124,791	\$ 38,480	\$ 466,699	\$ 176,983	\$ 184,198	\$ 130,189	\$ 6,799,836	\$ 16,504,908
1999-00	3,918,650	625,202	3,826,270	31,562	539,893	183,362	112,590	250,908	7,061,257	16,549,694
2000-01	4,184,818	652,425	4,245,117	31,360	581,768	184,520	183,766	407,595	7,282,653	17,754,022
2001-02	4,495,302	709,944	2,808,673	21,721	392,496	182,471	156,507	299,489	7,779,010	16,845,613
2002-03	4,706,990	950,453	3,378,183	28,067	316,768	175,864	163,409	233,251	6,810,536	16,763,521
2003-04	4,923,306	821,513	3,233,298	36,221	248,699	211,921	191,245	209,087	7,429,072	17,304,362
2004-05	5,167,309	1,008,952	3,036,178	40,005	294,807	249,275	176,554	173,993	8,579,156	18,726,229
2005-06	5,458,729	1,053,249	3,177,831	16,513	642,589	299,614	259,720	225,195	8,574,648	19,708,088
2006-07	5,752,817	846,451	3,060,535	36,323	320,690	292,542	223,653	258,008	8,965,592	19,756,611
2006-07	6,354,328	851,971	3,119,343	927	230,520	321,518	359,524	419,584	9,413,231	21,070,946

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 5

County of Charles City, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Outstanding Delinquent Taxes to Tax Levy
1998-99	\$ 4,065,095	\$ 3,696,248	90.93%	\$ 186,132	\$ 3,882,380	95.51%	\$ 376,913	9.27%
1999-00	4,236,172	3,861,853	91.16%	165,450	4,027,303	95.07%	337,896	7.98%
2000-01	4,699,889	4,266,185	90.77%	189,139	4,455,324	94.80%	421,100	8.96%
2001-02	5,210,316	4,917,850	94.39%	72,839	4,990,689	95.78%	490,446	9.41%
2002-03	5,276,832	5,017,588	95.09%	174,178	5,191,766	98.39%	535,289	10.14%
2003-04	5,560,796	5,311,106	95.51%	99,071	5,410,177	97.29%	505,133	9.08%
2004-05	5,838,182	5,571,395	95.43%	174,577	5,745,972	98.42%	531,295	9.10%
2005-06	6,162,903	5,597,411	90.82%	445,308	6,042,719	98.05%	532,990	8.65%
2006-07	6,575,203	6,303,617	95.87%	73,926	6,377,543	96.99%	598,669	9.10%
2007-08	7,134,528	6,632,327	92.96%	272,984	6,905,311	96.79%	675,186	9.46%

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.
 (2) Includes three most current delinquent tax years and first half of current tax year.
 (3) Does not include land redemptions.

Table 6

County of Charles City, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
1998-99	\$ 323,217,125	\$ 35,940,490	\$ 3,269,538	\$ 356,000	\$ 30,976,718	\$ 393,759,871
1999-00	323,784,498	38,796,916	3,490,444	318,300	30,373,484	396,763,642
2000-01	411,757,195	40,345,197	2,818,874	285,600	28,647,668	483,854,534
2001-02	417,849,376	41,913,629	2,590,708	748,200	33,928,613	497,030,526
2002-03	424,989,997	41,275,581	3,738,552	885,190	34,180,396	505,069,716
2003-04	436,941,423	41,324,933	8,881,002	1,243,293	32,713,140	521,103,791
2004-05	515,887,069	41,790,354	10,264,697	1,236,805	29,914,950	599,093,875
2005-06	584,292,131	46,119,510	8,682,662	798,598	37,001,751	676,894,652
2006-07	580,077,477	54,829,767	5,500,042	787,449	33,233,074	674,427,809
2007-08	589,551,974	58,210,197	3,659,829	805,521	28,920,474	681,147,995

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

**County of Charles City, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
1998-99	\$ 0.72	\$ 0.72	\$ 3.40	\$ 2.80	\$ 2.50
1999-00	0.78	0.78	3.40	2.80	2.50
2000-01	0.82	0.82	3.40	2.80	2.50
2001-02	0.76	0.76	3.40	2.80	2.50
2002-03	0.82	0.82	3.40	2.80	2.50
2003-04	0.82	0.82	3.40	2.80	2.50
2004-05	0.70	0.82	3.40	2.80	2.50
2005-06	0.70	0.70	3.40	2.80	2.50
2006-07	0.75	0.75	3.40	2.80	2.50
2007-08	0.82	0.75	3.50	2.80	2.50

(1) Per \$100 of assessed value.

Table 8

County of Charles City, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
1998-99	6,300	\$ 393,759,871	\$ 6,953,470	\$ -	\$ -	\$ 6,953,470	1.77%	\$ 1,104
1999-00	6,300	396,763,642	6,177,549	-	-	6,177,549	1.56%	981
2000-01	6,926	483,854,534	5,678,786	-	-	5,678,786	1.17%	820
2001-02	6,926	497,030,526	5,165,557	-	-	5,165,557	1.04%	746
2002-03	6,926	505,069,716	4,711,784	-	-	4,711,784	0.93%	680
2003-04	6,926	521,103,791	4,246,296	-	-	4,246,296	0.81%	613
2004-05	6,926	599,093,875	3,768,061	-	-	3,768,061	0.63%	544
2005-06	6,926	676,894,652	3,276,209	-	-	3,276,209	0.48%	473
2006-07	6,926	674,427,809	2,769,811	-	-	2,769,811	0.41%	400
2007-08	6,926	681,147,995	2,247,874	-	-	2,247,874	0.33%	325

(1) Institute of Government at the University of Virginia for 1990 Census information and Weldon Cooper Center for Public Service for 2000 census information.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To The Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia

We have audited the financial statements of the governmental activities, the business - type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Charles City, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated February 9, 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 Charles City, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Charles City, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Charles City, 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 of Charles City, Virginia'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 of Charles City, Virginia'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 Charles City, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the County of Charles City, Virginia, in a separate letter dated February 9, 2009.

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

Roburn, Fann, Cox Associates

Richmond, Virginia
February 9, 2009

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 the Board of Supervisors
County of Charles City
Charles City, Virginia

Compliance

We have audited the compliance of the County of Charles City, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Charles City, 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 Charles City, Virginia's management. Our responsibility is to express an opinion on the County of Charles City, 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 Charles City, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Charles City, Virginia's compliance with those requirements.

In our opinion, the County of Charles City, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the County of Charles City, 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 Charles City, 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 of Charles City, Virginia's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Charles City, Virginia'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 of Charles City, Virginia'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 of Charles City, Virginia's internal control.

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

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

Robyn, Tam. Cox Associate

Richmond, Virginia
February 9, 2009

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 16,517
Temporary Assistance to Needy Families (TANF)	93.558	57,411
Refugee and Entrant Assistance - Discretionary Grants	93.566	445
Low Income Home Energy Assistance	93.568	2,562
Payments to States for Child Care Assistance	93.575	64,248
Child Care and Development Fund	93.596	62,335
Chafee Education & Training Vouchers	93.599	470
Child Welfare Services - State Grants	93.645	584
Foster Care - Title IV-E	93.658	63,821
Adoption Assistance	93.659	2,116
Social Services Block Grant	93.667	105,506
Independent Living	93.674	607
Statewide children's insurance program	93.767	6,522
Medical Assistance Program (Title XIX)	93.778	<u>92,680</u>
Total Department of Health and Human Services		<u>\$ 475,824</u>
U. S. Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Management:		
Homeland security grant	97.004	\$ 4,785
Emergency management preparedness grant	97.042	<u>14,034</u>
Total U. S. Department of Homeland Security		<u>\$ 18,819</u>
Department of Agriculture:		
Direct Payments:		
Summer Food Program	10.559	<u>\$ 20,955</u>
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 19,982
Department of Education:		
National school breakfast program	10.553	69,987
National school lunch program	10.555	137,939
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>120,952</u>
Total Department of Agriculture - pass-through payments		<u>\$ 348,860</u>
Total Department of Agriculture		<u>\$ 369,815</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and community highway safety program	20.600	\$ <u>10,646</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ 75,569
Home Investment Partnership Program	14.239	<u>64,580</u>
Total Department of Housing and Urban Development		<u>\$ 140,149</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title I: Educationally deprived children	84.010	\$ 212,790
Title VI-B: Handicapped state grants	84.027	76,065
Vocational Education: Basic grants to states	84.048	15,372
Title VI-B: Handicapped preschool incentive grant	84.173	7,305
Drug free schools and communities	84.186	1,977
Title II, Part A	84.367	85,725
Technology literacy challenge	84.318	12
21st Century learning	84.287	184,968
Advanced placement classes	84.330	<u>318</u>
Total Department of Education		<u>\$ 584,532</u>
Department of Defense:		
Direct payments:		
Junior ROTC	12.xxx	<u>\$ 62,705</u>
Department of the Interior:		
Direct Payments:		
Fish and Wildlife Service:		
Payments in lieu of taxes	15.226	<u>\$ 1,806</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,664,296</u></u>

County of Charles City, Virginia

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

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the County of Charles City, 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>768,196</u>
Total primary government	\$ <u>768,196</u>
Component Unit-School Board:	
School Operating Fund	\$ <u>896,100</u>
Total component unit public schools	\$ <u>896,100</u>
Total federal expenditures per basic financial statements	\$ <u>1,664,296</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,664,296</u></u>

**County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

a. Material weaknesses identified? ___ yes X no

b. Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

A. Material weaknesses identified? ___ yes X no

B. Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X no

Type of auditors' report issued on compliance for major programs unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Title VI-B Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I
84.287	21 st Century Community Learning Grant
93.667	Social Services Block Grant

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

Auditee qualified as low-risk auditee? ___ yes X no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Charles City, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the year ended June 30, 2008

Findings Related to the Financial Statements in Accordance with *Government Auditing Standards*

2007-01

During the audit it was noted that the County had posting errors in the general ledger due to closing the books prior to the preparation of the June 30, 2007 bank reconciliation. These errors could have been resolved prior to the close of the books if the June 30, 2007 bank reconciliation had been completed in a timely manner and the Treasurer's Office and Finance Office had properly investigated differences.

Corrective Action: An outside consultant was hired to assist with the monthly bank reconciliation process.

2007-02

Financial Reporting

- Condition: Inadequate internal controls over the preparation of the financial statements being audited.
- Criteria: Internal controls should be in place that provide assurance that the audited financial statements are materially correct.
- Effect: Audited financial statements, including the related footnotes, may contain an undetected material misstatement.
- Corrective Action: An outside consultant was hired to assist with the posting of all year-end adjusting entries to allow for a reconciliation between the audited financial statements and the County's automated general ledger financial reports.

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