



County of King George, Virginia



Comprehensive Annual Financial Report **Fiscal Year June 30, 2007**

COUNTY OF KING GEORGE, VIRGINIA

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2007

PREPARED BY:

Donita Harper, Finance Director

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2007

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CEDELL BROOKS, JR.
Shiloh Election District

JOSEPH W. GRZEIKA
James Madison Election District

JAMES B. HOWARD
James Monroe Election District

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

C. STEPHEN WOLFE II
Dahlgren Election District



COUNTY ADMINISTRATOR
R. BRYAN DAVID
10459 Courthouse Drive, Suite 200
King George, Va. 22485
Telephone: (540) 775-9181
Fax: (540) 775-5248
www.king-george.va.us

January 14, 2008

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

We are pleased to present the Comprehensive Annual Financial Report of the County of King George, Virginia, (the "County"), for the fiscal year ended June 30, 2007. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general and capital projects funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2007 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

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

THE REPORTING ENTITY AND ITS SERVICES

The County of King George report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the King George County Service Authority is presented as a blended component unit and the School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

LOCAL ECONOMY

King George County’s population grew 24.2 percent during the past decade and totaled 16,803 as of the 2000 census. Based upon annual estimates by the U.S. Census Bureau for the period of July 1, 2004 through July 1, 2005 the County ranked as the ninth (9th) fastest growing county in the nation during that period with an increase in population of 6.7%. The County is located in the Northern Neck of Virginia, approximately 50 miles northeast of Richmond, Virginia. The county encompasses a land area of 183 square miles, with a primary and secondary highway system totaling approximately 248 miles. King George has a diversified economy with strong military, services, manufacturing, retail trade and agricultural sectors. The major employer is the Dahlgren Naval Surface Warfare Center (NAVSWC), which provides employment for 5,000 civilian and military personnel and an additional 4,000 contract employees. During the latest BRAC (Base Realignment Committee) recommendation, the Dahlgren Site had a net gain of ten (10%) percent in personnel. The Dahlgren site is home to the Naval Network and Space Operations Command, the Joint Warfare Analysis Center, and the AEGIS Training and Readiness Center. NAVSWC has been instrumental in attracting a variety high technology software engineering firms to the County. Major services industries include high technology computer programming, retail, food service, education, and government. Agriculture remains important in County’s economy.

LONG TERM FINANCIAL PLANNING

It is anticipated that operating costs will increase as we annually update our Capital Improvement Plan which could reach \$100,000,000 by 2013 if growth continues at such a high rate. This would include a new Government Center which will house six County functions which are currently operating from inadequate facilities. In addition to the high growth rate, we will be placing into service a new high school in the fall of 2008 as well as possibly starting the development an elementary school.

Long term financing options being considered are a combination of long term lease revenue bonds and state literary loans. Currently, we cash fund some projects in the capital budget while also building the general fund for future emergency needs.

The County is also planning for the loss of landfill revenues within the next 20 years. Therefore, we are looking into creating additional revenue sources such as the Ambulance Recovery Fee Program that began in August of 2007 as well as adjusting certain tax rates as may be appropriate.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

New High School: During the prior year the County awarded the contract for the construction of a new High School in the amount of \$36,929,000. The high school will hold 1,500 students. The construction of this school is well underway and should be completed in time for the beginning of the 2008-2009 school year.

Industrial Park: The County has developed an Industrial Park on 124 acres of land approximately 6 miles north of the County Complex on Route 3 which is served by water, sewer and rail. The most recent addition to the park is Gerdau Ameristeel. The firm is the fourth largest steel company in North America. To date they have invested \$12 million in capital and has a base of approximately 35 full-time employees.

The University of Mary Washington is currently developing the Dalgren Education and Research Institute which will work in conjunction with engineering schools in Virginia such as: Old Dominion University, Virginia Polytechnical Institute, Virginia Commonwealth University, University of Virginia and George Mason University. This will consist of a 50,000 sq. ft. facility that will house full-time resident professors combining research and teaching.

Government Center: The County is planning the construction of a new government center. The center will have a new Sheriff's office, new E-911 dispatch center, new animal control facility, a fleet maintenance facility and gas depot (a facility serving both the county and school board), and a new human services building. The new human services building will house the department of social services, the Virginia co-operative extension office and the health department. In the fall of 2006 the county issued debt to fund the design phase of the project. .

RISK MANAGEMENT

The County of King George has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the county has obtained third party coverage for all liability risk.

OTHER INFORMATION

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



R. Bryan David
County Administrator



Donita M. Harper, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King George
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

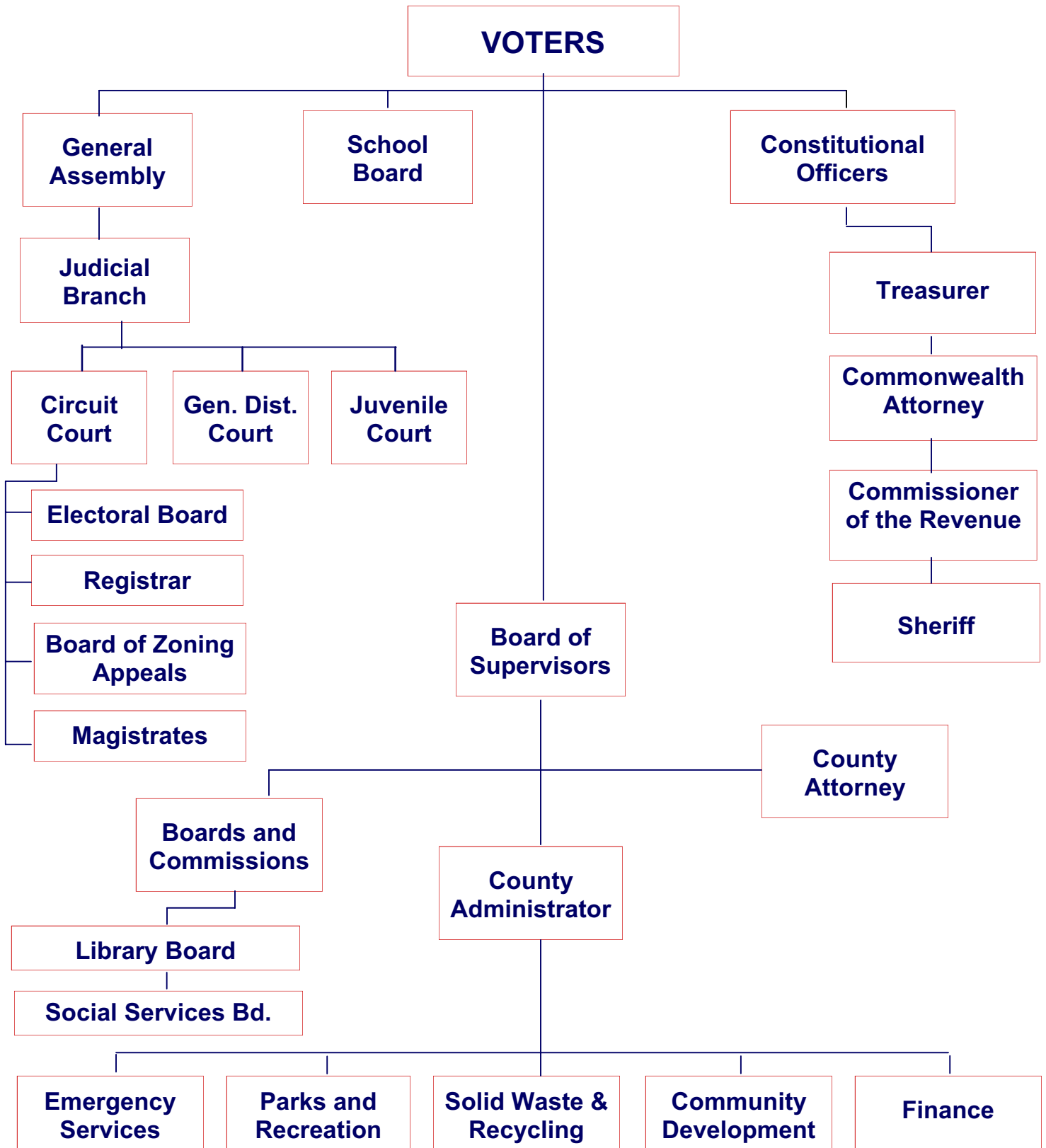


President

Executive Director



County of King George, Virginia Organizational Chart



COUNTY OF KING GEORGE, VIRGINIA

June 30, 2007

Board of Supervisors

Dale W. Sisson, Jr., Chairman
Cedell Brooks, Jr., Vice-Chairman
Joseph W. Grzeika
James B. Howard
C. Stephen Wolfe II

County School Board

Rose Marie Ball, Chairman
Sherrie Allwine, Vice-Chairman
John Davis, Sr.
Payne Kilbourn
Lynn Pardee

Board of Social Services

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

Smoot Memorial Library Board of Trustees

Leon J. Fontenot, Chairman
Susan Moundalexis, Vice-Chairman
Libby Britton, Secretary

Evelyn Durling
Michael Gallier
Robert Gates

Dreda Newman
Tina Sisson
Christine Steppe

Other Officials

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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of King George, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2007, 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 January 14, 2008, on our consideration of the County of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of King George, Virginia, basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of King George, Virginia. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King George, Virginia 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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the governmental activities of the County exceeded its liabilities at the close of the most recent fiscal year by \$49,888,459 (net assets). This is a increase in net assets of \$3,841,067 from net assets as of June 30, 2006 which represents a overall improvement in the County's financial position.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$72,050,503 a decrease of \$1,757,048 in comparison with the prior year. Approximately twenty-four percent (25%) of this total amount, \$18,312,583 is available for appropriation at the County's discretion (unreserved fund balance). The unreserved fund balance represents fifty-six percent (56%) of total general fund expenditures.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements: (Continued)

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

B. Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of King George, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's ability to satisfy near-term financing requirements.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. In the case of King George County, governmental fund assets exceeded liabilities by \$49,616,510 at the close of the fiscal year.

The County's net investment in capital assets such as land, buildings and equipment totals \$14,446,035 at June 30, 2007. The County uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of King George, Virginia
Schedule of Assets, Liabilities and Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 78,576,582	\$ 78,499,355	\$ 7,137,622	\$ 4,868,825	\$ 85,714,204	\$ 83,368,180
Capital assets	41,962,191	28,573,517	36,486,210	32,517,420	78,448,401	61,090,937
Total assets	\$ 120,538,773	\$ 107,072,872	\$ 43,623,832	\$ 37,386,245	\$ 164,162,605	\$ 144,459,117
Long-term liabilities outstanding	\$ 62,650,899	\$ 55,200,907	\$ 23,577,568	\$ 20,336,386	\$ 86,228,467	\$ 75,537,293
Current liabilities	8,271,364	6,096,523	3,188,166	4,318,059	11,459,530	10,414,582
Total liabilities	\$ 70,922,263	\$ 61,297,430	\$ 26,765,734	\$ 24,654,445	\$ 97,687,997	\$ 85,951,875
Net assets:						
Invested in capital assets, net of related debt	\$ 14,446,035	\$ 10,144,772	\$ 16,032,120	\$ 11,307,604	\$ 30,478,155	\$ 21,452,376
Restricted	1,113,229	1,095,309	-	-	1,113,229	1,095,309
Unrestricted	34,057,246	34,535,361	825,978	1,424,196	34,883,224	35,959,557
Total net assets	\$ 49,616,510	\$ 45,775,443	\$ 16,858,098	\$ 12,731,800	\$ 66,474,608	\$ 58,507,243

Restricted net assets represent resources that are subject to external restrictions on how they may be used. These assets are restricted for debt service. The County's restricted net assets accounts for seventy-seven percent (77%) of total net assets.

Governmental Activities - Governmental and business-type activities reflect changes in net assets of \$3,841,068 and \$ 4,126,298 respectively.

Government-wide Financial Analysis: (Continued)

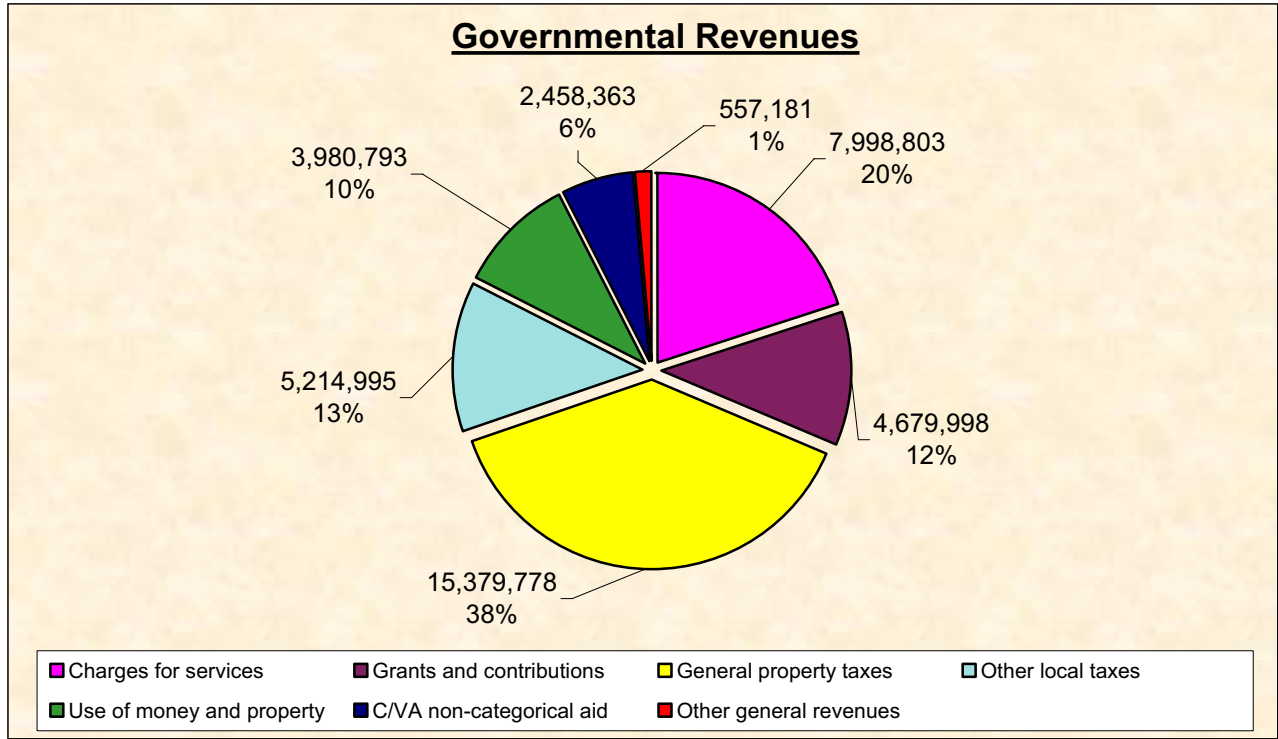
Key elements of the \$7,967,366 increase are as follows:

**County of King George, Virginia
Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2007 and 2006**

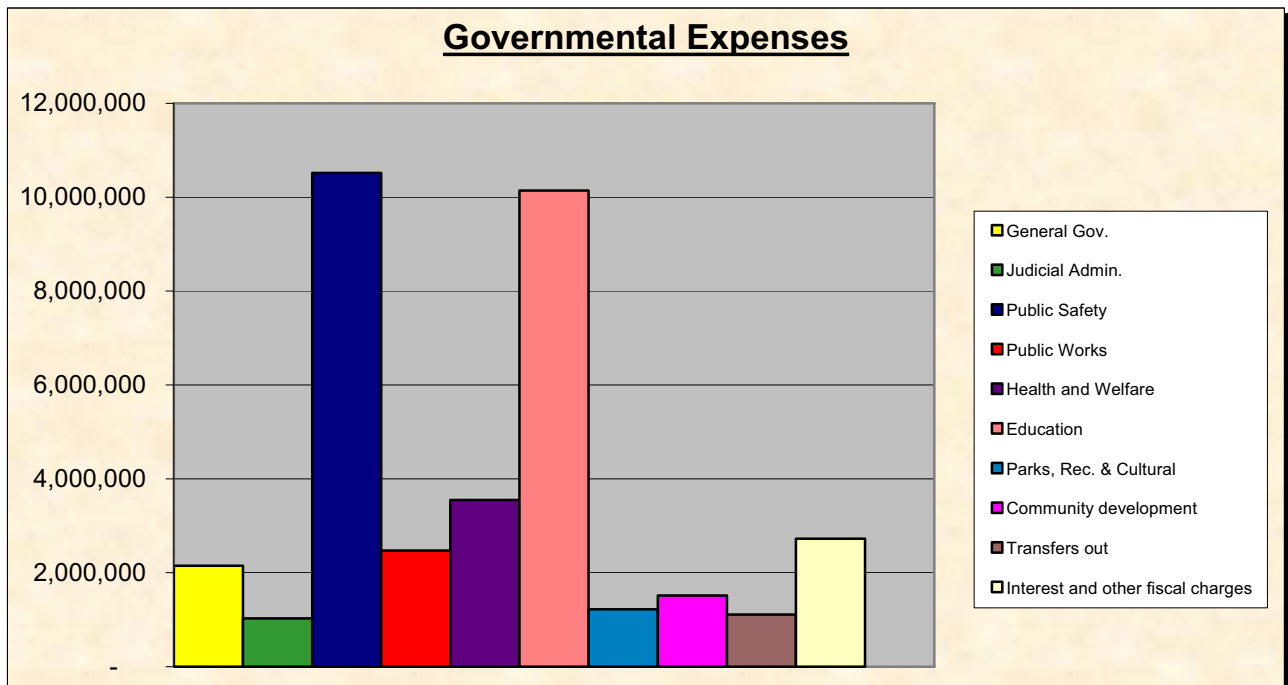
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,998,803	\$ 8,268,330	\$ 2,887,323	\$ 2,499,579	\$ 10,886,126	\$ 10,767,909
Operating grants and contributions	4,283,164	4,103,226	12,093	-	4,295,257	4,103,226
Capital grants and contributions	396,834	1,385,549	3,286,792	-	3,683,626	1,385,549
General revenues:						
General property taxes	15,379,778	14,454,855	-	-	15,379,778	14,454,855
Other local taxes	5,214,995	5,271,801	-	-	5,214,995	5,271,801
Use of money and property	3,980,793	2,653,602	210,224	111,979	4,191,017	2,765,581
C/VA non-categorical aid	2,458,363	2,637,595	-	-	2,458,363	2,637,595
Other general revenues	557,181	427,254	1,318,584	1,211,493	1,875,765	1,638,747
Total revenues	<u>\$ 40,269,911</u>	<u>\$ 39,202,212</u>	<u>\$ 7,715,016</u>	<u>\$ 3,823,051</u>	<u>\$ 47,984,927</u>	<u>\$ 43,025,263</u>
Expenses:						
General government administration	\$ 2,150,214	\$ 2,419,782	\$ -	\$ -	\$ 2,150,214	\$ 2,419,782
Judicial administration	1,029,314	822,200	-	-	1,029,314	822,200
Public safety	10,514,774	6,052,406	-	-	10,514,774	6,052,406
Public works	2,473,860	817,142	-	-	2,473,860	817,142
Health and welfare	3,549,674	3,301,427	-	-	3,549,674	3,301,427
Education	10,140,846	12,866,014	-	-	10,140,846	12,866,014
Parks, recreation, and cultural	1,221,343	1,184,066	-	-	1,221,343	1,184,066
Community development	1,513,450	6,149,803	-	-	1,513,450	6,149,803
Interest and other fiscal charges	2,727,195	2,159,093	-	-	2,727,195	2,159,093
Water and sewer	-	-	4,696,891	3,139,797	4,696,891	3,139,797
Total expenses	<u>\$ 35,320,670</u>	<u>\$ 35,771,933</u>	<u>\$ 4,696,891</u>	<u>\$ 3,139,797</u>	<u>\$ 40,017,561</u>	<u>\$ 38,911,730</u>
Increase in net assets before transfers	\$ 4,949,241	\$ 3,430,279	\$ 3,018,125	\$ 683,254	\$ 7,967,366	\$ 4,113,533
Transfers	<u>(1,108,173)</u>	<u>(1,699,783)</u>	<u>1,108,173</u>	<u>1,699,783</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 3,841,068	\$ 1,730,496	\$ 4,126,298	\$ 2,383,037	\$ 7,967,366	\$ 4,113,533
Net assets, July 1, 2006	<u>45,775,442</u>	<u>44,044,946</u>	<u>12,731,800</u>	<u>10,348,763</u>	<u>58,507,242</u>	<u>54,393,709</u>
Net assets, June 30, 2007	<u>\$ 49,616,510</u>	<u>\$ 45,775,442</u>	<u>\$ 16,858,098</u>	<u>\$ 12,731,800</u>	<u>\$ 66,474,608</u>	<u>\$ 58,507,242</u>

Government-wide Financial Analysis: (Continued)

Program and general revenues for governmental activities totaled \$40,269,911 for the fiscal year. Of this amount, property taxes totaled \$15,379,778, charges for services totaled \$7,998,803 (which includes \$6,465,676 of landfill revenues), and other local taxes totaled \$5,214,995. The chart below provides an overview of FY 2006-07 revenues by program source.



The chart below denotes expenses by major categories.



Government-wide Financial Analysis: (Continued)

The largest increase noted in revenues was use of money and property which increased \$1,327,191 during the year. Most of this increase is due to new debt proceeds in the amount of \$9,886,855 and remaining proceeds from prior years these amounts are invested in various interest bearing accounts. General property taxes increased \$924,923; most of this increase is due to the increase in the tax levy of \$909,796, reference table 8.

Expenses for the most part closely paralleled inflation and growth in the demand for services. Public Safety expenses increased \$4,462,368 due to construction of a new firehouse and purchase of capital equipment. Public Works increased \$1,656,718 due to an increase in capital expenses. Community development decreased by \$4,636,353 due to the large contribution to the Rappahannock Area YMCA to aid in construction of a facility in the amount of \$4,500,000 in the prior year. Education expenses decreased during the year by \$2,725,168 as a result of a transfer of assets from the School Board to primary government.

Business-type activities - Business-type activities increased net assets \$4,126,298 during the current year. Operating revenues increased \$494,835 while operating expenses increased \$518,395 from FY 2006 levels. The increase in revenues consists primarily of charges for services which increased \$387,744. Water and sewer revenues increased in FY 2007 in the amounts of \$72,990 and \$103,963 respectfully. Expenses increased from \$3,139,797 to 4,696,891 during the year. The largest increase noted in expenses was depreciation which increased from \$723,621 to \$1,063,046. Interest earned during the year increased from \$111,979 to \$210,224. As noted earlier the County transferred \$1,108,173 to the business-type activities to assist in funding operating and various capital projects.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$72,050,503, a decrease of \$1,757,048 in comparison with the prior year. Approximately twenty-four percent (25%) of this amount (\$18,312,583) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed for library operations (\$1,078,067), debt service (\$1,113,229), and for capital projects (\$51,546,624).

The general fund is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,312,583, while the total fund balances were \$19,425,812. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents fifty-six percent (56%) of total general fund expenditures, while total fund balance represents sixty percent (60%) of that same amount.

The fund balance of the County's general fund increased by \$544,105 during the current fiscal year. Some factors which are significant contributors to this increase are as follows:

- Increase in general property taxes of \$750,383 due to increases in the tax assessments.
- Inter-fund transfer received for \$2,823,173 from the capital projects fund for capital expenditures in the general fund.

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

At the end of the current fiscal year the fund balance for the County's capital projects fund was \$51,546,624 which is all reserved for future capital projects. The County expended \$12.3 million on various school projects, mainly the new high school and issued new debt for \$9.6 million for completion of the new high school. Landfill fees collected in FY 07 totaled \$6.5 million and overall the fund balance decreased by \$2,305,571 as construction of the new high school is projected to be completed the later part of 2008 calendar year.

At the end of the current fiscal year the fund balance for the County's permanent fund was \$1,078,067 which is all reserved for library operations. The fund balance of the County's permanent fund increased by \$4,418 during the current fiscal year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$2,778,583 or a 7% increase in appropriations). Significant budget variances are summarized as follows:

- \$1,458,865 increase in public safety of which \$977,804 was due to the fire that occurred at the County's Courthouse building in October 2006 and \$324, 733 due to an increase in usage at the regional juvenile detention center.
- \$917,262 increases in health and welfare due to an increase in the counties allotment of comprehensive services grant revenue.

Of this increase \$10,730 was to be funded through revenue from use of money and property, \$69,533 through charges for services, \$11,475 through miscellaneous revenues, and \$6,600 through recovered costs. The balance to support these budgetary increases came from available fund balance.

The actual revenues exceeded the amended budget by \$288,113, reference Exhibit 10. This was less than 1% increase.

The actual expenditures were \$3,162,716 less than the amended budget. The largest contributor to this was planning and community development had a favorable expenditure variance of \$1,434,888 made up primarily of expenditures relating to sustained economic development which totaled \$15,841 while the amended budget for these expenditures was \$1,304,092.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2007 totals \$41,962,191 (net of accumulated depreciation). Governmental capital assets increased a total of \$13,388,674 for the year ended June 30, 2007 while business-type activities increased \$3,968,790. Major highlights of governmental capital assets include:

Completion of Sealston Elementary school was the most significant totaling over \$12.5 million. In addition the capitalization of the Emergency Communications upgrades and public safety vehicles had costs totaling \$1.7 million. The County continues to expend significant sums of monies on construction of the new high school. To date the County has expended a total of \$11.4 million in various school projects. At June 30, 2007 the County and School Board has expended \$14.7 million on the new elementary school; \$15 million on the new high school; and \$780,742 in renovations to the old high school.

Capital Asset and Debt Administration: (Continued)

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2007 totals \$36,486,210 (net of accumulated depreciation). Investment in capital assets increased \$11,810,789. The largest increase in capital assets is because of the work done on the Perns Water and Sewer project in the amount of \$4.7 million. The Fairview Beach waste water treatment plant project contributed to the increase in capital assets as construction totaled \$4.5 million at completion. Details supporting changes in capital asset activity including construction in progress can be found in Note 6 to the financial statements.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$65,123,261 and the King George Service Authority has \$24,380,822. Of this amount \$56,402,653 comprises debt backed by the full faith and credit of the County and \$23,640,290 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations increased \$7,974,760 during the current fiscal year. The County issued general obligation bonds in the amount of \$9,580,000 as well as a capital lease in the amount of \$306,855. The King George Service Authority increased its long-term obligations by \$3,426,187 during the year. The authority issued lease revenue bonds in the amount of \$4,030,000 during the fiscal year.

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

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

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.3% at June 30, 2007. The local unemployment rate compares favorably to the June 30, 2007 state and national rates. The County's favorable employment conditions are supported by the continued growth of jobs over the last seven years. According to the Virginia Employment Commission, the number of persons employed has increased from 8,622 in 1999 to 9,192 in 2002. In summary, local business indicators are continuing to indicate a good local economy.

The General Fund revenue budget for the fiscal year ending June 30, 2008 totals \$29,922,571 which is an increase of \$2,484,470 or 8% over the prior year. Revenue from the general property taxes accounts for the majority of this increase due to increases in assessments.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 70,129,825	\$ 2,590,030	\$ 72,719,855	\$ 1,865,285
Receivables (net of allowance for uncollectibles):				
Property taxes	1,142,561	-	1,142,561	-
Accounts receivable	1,368,866	385,122	1,753,988	44,011
Notes receivable	680,382	-	680,382	-
Due from other governments	3,153,830	-	3,153,830	839,492
Restricted cash	1,113,229	3,866,581	4,979,810	-
Due from primary government	-	-	-	930,221
Total Current Assets	\$ 77,588,693	\$ 6,841,733	\$ 84,430,426	\$ 3,679,009
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,380,527	\$ 2,262,354	\$ 6,642,881	\$ 182,483
Infrastructure	-	33,584,422	33,584,422	-
Buildings	4,118,060	-	4,118,060	9,762,627
Equipment	4,051,899	401,007	4,452,906	905,333
Jointly owned assets	11,871,019	-	11,871,019	3,941,891
Construction in progress	17,540,686	238,427	17,779,113	2,641,900
Total capital assets	\$ 41,962,191	\$ 36,486,210	\$ 78,448,401	\$ 17,434,234
Other assets	987,889	295,889	1,283,778	-
Total Noncurrent Assets	\$ 42,950,080	\$ 36,782,099	\$ 79,732,179	\$ 17,434,234
Total Assets	\$ 120,538,773	\$ 43,623,832	\$ 164,162,605	\$ 21,113,243
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 3,749,317	\$ 165,996	\$ 3,915,313	\$ 270,690
Accrued liabilities	-	-	-	3,303,494
Due to component unit - School Board	930,221	-	930,221	-
Unearned revenue	-	1,889,676	1,889,676	-
Accrued interest payable	1,119,464	329,240	1,448,704	-
Current portion of long-term obligations	2,472,362	803,254	3,275,616	25,687
Total Current Liabilities	\$ 8,271,364	\$ 3,188,166	\$ 11,459,530	\$ 3,599,871
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	62,650,899	23,577,568	86,228,467	231,181
Total Liabilities	\$ 70,922,263	\$ 26,765,734	\$ 97,687,997	\$ 3,831,052
NET ASSETS				
Invested in capital assets, net of related debt	\$ 14,446,035	\$ 16,032,120	\$ 30,478,155	\$ 17,434,234
Restricted for:				
Debt service	1,113,229	-	1,113,229	-
Unrestricted assets	34,057,246	825,978	34,883,224	(152,043)
Total Net Assets	\$ 49,616,510	\$ 16,858,098	\$ 66,474,608	\$ 17,282,191
Total Liabilities and Net Assets	\$ 120,538,773	\$ 43,623,832	\$ 164,162,605	\$ 21,113,243

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

COUNTY OF KING GEORGE, VIRGINIA

Statement of Activities
 Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,150,214	\$ -	\$ 266,564	\$ -
Judicial administration	1,029,314	321,648	611,895	-
Public safety	10,514,774	399,206	1,174,675	-
Public works	2,473,860	6,642,913	-	-
Health and welfare	3,549,674	-	2,126,283	-
Education	10,140,846	-	-	-
Parks, recreation, and cultural	1,221,343	329,970	103,747	-
Community development	1,513,450	305,066	-	396,834
Interest on long-term debt	2,727,195	-	-	-
Total governmental activities	\$ 35,320,670	\$ 7,998,803	\$ 4,283,164	\$ 396,834
Business-type activities:				
Water and sewer	\$ 4,696,891	\$ 2,887,323	\$ 12,093	\$ 3,286,792
Total primary government	\$ 40,017,561	\$ 10,886,126	\$ 4,295,257	\$ 3,286,792
COMPONENT UNIT:				
School Board	\$ 31,067,209	\$ 717,820	\$ 19,747,567	\$ 143,616

General revenues:
 General property taxes
 Local sales and use taxes
 Consumer utility taxes
 Business license taxes
 Motor vehicle licenses
 Recordation taxes
 Meals tax
 E-911 taxes
 Other local taxes
 Grants and contributions not restricted to specific programs
 Unrestricted revenues from use of money and property
 County contribution to School Board
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental	Business		
Activities	Type	Total	Component
	Activities		Unit
\$ (1,883,650)	\$ -	\$ (1,883,650)	\$ -
(95,771)	-	(95,771)	-
(8,940,893)	-	(8,940,893)	-
4,169,053	-	4,169,053	-
(1,423,391)	-	(1,423,391)	-
(10,140,846)	-	(10,140,846)	-
(787,626)	-	(787,626)	-
(811,550)	-	(811,550)	-
(2,727,195)	-	(2,727,195)	-
<u>\$ (22,641,869)</u>	<u>\$ -</u>	<u>\$ (22,641,869)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,489,317</u>	<u>\$ 1,489,317</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,489,317</u>	<u>\$ (21,152,552)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,458,206)</u>
15,379,778	-	15,379,778	-
1,253,579	-	1,253,579	-
301,276	-	301,276	-
1,209,143	-	1,209,143	-
446,312	-	446,312	-
607,113	-	607,113	-
674,535	-	674,535	-
200,141	-	200,141	-
522,896	-	522,896	-
2,458,363	-	2,458,363	-
3,980,793	210,224	4,191,017	14,856
-	-	-	9,723,600
557,181	1,318,584	1,875,765	124,875
(1,108,173)	1,108,173	-	-
<u>\$ 26,482,937</u>	<u>\$ 2,636,981</u>	<u>\$ 29,119,918</u>	<u>\$ 9,863,331</u>
<u>\$ 3,841,068</u>	<u>\$ 4,126,298</u>	<u>\$ 7,967,366</u>	<u>\$ (594,875)</u>
<u>45,775,442</u>	<u>12,731,800</u>	<u>58,507,242</u>	<u>17,877,066</u>
<u>\$ 49,616,510</u>	<u>\$ 16,858,098</u>	<u>\$ 66,474,608</u>	<u>\$ 17,282,191</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2007

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 17,097,078	\$ 51,954,680	\$ 1,078,067	\$ 70,129,825
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	1,142,561	-	-	1,142,561
Accounts	111,913	1,256,953	-	1,368,866
Note receivable	680,382	-	-	680,382
Restricted cash	1,113,229	-	-	1,113,229
Due from other governmental units	1,928,286	1,225,544	-	3,153,830
Total assets	\$ 22,073,449	\$ 54,437,177	\$ 1,078,067	\$ 77,588,693
LIABILITIES				
Accounts payable	\$ 858,764	\$ 2,890,553	\$ -	\$ 3,749,317
Due to component unit - School Board	930,221	-	-	930,221
Deferred revenue	858,652	-	-	858,652
Total liabilities	\$ 2,647,637	\$ 2,890,553	\$ -	\$ 5,538,190
FUND BALANCES				
Reserved for:				
Library operations	\$ -	\$ -	\$ 1,078,067	\$ 1,078,067
Capital projects	-	51,546,624	-	51,546,624
Debt service	1,113,229	-	-	1,113,229
Unreserved	18,312,583	-	-	18,312,583
Total fund balances	\$ 19,425,812	\$ 51,546,624	\$ 1,078,067	\$ 72,050,503
Total liabilities and fund balances	\$ 22,073,449	\$ 54,437,177	\$ 1,078,067	

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	\$ 41,962,191
Bond issuance costs are reported as expenditures in governmental funds. However, the statement of net assets includes these issuance costs among the assets of the County as a whole.	987,889
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,119,464)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	858,652
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.	<u>(65,123,261)</u>
Net assets of governmental activities	\$ <u>49,616,510</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2007

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Permanent Fund	
Revenues:				
General property taxes	\$ 15,174,874	\$ -	\$ -	\$ 15,174,874
Other local taxes	5,214,995	-	-	5,214,995
Permits, privilege fees and regulatory licenses	836,100	6,465,676	-	7,301,776
Fines and forfeitures	300,583	-	-	300,583
Revenue from use of money and property	893,305	3,083,070	4,418	3,980,793
Charges for services	396,444	-	-	396,444
Miscellaneous	480,010	77,171	-	557,181
Intergovernmental:				
Commonwealth	5,642,960	-	-	5,642,960
Federal	1,098,567	396,834	-	1,495,401
Total revenues	\$ 30,037,838	\$ 10,022,751	\$ 4,418	\$ 40,065,007
Expenditures:				
Current:				
General government administration	\$ 2,322,718	\$ 1,511,314	\$ -	\$ 3,834,032
Judicial administration	1,013,372	12,595	-	1,025,967
Public safety	7,611,336	3,565,433	-	11,176,769
Public works	1,199,459	394,761	-	1,594,220
Health and welfare	3,518,011	-	-	3,518,011
Education	9,674,968	12,359,833	-	22,034,801
Parks, recreation, and cultural	1,204,435	11,712	-	1,216,147
Community development	1,091,694	428,183	-	1,519,877
Debt service:				
Principal retirement	1,959,618	-	-	1,959,618
Interest and other fiscal charges	2,721,295	-	-	2,721,295
Total expenditures	\$ 32,316,906	\$ 18,283,831	\$ -	\$ 50,600,737
Excess (deficiency) of revenues over expenditures	\$ (2,279,068)	\$ (8,261,080)	\$ 4,418	\$ (10,535,730)
Other financing sources (uses):				
Transfers in	\$ 2,823,173	\$ -	\$ -	\$ 2,823,173
Transfers out	-	(3,931,346)	-	(3,931,346)
Capital lease	-	306,855	-	306,855
Long-term debt issued	-	9,580,000	-	9,580,000
Total other financing sources (uses)	\$ 2,823,173	\$ 5,955,509	\$ -	\$ 8,778,682
Net changes in fund balances	\$ 544,105	\$ (2,305,571)	\$ 4,418	\$ (1,757,048)
Fund balances at beginning of year	18,881,707	53,852,195	1,073,649	73,807,551
Fund balances at end of year	\$ 19,425,812	\$ 51,546,624	\$ 1,078,067	\$ 72,050,503

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

	<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ (1,757,048)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 15,790,630
Depreciation expense	<u>(1,180,405)</u> 14,610,225
Transfer of assets from Governmental Activities to Business-Type Activities	(399,632)
Transfer of joint tenancy assets from Primary Government to the Component Unit	(821,919)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.	204,904
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:	
Proceeds from VPSA subsidy bond	\$ (9,580,000)
Capital lease	(306,855)
Amortization of bond premium	14,802
Amortization of bond issuance costs	(34,065)
Principal retired on general obligation bonds	1,588,104
Principal retired on state literary fund loans	294,800
Principal retired on capital lease obligations	<u>76,714</u> (7,946,500)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	
Change in accrued leave	\$ (62,325)
Change in interest payable	<u>13,363</u> (48,962)
Change in net assets of governmental activities	\$ <u>3,841,068</u>

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

Statement of Net Assets - Proprietary Fund
June 30, 2007

	<u>Business Type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,590,030
Receivables (net of allowance for uncollectibles):	
Accounts receivable	385,122
Restricted cash	<u>3,866,581</u>
Total Current Assets	<u>\$ 6,841,733</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,262,354
Infrastructure	38,944,206
Equipment	760,613
Construction in progress	238,427
Accumulated depreciation	<u>(5,719,390)</u>
Total Capital Assets	<u>\$ 36,486,210</u>
Bond issue costs, net of amortization	<u>\$ 295,889</u>
Total Noncurrent Assets	<u>\$ 36,782,099</u>
Total Assets	<u>\$ 43,623,832</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 165,996
Deferred revenue	1,889,676
Accrued interest payable	329,240
Current portion of long-term obligations	<u>803,254</u>
Total Current Liabilities	<u>\$ 3,188,166</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>23,577,568</u>
Total Liabilities	<u>\$ 26,765,734</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,032,120
Unrestricted assets	<u>825,978</u>
Total Net Assets	<u>\$ 16,858,098</u>
Total Liabilities and Net Assets	<u>\$ 43,623,832</u>

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

Statement of Revenues, Expenses and Change in Net Assets -
 Proprietary Fund
 Year Ended June 30, 2007

	Business Type Activities
Operating revenues:	
Water revenues	\$ 740,037
Sewer revenues	806,753
Service fees	1,340,533
Other revenues	<u>1,318,584</u>
Total operating revenues	\$ <u>4,205,907</u>
Operating expenses:	
Personnel services	\$ 972,776
Fringe benefits	372,463
Contractual services	382,477
Depreciation and amortization	1,063,046
Other operating expenses	<u>748,965</u>
Total operating expenses	\$ <u>3,539,727</u>
Net income from operations	\$ <u>666,180</u>
Nonoperating revenues (expenses):	
Interest income	\$ 210,224
Federal grant funds	10,035
State and local grant funds	2,058
Contributions of property, plant and equipment	3,286,792
Interest expense	<u>(1,157,164)</u>
Total nonoperating revenues (expenses)	\$ <u>2,351,945</u>
Net income before transfers	\$ 3,018,125
Transfers:	
Transfers in	<u>1,108,173</u>
Change in net assets	\$ 4,126,298
Net assets, beginning of year	<u>12,731,800</u>
Net assets, end of year	<u>\$ <u>16,858,098</u></u>

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

Statement of Cash Flows - Proprietary Fund
 Year Ended June 30, 2007

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,802,271
Payments to employees (including fringe benefits)	(1,335,882)
Payments for operating activities	<u>(2,171,716)</u>
Net cash provided by operating activities	<u>\$ 294,673</u>
Cash flows from non-capital financing activities:	
State, federal and local grant funds	<u>\$ 12,093</u>
Net cash provided by non-capital financing activities	<u>\$ 12,093</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (1,732,940)
Proceeds from long term indebtedness issued	4,030,000
Capital grants and contributions	1,108,173
Retirement of indebtedness	(613,170)
Interest paid on loans	<u>(1,059,123)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ 1,732,940</u>
Cash flows from investing activities:	
Interest received	<u>\$ 210,224</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,249,930
Cash and cash equivalents at beginning of year	<u>4,206,681</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,456,611</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income from operations	\$ 666,180
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,063,046
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(30,971)
(Decrease) in accounts payable and accrued liabilities	(1,040,274)
(Decrease) in deferred revenue	(372,665)
Increase in compensated absences	<u>9,357</u>
Net cash provided by operating activities	<u><u>\$ 294,673</u></u>

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

Statement of Fiduciary Net Assets
At June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 6,821,520
Accounts receivable	<u>39,045</u>
 Total assets	 \$ <u><u>6,860,565</u></u>
 LIABILITIES	
Accounts payable	\$ 32,903
Amounts held for others	2,955,271
Amounts held for landfill closure and postclosure costs	3,848,347
Amounts held for social services' clients	<u>24,044</u>
 Total liabilities	 \$ <u><u>6,860,565</u></u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

A. Financial Reporting Entity:

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

B. Individual Component Unit Disclosures:

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

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

Discretely Presented Component Units - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2007.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

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

c. Permanent Fund

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

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

Enterprise Funds

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

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

The County reports the following major enterprise fund:

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

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

D. Budgets and Budgetary Accounting

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

E. Encumbrances:

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

F. Cash and Cash Equivalents:

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

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

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

G. Investments:

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

H. Receivables and Payables:

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$509,684 at June 30, 2007 and is comprised of the following:

Property taxes	\$ 468,517
Water & sewer accounts	41,167
Total	<u>\$ 509,684</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

I. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2007 totaled \$6,560.

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

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

J. Compensated Absences:

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

J. Compensated Absences: (Continued)

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

K. Long-term Obligations:

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

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

L. Fund Equity:

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

M. Retirement Plan:

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

N. Use of Estimates:

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

O. Bond Issuance Costs:

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Costs relative to each bond issue are amortized over the life of the bonds. Amortization expense for the year ended June 30, 2007 totaled \$12,104 in the Enterprise funds and \$34,065 in the Governmental Funds.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

P. Prepaid Connection Fees:

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

Q. Net Assets

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

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

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

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

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

Note 2—Deposits and Investments:

Deposits

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

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

The County’s rated debt investments as of June 30, 2007 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Rated Debt Investments	Locality's Rated Debt Investments' Values			
	Fair Quality Ratings			
	AAAm	AAA	AA-	A-1+
U.S. Agencies	\$ -	\$ 17,275,084	\$ -	\$ -
Local Government Investment Pool	4,297,254	-	-	-
State Non-Arbitrage Pool	-	31,897,453	-	-
U.S. Treasury Money Market Fund	-	18,810,632	-	-
U.S. Treasuries	-	1,438,941	-	-
Corporate Notes	-	761,508	741,782	-
Repurchase Agreements - Underlying:				
U.S. Agency Securities	-	-	-	10,549,180
Total	\$ 4,297,254	\$ 70,183,618	\$ 741,782	\$ 10,549,180

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Repurchase Agreements	\$ 10,549,180	\$ 10,549,180	\$ -	\$ -	\$ -
Corporate Notes	1,503,290	-	1,503,290	-	-
U.S. Agencies	17,275,084	2,609,300	13,613,367	-	1,052,418
U.S. Treasuries	1,438,941	297,791	1,141,149	-	-
Total	\$ 30,766,495	\$ 13,456,271	\$ 16,257,806	\$ -	\$ 1,052,418

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools

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

Note 3—Due From Other Governments:

At June 30, 2007 the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Industrial Development Authority	\$ 1,000,000	\$ -
Commonwealth of Virginia:		
State sales taxes	-	232,592
PPTRA	1,088,066	-
Local sales taxes	112,576	-
Communications tax	67,248	-
Public assistance	21,672	-
Shared expenses	160,468	-
CSA	328,878	-
Other	89,500	38,697
Federal Government:		
School funds	-	568,203
CDBG	225,544	-
Public assistance	59,878	-
Totals	<u>\$ 3,153,830</u>	<u>\$ 839,492</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

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

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due From Primary Government</u>
General	\$ 930,221	\$ -
School	-	930,221
Totals	<u>\$ 930,221</u>	<u>\$ 930,221</u>

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

Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2007 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,823,173	\$ -
Service Authority	1,108,173	-
Capital Improvements Fund	-	3,931,346
Total	<u>\$ 3,931,346</u>	<u>\$ 3,931,346</u>

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2007:

Primary Government:

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,349,780	\$ 30,747	\$ -	\$ 4,380,527
Construction in progress-jointly owned assets	8,650,145	10,165,175	6,411,957	12,403,363
Construction in progress	<u>1,622,324</u>	<u>3,914,631</u>	<u>399,632</u>	<u>5,137,323</u>
Total capital assets not being depreciated	<u>\$ 14,622,249</u>	<u>\$ 14,110,553</u>	<u>\$ 6,811,589</u>	<u>\$ 21,921,213</u>
Capital assets being depreciated:				
Buildings	\$ 7,185,391	\$ -	\$ -	\$ 7,185,391
Equipment	4,982,187	1,680,077	-	6,662,264
Jointly owned assets	<u>8,064,599</u>	<u>6,411,957</u>	<u>1,062,904</u>	<u>13,413,652</u>
Total capital assets being depreciated	<u>\$ 20,232,177</u>	<u>\$ 8,092,034</u>	<u>\$ 1,062,904</u>	<u>\$ 27,261,307</u>
Less accumulated depreciation for:				
Buildings	\$ 2,952,877	\$ 114,454	\$ -	\$ 3,067,331
Equipment	1,880,875	729,490	-	2,610,365
Jointly owned assets	<u>1,447,157</u>	<u>336,461</u>	<u>240,985</u>	<u>1,542,633</u>
Total accumulated depreciation	<u>\$ 6,280,909</u>	<u>\$ 1,180,405</u>	<u>\$ 240,985</u>	<u>\$ 7,220,329</u>
Total capital assets being depreciated, net	<u>\$ 13,951,268</u>	<u>\$ 6,911,629</u>	<u>\$ 821,919</u>	<u>\$ 20,040,978</u>
Governmental activities capital assets, net	<u>\$ 28,573,517</u>	<u>\$ 21,022,182</u>	<u>\$ 7,633,508</u>	<u>\$ 41,962,191</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,254,354	\$ 8,000	\$ -	\$ 2,262,354
Construction in progress	<u>8,088,426</u>	<u>1,516,995</u>	<u>9,366,994</u>	<u>238,427</u>
Total capital assets not being depreciated	<u>\$ 10,342,780</u>	<u>\$ 1,524,995</u>	<u>\$ 9,366,994</u>	<u>\$ 2,500,781</u>
Capital assets being depreciated:				
Infrastructure	\$ 26,290,420	\$ 12,653,786	\$ -	\$ 38,944,206
Equipment	<u>552,668</u>	<u>207,945</u>	<u>-</u>	<u>760,613</u>
Total capital assets being depreciated	<u>\$ 26,843,088</u>	<u>\$ 12,861,731</u>	<u>\$ -</u>	<u>\$ 39,704,819</u>
Less accumulated depreciation for:				
Infrastructure	\$ 4,377,054	\$ 982,730	\$ -	\$ 5,359,784
Equipment	<u>291,394</u>	<u>68,212</u>	<u>-</u>	<u>359,606</u>
Total accumulated depreciation	<u>\$ 4,668,448</u>	<u>\$ 1,050,942</u>	<u>\$ -</u>	<u>\$ 5,719,390</u>
Total capital assets being depreciated, net	<u>\$ 22,174,640</u>	<u>\$ 11,810,789</u>	<u>\$ -</u>	<u>\$ 33,985,429</u>
Business-type activities capital assets, net	<u>\$ 32,517,420</u>	<u>\$ 13,335,784</u>	<u>\$ 9,366,994</u>	<u>\$ 36,486,210</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 182,483	\$ -	\$ -	\$ 182,483
Construction in progress	9,595,170	2,118,447	9,071,717	2,641,900
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets not being depreciated	\$ 9,777,653	\$ 2,118,447	\$ 9,071,717	\$ 2,824,383
Capital assets, being depreciated:				
Buildings	\$ 11,390,492	\$ 6,184,557	\$ -	\$ 17,575,049
Equipment	2,810,403	228,167	158,081	2,880,489
Jointly owned assets	4,111,901	1,062,904	-	5,174,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated	\$ 18,312,796	\$ 7,475,628	\$ 158,081	\$ 25,630,343
Less accumulated depreciation for:				
Buildings	\$ 7,253,863	\$ 558,559	\$ -	\$ 7,812,422
Equipment	1,959,667	173,570	158,081	1,975,156
Jointly owned assets	991,929	240,985	-	1,232,914
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	\$ 10,205,459	\$ 973,114	\$ 158,081	\$ 11,020,492
Total capital assets being depreciated, net	\$ 8,107,337	\$ 6,502,514	\$ -	\$ 14,609,851
School Board capital assets, net	<u>\$ 17,884,990</u>	<u>\$ 8,620,961</u>	<u>\$ 9,071,717</u>	<u>\$ 17,434,234</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:		
General government	\$	240,575
Judicial administration		5,747
Public safety		508,193
Public works		13,541
Health and Welfare		38,238
Education		336,461
Parks, recreation and cultural		26,733
Community development		<u>10,917</u>
Total	\$	<u>1,180,405</u>
Component Unit-School Board	\$	<u>732,129</u> (1)
King George Service Authority	\$	<u>1,050,942</u>
(1) Depreciation expense	\$	732,129
Accumulated depreciation on Joint tenancy asset transfer		<u>240,985</u>
Total increase in accumulated depreciation, page 42	\$	<u>973,114</u>

Note 7—Restricted Assets:

Restricted assets at June 30, 2007 consist of the following:

Unexpended IDA lease revenue bond proceeds	\$	3,866,581
Cash reserves for debt service		<u>1,113,229</u>
Total	\$	<u>4,979,810</u>

Note 8—Other Assets:

Notes Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,150, interest at 4% long-term portion	\$	197,049
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%		<u>483,333</u>
Total notes receivable	\$	<u>680,382</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 8—Other Assets: (Continued)

Bond Issuance Costs:

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
2004 IDA Bonds	\$ <u>1,021,954</u>	30	\$ <u>34,065</u>	\$ <u>34,065</u>	\$ <u>987,889</u>

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

	<u>Bond Issue Cost</u>	<u>Amortization Period Years</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Issuance costs:					
2001 VRA bonds	\$ 212,149	30	\$ 7,071	\$ 42,077	\$ 170,072
2002 VRA bonds	<u>150,982</u>	30	<u>5,033</u>	<u>25,165</u>	<u>125,817</u>
Total	<u>\$ 363,131</u>		<u>\$ 12,104</u>	<u>\$ 67,242</u>	<u>\$ 295,889</u>

Note 9—Long-Term Obligations:

Governmental Funds:

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 45,365,957	\$ 9,580,000	\$ 1,588,104	\$ 53,357,853	\$ 2,029,926
State Literary Fund Loans	3,339,600	-	294,800	3,044,800	294,800
Capital Leases	7,500,000	306,855	76,714	7,730,141	76,714
Compensated Absences	498,877	137,157	74,832	561,202	56,120
Premium on bonds payable	<u>444,067</u>	<u>-</u>	<u>14,802</u>	<u>429,265</u>	<u>14,802</u>
Total	<u>\$ 57,148,501</u>	<u>\$ 10,024,012</u>	<u>\$ 2,049,252</u>	<u>\$ 65,123,261</u>	<u>\$ 2,472,362</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

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

Year Ending June 30,	Governmental Funds					
	General Obligation Bonds		Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,029,926	\$ 2,462,041	\$ 294,800	\$ 91,344	\$ 76,714	\$ 278,514
2009	2,089,293	2,358,504	250,000	82,500	7,576,714	141,550
2010	2,410,837	2,254,629	250,000	75,000	76,713	4,586
2011	2,092,565	2,155,346	250,000	67,500	-	-
2012	1,959,489	2,069,621	250,000	60,000	-	-
2013	2,010,842	1,988,943	250,000	52,500	-	-
2014	1,758,585	1,906,266	250,000	45,000	-	-
2015	1,803,250	1,834,867	250,000	37,500	-	-
2016	1,846,890	1,760,230	250,000	30,000	-	-
2017	1,512,773	1,689,784	250,000	22,500	-	-
2018	1,547,911	1,624,619	250,000	15,000	-	-
2019	1,588,318	1,555,960	250,000	7,500	-	-
2020	1,629,009	1,485,617	-	-	-	-
2021	1,679,997	1,404,477	-	-	-	-
2022	1,731,299	1,320,773	-	-	-	-
2023	1,787,930	1,234,490	-	-	-	-
2024	1,848,985	1,146,283	-	-	-	-
2025	1,909,887	1,055,479	-	-	-	-
2026	1,971,067	961,647	-	-	-	-
2027	1,659,000	878,493	-	-	-	-
2028	1,714,000	801,122	-	-	-	-
2029	1,774,000	721,329	-	-	-	-
2030	1,839,000	638,650	-	-	-	-
2031	1,909,000	547,490	-	-	-	-
2032	1,984,000	452,830	-	-	-	-
2033	1,685,000	363,500	-	-	-	-
2034	1,770,000	279,250	-	-	-	-
2035	1,860,000	190,750	-	-	-	-
2036	1,955,000	97,746	-	-	-	-
Total	\$ 53,357,853	\$ 37,240,736	\$ 3,044,800	\$ 586,344	\$ 7,730,141	\$ 424,650

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$2,476,000 IDA Loan Refunding Bonds issued March 29, 2005 payable in various principal annual installments from August 1, 2005 to August 1, 2015, interest at 3.61%	\$ 2,414,000	\$ 26,000
\$2,045,000 IDA Revenue Refunding Bonds, issued May 1, 2001 due in various principal annual installments through December 15, 2012, interest payable semiannually at rates ranging from 3.75% to 5.00%	1,530,000	225,000
\$1,840,000, Virginia Public School Authority bond issued August 30, 1990 due in various annual installments through July 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	460,000	110,000
\$1,015,000 Virginia Public School Authority bond issued April 25, 1991, due in various installments through December 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	215,000	50,000
\$1,755,000, Virginia Public School Authority refunding bond issued December 15, 1993 due in various annual installments through December 15, 2009, interest payable semiannually at rates ranging from 6.76% to 7.2%	295,000	105,000
\$5,000,000 IDA Lease Revenue Bonds Series 1996, payable in various installments through July 15, 2009, interest payable semiannually at rates ranging from 4.6% to 6.4%	785,000	250,000
\$6,411,957 VPSA Subsidy Bonds, payable in various installments through July 15, 2025, interest payable semiannually at rates ranging from 4.6% to 5.1%.	6,138,853	284,926
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2036, interest payable semiannually at 4.76%	31,940,000	595,000

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds: (Continued)</u>		
\$4,480,000 IDA Lease Revenue Bonds Series 2006, payable in various annual installments through September 1, 2031, interest payable semiannually at 4.84%	\$ 4,480,000	\$ 180,000
\$5,100,000 IDA Lease Revenue Bonds Series 2006, payable in annual installments of \$204,000 through September 1, 2031, interest payable semiannually at 4.75%	<u>5,100,000</u>	<u>204,000</u>
Total General Obligation Bonds	\$ <u>53,357,853</u>	\$ <u>2,029,926</u>
<u>State Literary Fund Loans:</u>		
\$132,641, issued June 15, 1989, due in annual installments of \$6,800 through June 15, 2008, interest at 3%	\$ 6,800	\$ 6,800
\$742,337, issued June 15, 1989, due in annual installments of \$38,000 through June 15, 2008, interest at 3%	38,000	38,000
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	<u>3,000,000</u>	<u>250,000</u>
Total State Literary Fund Loans	\$ <u>3,044,800</u>	\$ <u>294,800</u>
<u>Capital Lease Obligations:</u>		
\$7,500,000 lease obligation payable January 15, 2009, interest payable semi-annually at 3.53%, secured by school capital projects	\$ 7,500,000	\$ -
\$306,855 lease obligation due in annual installments of \$76,714 through November 1, 2010, interest payable annually at 5.98%, secured by mobile communications equipment	<u>230,141</u>	<u>76,714</u>
Total Capital Lease Obligations	\$ <u>7,730,141</u>	\$ <u>76,714</u>
Compensated Absences	\$ <u>561,202</u>	\$ <u>56,120</u>
Premium on bonds payable	\$ <u>429,265</u>	\$ <u>14,802</u>
Total	\$ <u>65,123,261</u>	\$ <u>2,472,362</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

Assets acquired under capital leases:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Construction in Progress	\$ 1,539,868	\$ -	\$ -
Equipment	<u>306,855</u>	<u>102,285</u>	<u>102,285</u>
Total	<u>\$ 1,846,723</u>	<u>\$ 102,285</u>	<u>\$ 102,285</u>

King George County Service Authority:

The following is a summary of changes in long-term obligation of the King George County Service Authority for the year ended June 30, 2007:

<u>Proprietary Funds</u>	<u>Balance July 1, 2006</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Notes Payable	\$ 725,198	\$ -	\$ 44,817	\$ 680,381	\$ 44,817
Virginia Water Facilities Loan	551,269	-	114,157	437,112	118,769
VRA Utility Revenue Bond	9,910,000	-	215,000	9,695,000	225,000
VRA Water Revenue Bond	7,745,000	-	165,000	7,580,000	170,000
Compensated absences	50,794	16,976	7,619	60,151	6,015
IDA Lease Revenue Bonds	-	4,030,000	-	4,030,000	161,200
Water & Sewer Revenue Bond	<u>1,972,374</u>	<u>-</u>	<u>74,196</u>	<u>1,898,178</u>	<u>77,453</u>
Total	<u>\$ 20,954,635</u>	<u>\$ 4,046,976</u>	<u>\$ 620,789</u>	<u>\$ 24,380,822</u>	<u>\$ 803,254</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

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

Year Ending June 30,	Virginia Water Facilities Loan		VRA Water Revenue Bond		VRA Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 118,769	\$ 16,308	\$ 170,000	\$ 357,139	\$ 225,000	\$ 487,320
2009	123,568	11,510	175,000	351,868	235,000	478,095
2010	128,560	6,518	180,000	346,224	245,000	467,873
2011	66,215	1,324	185,000	340,104	255,000	457,215
2012	-	-	195,000	331,594	265,000	445,485
2013	-	-	205,000	322,624	280,000	431,970
2014	-	-	215,000	312,170	290,000	417,690
2015	-	-	220,000	303,356	305,000	402,900
2016	-	-	230,000	294,116	320,000	387,345
2017	-	-	240,000	284,224	335,000	371,025
2018	-	-	250,000	273,664	355,000	353,940
2019	-	-	265,000	262,416	370,000	335,835
2020	-	-	275,000	250,226	390,000	316,965
2021	-	-	285,000	237,232	410,000	297,075
2022	-	-	300,000	223,765	430,000	276,165
2023	-	-	315,000	209,365	450,000	254,235
2024	-	-	330,000	194,087	475,000	231,285
2025	-	-	345,000	178,083	500,000	207,060
2026	-	-	360,000	161,350	525,000	181,560
2027	-	-	380,000	143,890	550,000	154,785
2028	-	-	395,000	125,460	575,000	126,735
2029	-	-	415,000	105,315	605,000	97,410
2030	-	-	435,000	84,150	635,000	66,555
2031	-	-	460,000	61,965	670,000	34,170
2032	-	-	480,000	38,505	-	-
2033	-	-	275,000	14,025	-	-
Total	\$ <u>437,112</u>	\$ <u>35,660</u>	\$ <u>7,580,000</u>	\$ <u>5,806,917</u>	\$ <u>9,695,000</u>	\$ <u>7,280,693</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Year Ending June 30,	Notes Payable		Water and Sewer Revenue Bonds		IDA Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 44,817	\$ 7,882	\$ 77,453	\$ 83,330	\$ 161,200	\$ 191,151
2009	44,817	6,774	80,853	79,930	161,200	183,349
2010	44,817	5,630	84,403	76,380	161,200	175,547
2011	44,817	4,504	88,108	72,676	161,200	167,745
2012	44,817	3,378	91,976	68,808	161,200	159,943
2013	44,817	2,258	96,014	64,770	161,200	152,141
2014	44,817	1,126	100,229	60,554	161,200	144,338
2015	16,667	-	104,629	56,154	161,200	136,536
2016	16,667	-	109,222	51,562	161,200	128,734
2017	16,667	-	114,017	46,766	161,200	120,932
2018	16,667	-	119,022	41,760	161,200	113,130
2019	16,667	-	124,247	36,536	161,200	105,328
2020	16,667	-	129,702	31,082	161,200	97,526
2021	16,667	-	135,396	25,388	161,200	89,724
2022	16,667	-	141,340	19,444	161,200	81,922
2023	16,667	-	147,545	13,238	161,200	74,120
2024	16,667	-	154,022	6,762	161,200	66,318
2025	16,667	-	-	-	161,200	58,516
2026	16,667	-	-	-	161,200	50,714
2027	16,667	-	-	-	161,200	42,911
2028	16,667	-	-	-	161,200	35,109
2029	16,667	-	-	-	161,200	27,307
2030	16,667	-	-	-	161,200	19,505
2031	16,667	-	-	-	161,200	11,703
2032	16,667	-	-	-	161,200	3,901
2033	16,667	-	-	-	-	-
2034	16,667	-	-	-	-	-
2035	16,667	-	-	-	-	-
2036	16,655	-	-	-	-	-
Total	\$ <u>680,381</u>	\$ <u>31,552</u>	\$ <u>1,898,178</u>	\$ <u>835,140</u>	\$ <u>4,030,000</u>	\$ <u>2,438,150</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

King George County Service Authority: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
\$281,498 note payable issued February 2, 2004 payable in annual principal installments of \$28,150 through February 2, 2013, interest at 4.00%	\$ 197,048	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%	483,333	16,667
\$1,816,890, Virginia Water Facilities Revolving Loan Fund issued April 1, 1991, payable in principal and interest semiannual installments of \$67,539 through September 2011, interest at 4%	437,112	118,769
\$10,700,000, Virginia Resources Authority bond issued December 14, 2001, payable in various principal annual installments through April 1, 2031, interest payable semiannually at 4.94%	9,695,000	225,000
\$8,275,000 Virginia Resources Authority Water & Sewer System Authority bond issued December 5, 2002 payable in various principal annual installments through April 1, 2033 interest payable semiannually at rates ranging from 2.1% to 5.1%	7,580,000	170,000
\$2,115,986 Water and Sewer Revenue bond issued February 2, 2004, payable in various principal annual installments through February 2, 2024, interest payable semi-annually at 4.39%	1,898,178	77,453
\$4,030,000 IDA Lease Revenue Bonds Series 2006 payable in annual principal installments of \$161,200 through September 1, 2031, interest payable semi-annually at 4.84%	<u>4,030,000</u>	<u>161,200</u>
Total long-term debt	\$ 24,320,671	\$ 797,239
Compensated absences	<u>60,151</u>	<u>6,015</u>
Total long-term obligations	<u>\$ 24,380,822</u>	<u>\$ 803,254</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 9—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2007:

	<u>Amounts Payable July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 241,265	\$ 51,793	\$ 36,190	\$ 256,868	\$ 25,687
Total	<u>\$ 241,265</u>	<u>\$ 51,793</u>	<u>\$ 36,190</u>	<u>\$ 256,868</u>	<u>\$ 25,687</u>

Note 10—Claims, Judgments, and Compensated Absences:

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

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

Primary Government	\$ <u>561,202</u>
King George Service Authority	\$ <u>60,151</u>
Component Unit School Board	\$ <u>256,868</u>

Note 11—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$2,748,328 is comprised of the following:

- A. Prepaid connections fees for the King George Service Authority totaled \$1,889,676 at June 30, 2007.
- B. Deferred property tax revenues totaled \$858,652 at June 30, 2007.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 12–Litigation:

At June 30, 2007, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13–Defined Benefit Pension Plan:

A. Plan Description:

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. 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. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund 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 employer contribution rates for the fiscal year ended 2007 were 5.26% and 5.16% of annual covered payroll, respectively.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 13–Defined Benefit Pension Plan: (Continued)

B. Funding Policy: (Continued)

The School Board’s contributions for professional employees were \$1,487,613, \$957,006 and \$786,365 to the teacher cost-sharing pool for the fiscal years ended June 30, 2007, 2006 and 2005, respectively and these contributions represented 9.2%, 6.62% and 6.03%, respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year ended 2007, the County’s annual pension cost of \$384,376 was equal to the County’s required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

In fiscal year ended 2007, the School Board’s annual pension cost for the non-professional employees was \$109,550, which was equal to the Board’s required and actual contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 Years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.50%
Projected salary increases: ¹		
Non LEO Employees	3.50% to 5.73%	3.50% to 5.73%
LEO Employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

¹ Includes inflation at 2.50%

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 13—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2007	\$	384,376	100%	\$	-
June 30, 2006		265,480	100%		-
June 30, 2005		238,844	100%		-
School Board:					
Non-professional:					
June 30, 2007	\$	109,550	100%	\$	-
June 30, 2006		95,451	100%		-
June 30, 2005		85,005	100%		-

(1) Employer portion only

Note 14—Risk Management:

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 15—Landfill Closure and Postclosure Care Cost:

The County maintains a contract with an independent contractor for operations of the landfills. The County collects tipping fees based upon the source of the waste. The contractor is responsible for any landfill closure and postclosure costs. At June 30, 2007 the County has set aside escrow funds in the amount of \$3,848,347 to cover potential liabilities related to any landfill closure and postclosure costs which may result from the contractors ineligibility to cover such costs. These funds are reported as an agency fund in the landfill escrow fund.

Note 16—Commitments and Contingencies:

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

Note 17—Expenditures Over Appropriations:

At June 30, 2007 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
School Cafeteria Fund:			
School food service costs	\$ 1,074,426	\$ 1,151,442	\$ 77,016
General Fund:			
Regional jail	801,980	802,435	455
Circuit court	54,820	66,469	11,649
Miscellaneous public safety grants	172,806	208,272	35,466
E-911	405,068	460,619	55,551
Debt service	4,623,315	4,680,913	57,598

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 18—Surety Bond:

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

Note 19—Construction Commitments:

At June 30, 2007 the County has several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2007</u>	<u>Contract Balance</u>
King George Government Center	\$ 1,735,399	\$ 1,118,628	\$ 616,771
New High School	38,148,144	11,297,641	26,850,503
King George Fire and Rescue	<u>3,365,013</u>	<u>3,141,407</u>	<u>223,606</u>
Total	<u>\$ 43,248,556</u>	<u>\$ 15,557,676</u>	<u>\$ 27,690,880</u>

Note 20—Debt Refunding:

On March 29, 2005 the County of King George, Virginia issued \$2,476,000 in General Obligation Refunding Bonds, Series, 2005 with an effective interest rate of 3.61%. The Series 2005 bonds were issued to refund \$2,476,000 of General Obligation Bonds, Series of 1996. The 2005 bonds will be repaid in various installments beginning January 15, 2008 to 2017. As a result the 1996 bonds maturing annually on July 15, 2010 to January 15, 2016 are considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$166,288. The advance refunding was undertaken to reduce the total debt service payments over the next 11 years by \$727,664 and resulted in an economic gain of \$283,117. At June 30, 2007 the defeased bonds had balances outstanding of \$2,414,000.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2007 (Continued)

Note 21—Fund Deficits:

Individual fund deficits at June 30, 2007 are as follows:

Component Unit School Board Cafeteria \$ 124,146

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2007

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 14,647,380	\$ 14,647,380	\$ 15,174,874	\$ 527,494
Other local taxes	5,303,200	5,303,200	5,214,995	(88,205)
Permits, privilege fees and regulatory licenses	959,100	959,100	836,100	(123,000)
Fines and forfeitures	306,800	306,800	300,583	(6,217)
Revenue from use of money and property	416,600	416,600	893,305	476,705
Charges for services	333,686	393,014	396,444	3,430
Miscellaneous	97,000	1,074,804	480,010	(594,794)
Recovered costs	171,302	171,302	-	(171,302)
Intergovernmental:				
School Board	141,685	141,685	-	(141,685)
Commonwealth	5,344,019	6,031,605	5,642,960	(388,645)
Federal	433,100	445,920	1,098,567	652,647
Total revenues	\$ 28,153,872	\$ 29,891,410	\$ 30,037,838	\$ 146,428
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 109,334	\$ 109,334	\$ 98,631	\$ 10,703
General and financial administration:				
County administration	\$ 491,891	\$ 509,050	\$ 503,420	\$ 5,630
Legal services	121,839	121,839	117,379	4,460
Commissioner of the Revenue	349,804	357,604	354,243	3,361
Reassessment	-	1,998	1,998	-
Treasurer	286,849	304,895	304,858	37
Department of finance	1,051,956	1,057,871	826,720	231,151
Total general and financial administration	\$ 2,302,339	\$ 2,353,257	\$ 2,108,618	\$ 244,639
Board of Elections:				
Electoral board and officials	\$ 35,886	\$ 35,886	\$ 20,322	\$ 15,564
Registrar	102,927	105,108	95,147	9,961
Total board of elections	\$ 138,813	\$ 140,994	\$ 115,469	\$ 25,525
Total general government administration	\$ 2,550,486	\$ 2,603,585	\$ 2,322,718	\$ 280,867

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2007 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 54,820	\$ 54,820	\$ 66,469	\$ (11,649)
Combined courts	38,920	38,920	18,787	20,133
Magistrates	3,643	3,643	2,802	841
Clerk of the circuit court	426,112	476,403	452,061	24,342
Law library	4,300	4,300	1,908	2,392
Victim assistance program	24,389	24,389	22,885	1,504
Total courts	\$ 552,184	\$ 602,475	\$ 564,912	\$ 37,563
Commonwealth's attorney:				
Commonwealth's attorney	\$ 435,216	\$ 461,272	\$ 448,460	\$ 12,812
Total judicial administration	\$ 987,400	\$ 1,063,747	\$ 1,013,372	\$ 50,375
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,834,382	\$ 2,841,182	\$ 2,747,322	\$ 93,860
VJCCCA / CHINS	52,201	52,201	50,943	1,258
E-911	405,068	405,068	460,619	(55,551)
Law enforcement	22,200	22,200	15,375	6,825
Public safety grants	81,562	114,510	72,087	42,423
Total law enforcement and traffic control	\$ 3,395,413	\$ 3,435,161	\$ 3,346,346	\$ 88,815
Fire and rescue services:				
Emergency services	\$ 1,514,310	\$ 2,527,704	\$ 2,131,919	\$ 395,785
Fire and rescue grants	-	9,554	8,645	909
King george fire and rescue	390,150	405,150	393,328	11,822
Total fire and rescue services	\$ 1,904,460	\$ 2,942,408	\$ 2,533,892	\$ 408,516
Correction and detention:				
Juvenile detention	\$ 171,450	\$ 496,182	\$ 492,614	\$ 3,568
Regional jail	801,979	801,980	802,435	(455)
Court service unit - juvenile court	2,935	2,935	2,934	1
Juvenile justice planner	17,019	17,019	17,019	-
Total correction and detention	\$ 993,383	\$ 1,318,116	\$ 1,315,002	\$ 3,114

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2007 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 209,424	\$ 209,424	\$ 207,664	\$ 1,760
Medical examiner	250	249	160	89
Miscellaneous public safety grants	116,369	172,806	208,272	(35,466)
Total other protection	\$ 326,043	\$ 382,479	\$ 416,096	\$ (33,617)
Total public safety	\$ 6,619,299	\$ 8,078,164	\$ 7,611,336	\$ 466,828
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 147,501	\$ 161,406	\$ 143,598	\$ 17,808
Sanitation and waste removal:				
Landfill	\$ 232,945	\$ 232,945	\$ 191,528	\$ 41,417
Maintenance of general buildings and grounds:				
General properties	\$ 565,733	\$ 663,859	\$ 663,713	\$ 146
Construction - engineering inspections	197,223	203,406	100,063	103,343
Miscellaneous	130,000	149,508	66,131	83,377
Citizen's center	47,338	47,338	34,426	12,912
Total maintenance of general buildings and grounds	\$ 940,294	\$ 1,064,111	\$ 864,333	\$ 199,778
Total public works	\$ 1,320,740	\$ 1,458,462	\$ 1,199,459	\$ 259,003
Health and welfare:				
Health:				
Local health department	\$ 244,011	\$ 244,011	\$ 244,011	\$ -
Mental health and mental retardation:				
Community services board	\$ 73,373	\$ 73,373	\$ 73,372	\$ 1
Welfare:				
Administration and public assistance	\$ 1,915,580	\$ 1,915,629	\$ 1,811,804	\$ 103,825
Comprehensive services	812,586	1,729,799	1,388,824	340,975
Total welfare	\$ 2,728,166	\$ 3,645,428	\$ 3,200,628	\$ 444,800
Total health and welfare	\$ 3,045,550	\$ 3,962,812	\$ 3,518,011	\$ 444,801

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2007 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 4,574	\$ 4,574	\$ 4,574	\$ -
Contribution to Component Unit School Board	9,671,883	9,778,446	9,670,394	108,052
Total education	\$ 9,676,457	\$ 9,783,020	\$ 9,674,968	\$ 108,052
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 315,154	\$ 315,154	\$ 266,550	\$ 48,604
Parks operations	159,043	82,440	54,521	27,919
Bluemont concert series	8,000	8,000	8,000	-
Recreation programs and events	308,164	382,564	382,564	-
Total parks and recreation	\$ 790,361	\$ 788,158	\$ 711,635	\$ 76,523
Library:				
Library	\$ 511,676	\$ 511,676	\$ 492,800	\$ 18,876
Total parks, recreation and cultural	\$ 1,302,037	\$ 1,299,834	\$ 1,204,435	\$ 95,399
Community development:				
Planning and community development:				
Community development	\$ 801,430	\$ 812,130	\$ 727,218	\$ 84,912
Planning / community zoning boards	65,372	67,372	32,205	35,167
Sustained economic development	1,304,092	1,304,092	15,841	1,288,251
Welcome center	25,000	42,313	34,928	7,385
Community organizations	166,408	173,133	171,289	1,844
Total planning and community development	\$ 2,362,302	\$ 2,399,040	\$ 981,481	\$ 1,417,559
Environmental management:				
Litter control	\$ 6,493	\$ 8,135	\$ 1,476	\$ 6,659
Soil and water conservation district	20,800	20,800	20,800	-
Total environmental management	\$ 27,293	\$ 28,935	\$ 22,276	\$ 6,659

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2007 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Community development: (continued)				
Cooperative extension program:				
VPI extension	\$ 98,200	\$ 98,607	\$ 87,937	\$ 10,670
Total community development	\$ 2,487,795	\$ 2,526,582	\$ 1,091,694	\$ 1,434,888
Nondepartmental:				
Contingency	\$ 279,000	\$ 80,101	\$ -	\$ 80,101
Total nondepartmental	\$ 279,000	\$ 80,101	\$ -	\$ 80,101
Debt service:				
Principal retirement	\$ 1,882,904	\$ 1,882,904	\$ 1,959,618	\$ (76,714)
Interest and fiscal charges	2,549,371	2,740,411	2,721,295	19,116
Total debt service	\$ 4,432,275	\$ 4,623,315	\$ 4,680,913	\$ (57,598)
Total expenditures	\$ 32,701,039	\$ 35,479,622	\$ 32,316,906	\$ 3,162,716
Excess (deficiency) of revenues over expenditures	\$ (4,547,167)	\$ (5,588,212)	\$ (2,279,068)	\$ 3,309,144
Other financing sources (uses):				
Operating transfers in	\$ 4,430,135	\$ 2,879,465	\$ 2,823,173	\$ (56,292)
Total other financing sources (uses)	\$ 4,430,135	\$ 2,879,465	\$ 2,823,173	\$ (56,292)
Net changes in fund balance	\$ (117,032)	\$ (2,708,747)	\$ 544,105	\$ 3,252,852
Fund balance at beginning of year	117,032	2,708,747	18,881,707	16,172,960
Fund balance at end of year	\$ -	\$ -	\$ 19,425,812	\$ 19,425,812

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

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 11,936,751	\$ 13,661,148	\$ 1,724,397	87.38%	\$ 6,841,519	25.20%
6/30/2005	10,833,426	12,696,074	1,862,648	85.33%	6,134,088	30.37%
6/30/2004	10,168,207	9,884,071	(284,136)	102.87%	5,538,406	-5.13%

Discretely Presented Component Unit - School Board:

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 2,432,984	\$ 3,027,255	\$ 594,271	80.37%	\$ 1,899,046	31.29%
6/30/2005	2,144,918	2,587,575	442,657	82.89%	1,698,635	26.06%
6/30/2004	1,939,255	2,023,474	84,219	95.84%	1,562,876	5.39%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses	\$ 6,814,000	\$ 6,814,000	\$ 6,465,676	\$ (348,324)
Revenue from use of money and property	500,000	779,354	3,083,070	2,303,716
Miscellaneous	-	-	77,171	77,171
Intergovernmental:				
Federal	-	-	396,834	396,834
Total revenues	<u>\$ 7,314,000</u>	<u>\$ 7,593,354</u>	<u>\$ 10,022,751</u>	<u>\$ 2,429,397</u>
Expenditures:				
Judicial administration:				
Communication equipment	\$ -	\$ 1,297	\$ -	\$ 1,297
Total judicial administration	<u>\$ -</u>	<u>\$ 1,297</u>	<u>\$ -</u>	<u>\$ 1,297</u>
Public safety:				
Vehicle acquisition - EMS rescue vehicles	\$ -	\$ 35,835	\$ -	\$ 35,835
Vehicle acquisition - EMS fire vehicles	-	405,597	405,500	97
Mobile data terminals	-	134,200	434,983	(300,783)
Equipment replacement	-	8,212	-	8,212
Response vehicle	-	129,204	130,179	(975)
Total public safety	<u>\$ -</u>	<u>\$ 713,048</u>	<u>\$ 970,662</u>	<u>\$ (257,614)</u>
Public works:				
Generators for HS and administration building	\$ -	\$ 999,521	\$ 394,761	\$ 604,760
Miscellaneous capital outlays	-	8,622	-	8,622
Total public works	<u>\$ -</u>	<u>\$ 1,008,143</u>	<u>\$ 394,761</u>	<u>\$ 613,382</u>
Capital projects:				
General government administration:				
County complex	\$ 2,313,267	\$ 5,900,795	\$ 1,511,314	\$ 4,389,481
Total general government administration	<u>\$ 2,313,267</u>	<u>\$ 5,900,795</u>	<u>\$ 1,511,314</u>	<u>\$ 4,389,481</u>

Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (Continued)				
Judicial administration:				
Courthouse roof project	\$ -	\$ 36,670	\$ 12,595	\$ 24,075
Public safety:				
EMS training facility	\$ -	\$ 170,000	\$ 170,000	\$ -
Courthouse area fire and rescue project	-	2,809,436	2,424,771	384,665
Emergency communication upgrade	-	1,060	-	1,060
Animal pound	-	300,000	-	300,000
Total public safety	\$ -	\$ 3,280,496	\$ 2,594,771	\$ 685,725
Education:				
School construction - elementary school	\$ -	\$ 94,954	\$ 51,070	\$ 43,884
School construction - new high school	-	38,310,545	11,826,477	26,484,068
Old high school renovations	-	1,450,525	62,039	1,388,486
High school track renovations	-	116,688	116,688	-
High school vo-tech wing	-	1,059,271	273,031	786,240
School HVAC project	-	5,828	30,528	(24,700)
Total education	\$ -	\$ 41,037,811	\$ 12,359,833	\$ 28,677,978
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 53,368	\$ 11,712	\$ 41,656
Rt. 206 biking & pedestrian	-	200,000	-	200,000
Total parks and recreation	\$ -	\$ 253,368	\$ 11,712	\$ 241,656
Community development:				
Kings highway project	\$ -	\$ 440,880	\$ 428,183	\$ 12,697
Total community development	\$ -	\$ 440,880	\$ 428,183	\$ 12,697
Total expenditures	\$ 2,313,267	\$ 52,672,508	\$ 18,283,831	\$ 34,388,677
Excess (deficiency) of revenues over expenditures	\$ 5,000,733	\$ (45,079,154)	\$ (8,261,080)	\$ 36,818,074
Other financing sources (uses):				
Transfers (out)	\$ (5,000,733)	\$ (3,847,638)	\$ (3,931,346)	\$ (83,708)
Capital lease	-	-	306,855	306,855
Long-term debt issued	-	-	9,580,000	9,580,000
Total other financing sources (uses):	\$ (5,000,733)	\$ (3,847,638)	\$ 5,955,509	\$ 9,803,147
Net changes in fund balance	\$ -	\$ (48,926,792)	\$ (2,305,571)	\$ 46,621,221
Fund balance at beginning of year	-	48,926,792	53,852,195	4,925,403
Fund balance at end of year	\$ -	\$ -	\$ 51,546,624	\$ 51,546,624

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2007

	<u>Special Welfare Fund</u>	<u>Payroll Taxes Fund</u>	<u>Landfill Escrow Fund</u>	<u>EDA Fund</u>	<u>Totals</u>
Assets:					
Cash and cash equivalents	\$ 24,044	\$ -	\$ 3,848,347	\$ 2,949,129	\$ 6,821,520
Accounts receivable	<u>-</u>	<u>39,045</u>	<u>-</u>	<u>-</u>	<u>39,045</u>
Total assets	<u>\$ 24,044</u>	<u>\$ 39,045</u>	<u>\$ 3,848,347</u>	<u>\$ 2,949,129</u>	<u>\$ 6,860,565</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 32,903	\$ 32,903
Amounts held for others	-	39,045	-	2,916,226	2,955,271
Amounts held for landfill closure and postclosure costs	-	-	3,848,347	-	3,848,347
Amounts held for social services' clients	<u>24,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,044</u>
Total liabilities	<u>\$ 24,044</u>	<u>\$ 39,045</u>	<u>\$ 3,848,347</u>	<u>\$ 2,949,129</u>	<u>\$ 6,860,565</u>

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2007

	<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	\$ 12,138	\$ 27,467	\$ 15,561	\$ 24,044
Liabilities:				
Amounts held for social services' clients	\$ 12,138	\$ 27,467	\$ 15,561	\$ 24,044
Payroll Taxes Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,401,850	\$ 2,401,850	\$ -
Accounts receivable	97,316	39,045	97,316	39,045
Total assets	\$ 97,316	\$ 2,440,895	\$ 2,499,166	\$ 39,045
Liabilities:				
Amounts held for others	\$ 97,316	\$ 2,440,895	\$ 2,499,166	\$ 39,045
Landfill Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 3,675,609	\$ 172,738	\$ -	\$ 3,848,347
Liabilities:				
Amounts held for landfill closure and postclosure costs	\$ 3,675,609	\$ 172,738	\$ -	\$ 3,848,347
EDA Fund:				
Assets:				
Cash and cash equivalents	\$ 3,354,042	\$ 1,896,507	\$ 2,301,420	\$ 2,949,129
Liabilities:				
Accounts payable	\$ 30,782	\$ 32,903	\$ 30,782	\$ 32,903
Amounts held for others	3,323,260	1,863,604	2,270,638	2,916,226
Total liabilities	\$ 3,354,042	\$ 1,896,507	\$ 2,301,420	\$ 2,949,129
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 7,041,789	\$ 4,498,562	\$ 4,718,831	\$ 6,821,520
Accounts receivable	97,316	39,045	97,316	39,045
Total assets	\$ 7,139,105	\$ 4,537,607	\$ 4,816,147	\$ 6,860,565
Liabilities:				
Accounts payable	\$ 30,782	\$ 32,903	\$ 30,782	\$ 32,903
Amounts held for social services' clients	12,138	27,467	15,561	24,044
Amounts held for landfill closure and postclosure costs	3,675,609	172,738	-	3,848,347
Amounts held for others	3,420,576	4,304,499	4,769,804	2,955,271
Total liabilities	\$ 7,139,105	\$ 4,537,607	\$ 4,816,147	\$ 6,860,565

Discretely Presented Component Unit-School Board

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2007

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,662,513	\$ -	\$ 226,971	\$ 1,889,484
Receivables (Net of allowances for uncollectibles):				
Accounts	44,011	-	-	44,011
Due from primary government	930,221	-	-	930,221
Due from other governmental units	<u>839,492</u>	<u>-</u>	<u>-</u>	<u>839,492</u>
 Total assets	 <u>\$ 3,476,237</u>	 <u>\$ -</u>	 <u>\$ 226,971</u>	 <u>\$ 3,703,208</u>
 LIABILITIES				
Reconciled overdraft	\$ -	\$ 24,199	\$ -	\$ 24,199
Accounts payable	270,690	-	-	270,690
Accrued liabilities	<u>3,203,547</u>	<u>99,947</u>	<u>-</u>	<u>3,303,494</u>
 Total liabilities	 <u>\$ 3,474,237</u>	 <u>\$ 124,146</u>	 <u>\$ -</u>	 <u>\$ 3,598,383</u>
 FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ -	\$ 226,971	\$ 226,971
Unreserved:				
Undesignated	<u>2,000</u>	<u>(124,146)</u>	<u>-</u>	<u>(122,146)</u>
 Total fund balances	 <u>\$ 2,000</u>	 <u>\$ (124,146)</u>	 <u>\$ 226,971</u>	 <u>\$ 104,825</u>
 Total liabilities and fund balances	 <u>\$ 3,476,237</u>	 <u>\$ -</u>	 <u>\$ 226,971</u>	
 Detailed explanation of adjustments from fund statements to government-wide statement of net assets:				
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.				17,434,234
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. This amount is accrued leave.				<u>(256,868)</u>
Net assets of Governmental Activities				<u>\$ 17,282,191</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2007

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 14,856	\$ -	\$ -	\$ 14,856
Charges for services	35,284	682,536	-	717,820
Miscellaneous	124,122	752	-	124,874
Intergovernmental:				
County contribution to School Board	9,670,394	-	-	9,670,394
Commonwealth	17,766,113	14,178	-	17,780,291
Federal	1,785,432	325,460	-	2,110,892
 Total revenues	 \$ 29,396,201	 \$ 1,022,926	 \$ -	 \$ 30,419,127
Expenditures:				
Current:				
Education	\$ 29,396,201	\$ 1,151,442	\$ -	\$ 30,547,643
 Total expenditures	 \$ 29,396,201	 \$ 1,151,442	 \$ -	 \$ 30,547,643
 Excess (deficiency) of revenues over expenditures	 \$ -	 \$ (128,516)	 \$ -	 \$ (128,516)
 Net changes in fund balances	 \$ -	 \$ (128,516)	 \$ -	 \$ (128,516)
 Fund balances at beginning of year	 2,000	 4,370	 226,971	 233,341
 Fund balances at end of year	 \$ 2,000	 \$ (124,146)	 \$ 226,971	 \$ 104,825

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 Governmental Funds
 Year Ended June 30, 2007

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 14,856	\$ (5,144)
Charges for services	65,000	65,000	35,284	(29,716)
Miscellaneous	205,000	205,000	124,122	(80,878)
Intergovernmental:				
County contribution to School Board	9,671,883	9,778,446	9,670,394	(108,052)
Commonwealth	17,868,681	17,868,681	17,766,113	(102,568)
Federal	1,132,178	1,599,154	1,785,432	186,278
Total revenues	\$ 28,962,742	\$ 29,536,281	\$ 29,396,201	\$ (140,080)
Expenditures:				
Current:				
Instruction	\$ 21,281,330	\$ 21,854,869	\$ 21,834,501	\$ 20,368
Administration, attendance and health	976,742	976,742	972,720	4,022
Pupil transportation	2,425,750	2,425,750	2,422,512	3,238
Operation and maintenance	2,753,590	2,824,590	2,749,884	74,706
School food service costs	-	-	-	-
Facilities	250,474	250,474	249,476	998
Technology	1,224,856	1,203,856	1,167,108	36,748
Total education	\$ 28,912,742	\$ 29,536,281	\$ 29,396,201	\$ 140,080
Contribution to primary government	-	-	-	-
Total expenditures	\$ 28,912,742	\$ 29,536,281	\$ 29,396,201	\$ 140,080
Excess (deficiency) of revenues over expenditures	\$ 50,000	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers (out)	\$ (50,000)	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ (50,000)	\$ -	\$ -	\$ -
Net changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	2,000	2,000
Fund balances at end of year	\$ -	\$ -	\$ 2,000	\$ 2,000

School Cafeteria Fund				School Construction Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ 1,000	\$ 1,000	\$ -	\$ (1,000)	\$ -	\$ -	\$ -	\$ -
626,200	694,376	682,536	(11,840)	-	-	-	-
7,500	7,500	752	(6,748)	-	-	-	-
-	-	-	-	-	-	-	(141,685)
13,500	13,500	14,178	678	141,685	141,685	-	-
358,050	358,050	325,460	(32,590)	-	-	-	-
<u>\$ 1,006,250</u>	<u>\$ 1,074,426</u>	<u>\$ 1,022,926</u>	<u>\$ (51,500)</u>	<u>\$ 141,685</u>	<u>\$ 141,685</u>	<u>\$ -</u>	<u>\$ (141,685)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,006,250	1,074,426	1,151,442	(77,016)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,006,250</u>	<u>\$ 1,074,426</u>	<u>\$ 1,151,442</u>	<u>\$ (77,016)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,685</u>	<u>141,685</u>	<u>-</u>	<u>141,685</u>
<u>\$ 1,006,250</u>	<u>\$ 1,074,426</u>	<u>\$ 1,151,442</u>	<u>\$ (77,016)</u>	<u>\$ 141,685</u>	<u>\$ 141,685</u>	<u>\$ -</u>	<u>\$ 141,685</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,516)</u>	<u>\$ (128,516)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	(128,516)	(128,516)	-	-	-	-
-	-	4,370	4,370	-	-	226,971	226,971
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (124,146)</u>	<u>\$ (124,146)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,971</u>	<u>\$ 226,971</u>

Reconciliation of Schedule of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	<u>Component Unit School Board</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net changes in fund balances - total governmental funds	\$ (128,516)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which the capital outlays exceeded depreciation in the current period is computed as follows:</p>	
Capital additions	\$ 2,346,614
Depreciation expense	<u>(732,129)</u> 1,614,485
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave.	(15,603)
Transfer of assets from Component Unit to the Primary Government	(2,887,160)
Transfer of joint tenancy assets from Primary Government to the Component Unit	<u>821,919</u>
Change in net assets of governmental activities	<u>\$ (594,875)</u>

Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,261,000	\$ 10,261,000	\$ 10,425,182	\$ 164,182
Public service taxes	1,205,300	1,205,300	1,124,491	(80,809)
Personal property taxes	2,727,300	2,727,300	3,202,886	475,586
Mobile home taxes	35,500	35,500	20,646	(14,854)
Machinery and tools taxes	142,780	142,780	105,281	(37,499)
Penalties	177,100	177,100	191,206	14,106
Interest	98,400	98,400	105,182	6,782
	<u>\$ 14,647,380</u>	<u>\$ 14,647,380</u>	<u>\$ 15,174,874</u>	<u>\$ 527,494</u>
Total general property taxes				
Other local taxes:				
Local sales and use taxes	\$ 1,188,300	\$ 1,188,300	\$ 1,253,579	\$ 65,279
Communication tax	-	-	105,436	105,436
Consumer utility taxes	338,700	338,700	301,276	(37,424)
Local consumption tax	55,300	55,300	70,175	14,875
Business license taxes	1,134,900	1,134,900	1,209,143	74,243
Cable TV franchise license taxes	33,900	33,900	37,722	3,822
Motor vehicle licenses	479,800	479,800	446,312	(33,488)
Bank franchise taxes	85,000	85,000	72,333	(12,667)
Recordation taxes	800,000	800,000	607,113	(192,887)
Local tax from clerk	150,000	150,000	120,829	(29,171)
Interest on fines	8,500	8,500	2,926	(5,574)
Transient occupancy tax	117,700	117,700	113,475	(4,225)
Meals tax	672,100	672,100	674,535	2,435
E-911 taxes	239,000	239,000	200,141	(38,859)
	<u>\$ 5,303,200</u>	<u>\$ 5,303,200</u>	<u>\$ 5,214,995</u>	<u>\$ (88,205)</u>
Total other local taxes				
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,100	\$ 6,100	\$ 6,423	\$ 323
Building and related permits	581,400	581,400	347,694	(233,706)
Landfill inspection fees	171,600	171,600	177,237	5,637
Other permits and licenses	200,000	200,000	304,746	104,746
	<u>\$ 959,100</u>	<u>\$ 959,100</u>	<u>\$ 836,100</u>	<u>\$ (123,000)</u>
Total permits, privilege fees and regulatory licenses				
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 306,800	\$ 306,800	\$ 300,583	\$ (6,217)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 364,600	\$ 364,600	\$ 836,479	\$ 471,879
Revenue from use of property	52,000	52,000	56,826	4,826
Total revenue from use of money and property	<u>\$ 416,600</u>	<u>\$ 416,600</u>	<u>\$ 893,305</u>	<u>\$ 476,705</u>
Charges for services:				
Sheriff's fees	\$ 900	\$ 900	\$ 921	\$ 21
Law library fees	3,000	3,000	3,232	232
Local court appointed attorney fees	3,500	3,500	3,517	17
Courthouse maintenance fees	15,700	15,700	12,965	(2,735)
Commonwealth attorney fees	1,300	1,300	1,351	51
Concealed weapon fees	5,600	5,600	5,121	(479)
Courthouse security personnel fee	35,000	35,000	34,659	(341)
Jail admission fee	2,800	2,800	3,843	1,043
Charges for parks and recreation	264,986	324,314	329,970	5,656
Charges for maps / publications	900	900	320	(580)
Other charges for services	-	-	545	545
Total charges for services	<u>\$ 333,686</u>	<u>\$ 393,014</u>	<u>\$ 396,444</u>	<u>\$ 3,430</u>
Miscellaneous revenue:				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 243,024	\$ 183,024
Contributions to Welcome Center	22,000	22,000	257	(21,743)
Insurance recoveries	15,000	992,804	236,729	(756,075)
Total miscellaneous revenue	<u>\$ 97,000</u>	<u>\$ 1,074,804</u>	<u>\$ 480,010</u>	<u>\$ (594,794)</u>
Recovered costs:				
Service authority cost allocation	\$ 171,302	\$ 171,302	-	(171,302)
Total revenue from local sources	<u>\$ 22,235,068</u>	<u>\$ 23,272,200</u>	<u>\$ 23,296,311</u>	<u>\$ 24,111</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental revenue:				
School Board contribution to Primary Government	\$ 141,685	\$ 141,685	\$ -	\$ (141,685)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 9,000	\$ 9,000	\$ 19,701	\$ 10,701
Wine taxes	10,000	10,000	20,651	10,651
Rolling stock tax	3,500	3,500	5,979	2,479
Mobile home titling taxes	17,500	17,500	24,381	6,881
Recordation tax	145,000	145,000	177,608	32,608
Auto rental tax	25,000	25,000	34,647	9,647
PPTRA	1,695,000	1,695,000	2,175,396	480,396
Total noncategorical aid	\$ 1,905,000	\$ 1,905,000	\$ 2,458,363	\$ 553,363
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 226,728	\$ 251,524	\$ 261,736	\$ 10,212
Sheriff	949,612	949,612	945,161	(4,451)
Commissioner of the Revenue	92,189	99,989	117,358	17,369
Treasurer	90,805	93,651	102,360	8,709
Medical examiner	230	230	60	(170)
Registrar/electoral board	41,300	41,300	46,786	5,486
Clerk of the Circuit Court	151,407	183,456	350,159	166,703
Total shared expenses	\$ 1,552,271	\$ 1,619,762	\$ 1,823,620	\$ 203,858
Other categorical aid:				
Welfare administration and assistance	\$ 1,043,900	\$ 1,043,900	\$ 378,587	\$ (665,313)
Litter control	4,500	4,500	-	(4,500)
Four for life funds	18,000	18,000	18,264	264
Health department	7,500	7,500	1,013	(6,487)
Comprehensive services	509,840	1,094,380	725,466	(368,914)
VJCCCA grant	21,300	21,300	21,324	24
VA commission of the arts	4,000	4,000	4,000	-
Department of criminal justice grant	70,708	70,708	58,790	(11,918)
Wireless bd grant	60,000	60,000	40,449	(19,551)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Drug asset seizure forfeiture	\$ -	\$ -	\$ 4,780	\$ 4,780
DCJS - Victim witness assistance grant	19,600	19,600	16,442	(3,158)
Library grant	82,700	82,700	89,704	7,004
DUI enforcement grant	11,100	11,100	-	(11,100)
Other categorical aid	33,600	69,155	2,158	(66,997)
Total other categorical aid	<u>\$ 1,886,748</u>	<u>\$ 2,506,843</u>	<u>\$ 1,360,977</u>	<u>\$ (1,145,866)</u>
Total categorical aid	<u>\$ 3,439,019</u>	<u>\$ 4,126,605</u>	<u>\$ 3,184,597</u>	<u>\$ (942,008)</u>
Total revenue from the Commonwealth	<u>\$ 5,344,019</u>	<u>\$ 6,031,605</u>	<u>\$ 5,642,960</u>	<u>\$ (388,645)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 428,100	\$ 428,100	\$ 1,021,217	\$ 593,117
US Fish and wildlife service	5,000	5,000	10,043	5,043
Emergency management grant	-	12,820	-	(12,820)
Ground transportation system grant	-	-	8,044	8,044
Law enforcement grants	-	-	59,263	59,263
Total revenue from the federal government	<u>\$ 433,100</u>	<u>\$ 445,920</u>	<u>\$ 1,098,567</u>	<u>\$ 652,647</u>
Total General Fund	<u>\$ 28,153,872</u>	<u>\$ 29,891,410</u>	<u>\$ 30,037,838</u>	<u>\$ 146,428</u>
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,400,000	\$ 6,400,000	\$ 6,363,724	\$ (36,276)
Landfill fees - beneficial use	414,000	414,000	101,952	(312,048)
Total permits, privilege fees and regulatory licenses	<u>\$ 6,814,000</u>	<u>\$ 6,814,000</u>	<u>\$ 6,465,676</u>	<u>\$ (348,324)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Improvements Fund: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 500,000	\$ 779,354	\$ 3,083,070	\$ 2,303,716
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 77,171	\$ 77,171
Total revenue from local sources	\$ 7,314,000	\$ 7,593,354	\$ 9,625,917	\$ 2,032,563
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 396,834	\$ 396,834
Total Capital Improvements Fund	\$ 7,314,000	\$ 7,593,354	\$ 10,022,751	\$ 2,429,397
Grand Total Revenues -- Primary Government	\$ 35,467,872	\$ 37,484,764	\$ 40,060,589	\$ 2,575,825
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 20,000	\$ 20,000	\$ 14,856	\$ (5,144)
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 14,856	\$ (5,144)
Charges for services:				
Charges for tuition	\$ 65,000	\$ 65,000	\$ 35,284	\$ (29,716)
Total charges for services	\$ 65,000	\$ 65,000	\$ 35,284	\$ (29,716)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 60,700	\$ 60,700	\$ 38,896	\$ (21,804)
Other reimbursements and recoveries	144,300	144,300	85,226	(59,074)
Total miscellaneous revenue	<u>\$ 205,000</u>	<u>\$ 205,000</u>	<u>\$ 124,122</u>	<u>\$ (80,878)</u>
Total revenue from local sources	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 174,262</u>	<u>\$ (115,738)</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 9,671,883</u>	<u>\$ 9,778,446</u>	<u>\$ 9,670,394</u>	<u>\$ (108,052)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,264,208	\$ 3,264,208	\$ 3,052,693	\$ (211,515)
Basic school aid	10,252,197	10,252,197	10,418,963	166,766
Remedial education	-	-	136,989	136,989
Textbook	225,527	225,527	225,201	(326)
Vocational education SOQ	114,698	114,698	115,493	795
Special education	978,303	978,303	990,899	12,596
Fringe benefits	1,122,238	1,122,238	1,148,594	26,356
K-3	245,208	245,208	248,765	3,557
Lottery	544,881	544,881	520,581	(24,300)
Technology grant	180,000	180,000	180,000	-
Other state funds	941,421	941,421	727,935	(213,486)
Total categorical aid	<u>\$ 17,868,681</u>	<u>\$ 17,868,681</u>	<u>\$ 17,766,113</u>	<u>\$ (102,568)</u>
Total revenue from the Commonwealth	<u>\$ 17,868,681</u>	<u>\$ 17,868,681</u>	<u>\$ 17,766,113</u>	<u>\$ (102,568)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 295,145	\$ 345,145	\$ 366,593	\$ 21,448
Title VI - B	546,134	802,264	995,402	193,138
Title II - EESA	112,858	112,858	130,530	17,672
Other federal assistance	178,041	338,887	292,907	(45,980)
Total categorical aid	<u>\$ 1,132,178</u>	<u>\$ 1,599,154</u>	<u>\$ 1,785,432</u>	<u>\$ 186,278</u>
Total revenue from the federal government	<u>\$ 1,132,178</u>	<u>\$ 1,599,154</u>	<u>\$ 1,785,432</u>	<u>\$ 186,278</u>
Total School Operating Fund	<u><u>\$ 28,962,742</u></u>	<u><u>\$ 29,536,281</u></u>	<u><u>\$ 29,396,201</u></u>	<u><u>\$ (140,080)</u></u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Charges for services:				
Cafeteria sales	\$ 626,200	\$ 694,376	\$ 682,536	\$ (11,840)
Miscellaneous revenue:				
Miscellaneous	\$ 7,500	\$ 7,500	\$ 752	\$ (6,748)
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 13,500	\$ 13,500	\$ 14,178	\$ 678
Revenue from the federal government:				
Categorical aid:				
School food	\$ 358,050	\$ 358,050	\$ 325,460	\$ (32,590)
Total School Cafeteria Fund	<u>\$ 1,006,250</u>	<u>\$ 1,074,426</u>	<u>\$ 1,022,926</u>	<u>\$ (51,500)</u>
School Construction Fund:				
Categorical aid:				
Construction grant	\$ 141,685	\$ 141,685	\$ -	\$ (141,685)
Total School Construction Fund	<u>\$ 141,685</u>	<u>\$ 141,685</u>	<u>\$ -</u>	<u>\$ (141,685)</u>
Grand Total Revenues--Component Unit-School Board	<u>\$ 30,110,677</u>	<u>\$ 30,752,392</u>	<u>\$ 30,419,127</u>	<u>\$ (333,265)</u>

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COUNTY OF KING GEORGE, VIRGINIA

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Sources:

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 675,920	\$ 1,731,053	\$ 3,327,685	\$ 8,164,881	\$ 10,144,772	\$ 14,446,035
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229
Unrestricted	11,011,148	12,648,884	13,502,050	34,789,461	34,535,361	34,057,246
Total governmental activities net assets	<u>\$ 28,649,365</u>	<u>\$ 22,715,996</u>	<u>\$ 36,506,605</u>	<u>\$ 44,044,946</u>	<u>\$ 45,775,442</u>	<u>\$ 49,616,510</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 4,921,921	\$ 5,505,139	\$ 9,507,244	\$ 10,843,832	\$ 11,307,604	\$ 16,032,120
Unrestricted	481,599	1,063,433	(851,067)	(495,069)	1,424,196	825,978
Total business-type net assets	<u>\$ 5,403,520</u>	<u>\$ 6,568,572</u>	<u>\$ 8,656,177</u>	<u>\$ 10,348,763</u>	<u>\$ 12,731,800</u>	<u>\$ 16,858,098</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 5,597,841	\$ 7,236,192	\$ 12,834,929	\$ 19,008,713	\$ 21,452,376	\$ 30,478,155
Restricted	16,962,297	8,336,059	19,676,870	1,090,604	1,095,309	1,113,229
Unrestricted	11,492,747	13,712,317	12,650,983	34,294,392	35,959,557	34,883,224
Total primary government net assets	<u>\$ 34,052,885</u>	<u>\$ 29,284,568</u>	<u>\$ 45,162,782</u>	<u>\$ 54,393,709</u>	<u>\$ 58,507,242</u>	<u>\$ 66,474,608</u>

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

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

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

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

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

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

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Reserved	\$ 919,720	\$ 2,410,722	\$ 60,501	\$ 290,158	\$ 252,734
Unreserved	<u>3,782,992</u>	<u>5,479,287</u>	<u>5,968,158</u>	<u>7,823,619</u>	<u>11,108,069</u>
Total General Fund	<u>\$ 4,702,712</u>	<u>\$ 7,890,009</u>	<u>\$ 6,028,659</u>	<u>\$ 8,113,777</u>	<u>\$ 11,360,803</u>
All other Governmental Funds					
Reserved for capital projects	\$ -	\$ 1,475,000	\$ 4,583,000	\$ 7,432,450	\$ 16,138,304
Reserved for library operations	-	-	-	-	715,836
Unreserved, reported in:					
Special Revenue	158,655	159,711	137,244	254,056	-
Debt Service	605,147	608,802	603,419	537,211	-
Capital Projects	<u>1,396,783</u>	<u>3,367,919</u>	<u>4,863,637</u>	<u>6,306,718</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,160,585</u>	<u>\$ 5,611,432</u>	<u>\$ 10,187,300</u>	<u>\$ 14,530,435</u>	<u>\$ 16,854,140</u>

Table 3

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 1,381,447	\$ 1,703,385	\$ 1,450,717	\$ 1,261,813	\$ 1,113,229
<u>12,532,709</u>	<u>13,755,238</u>	<u>19,059,078</u>	<u>17,619,894</u>	<u>18,312,583</u>
<u>\$ 13,914,156</u>	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>	<u>\$ 19,425,812</u>
\$ 6,323,709	\$ 17,196,042	\$ 53,871,288	\$ 53,852,195	\$ 51,546,624
719,816	1,149,272	1,086,385	1,073,649	1,078,067
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,043,525</u>	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>	<u>\$ 52,624,691</u>

COUNTY OF KING GEORGE, VIRGINIA

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues:				
General property taxes	\$ 9,124,099	\$ 9,403,414	\$ 9,510,284	\$ 9,484,387
Other local taxes	2,467,075	2,504,457	2,851,057	3,112,812
Permits, privilege fees and regulatory licenses	2,980,561	6,673,064	6,751,718	7,191,862
Fines and forfeitures	102,842	93,512	780,083	125,082
Revenue from use of money and property	161,399	327,821	386,004	1,151,602
Charges for services	167,387	263,888	228,334	215,519
Miscellaneous	1,181,076	1,616,708	69,784	438,592
Recovered costs	-	-	20,612	5,786
Intergovernmental:				
School Board	-	-	-	-
Commonwealth	2,222,921	1,795,855	2,479,533	4,047,071
Federal	591,505	824,392	718,734	851,082
Total revenues	\$ 18,998,865	\$ 23,503,111	\$ 23,796,143	\$ 26,623,795
Expenditures:				
General government administration	\$ 931,045	\$ 951,221	\$ 1,049,670	\$ 1,180,897
Judicial administration	222,693	239,736	392,397	527,313
Public safety	2,378,295	2,552,622	2,722,162	3,379,592
Public works	429,177	458,990	423,181	35,156
Health and welfare	1,543,156	1,581,736	1,731,808	1,908,407
Education	5,484	5,585	3,868	3,982
Parks, recreation, and cultural	494,807	488,050	557,663	603,876
Community development	547,314	474,326	525,126	524,325
NonDepartmental	214,992	64,713	119,507	41,068
Capital outlays and projects	1,899,395	2,392,411	1,661,105	1,310,398
Debt service:				
Principal retirement	384,050	393,888	415,094	501,506
Interest and other fiscal charges	351,572	350,980	335,376	372,090
Total expenditures	\$ 9,401,980	\$ 9,954,258	\$ 9,936,957	\$ 10,388,610
Excess (deficiency) of revenues over expenditures	\$ 9,596,885	\$ 13,548,853	\$ 13,859,186	\$ 16,235,185
Other financing sources (uses):				
Transfers in	\$ 2,504,777	\$ 7,834,899	\$ 8,012,058	\$ 7,042,185
Transfers (out)	(11,056,719)	(15,959,695)	(16,746,004)	(16,437,355)
Sale of property	-	-	-	-
Premium on bonds issued	-	-	-	-
Early retirement of indebtedness	-	-	-	2,045,000
Payment to refunded bond escrow agent	-	-	-	(1,956,762)
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	\$ (8,551,942)	\$ (8,124,796)	\$ (8,733,946)	\$ (9,306,932)
Net changes in fund balances	\$ 1,044,943	\$ 5,424,057	\$ 5,125,240	\$ 6,928,253
Debt service as a percentage of noncapital expenditures	10.29%	11.23%	10.25%	10.32%

Table 4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	9,561,119	\$ 11,644,240	\$ 12,391,790	\$ 13,555,599	\$ 14,424,491	\$ 15,174,874
	3,393,229	3,629,219	4,149,001	4,717,346	5,271,801	5,214,995
	7,289,227	7,866,325	7,553,367	7,437,075	7,563,053	7,301,776
	131,065	187,635	193,299	292,217	332,871	300,583
	621,796	626,202	399,015	1,341,213	2,653,602	3,980,793
	217,982	259,739	243,307	271,847	372,406	396,444
	166,487	126,611	860,599	260,832	427,254	557,181
	178,815	-	129,953	159,314	177,900	-
	-	170,027	-	141,685	-	-
	3,918,268	4,099,294	4,669,116	4,858,819	6,758,941	5,642,960
	784,521	804,072	1,008,321	1,033,529	1,367,429	1,495,401
\$	<u>26,262,509</u>	<u>\$ 29,413,364</u>	<u>\$ 31,597,768</u>	<u>\$ 34,069,476</u>	<u>\$ 39,349,748</u>	<u>\$ 40,065,007</u>
\$	1,540,980	\$ 1,526,946	\$ 1,691,011	\$ 2,432,055	\$ 2,413,529	\$ 3,834,032
	571,430	523,670	631,216	684,282	818,117	1,025,967
	3,563,653	3,826,071	4,552,953	7,697,855	7,049,962	11,176,769
	599,590	761,308	724,495	947,689	982,312	1,594,220
	1,654,251	2,077,203	2,462,346	2,670,886	3,285,612	3,518,011
	7,677,143	21,190,220	8,850,378	12,464,331	11,919,739	22,034,801
	772,020	928,529	952,483	1,238,568	1,149,277	1,216,147
	773,992	864,064	898,036	1,021,505	5,887,223	1,519,877
	-	-	-	-	-	-
	1,821,680	2,097,260	2,737,547	-	-	-
	1,245,520	1,230,829	1,161,983	1,119,800	1,194,852	1,959,618
	1,106,426	782,048	882,588	889,860	2,666,216	2,721,295
\$	<u>21,326,685</u>	<u>\$ 35,808,148</u>	<u>\$ 25,545,036</u>	<u>\$ 31,166,831</u>	<u>\$ 37,366,839</u>	<u>\$ 50,600,737</u>
\$	<u>4,935,824</u>	<u>\$ (6,394,784)</u>	<u>\$ 6,052,732</u>	<u>\$ 2,902,645</u>	<u>\$ 1,982,909</u>	<u>\$ (10,535,730)</u>
\$	240,015	\$ 279,900	\$ 1,583,277	\$ 3,077,927	\$ 1,568,980	\$ 2,823,173
	(823,380)	(1,142,378)	(2,289,754)	(4,756,225)	(3,268,763)	(3,931,346)
	-	-	-	145,561	-	-
	-	-	-	444,067	-	-
	-	-	-	-	(7,500,000)	-
	-	-	-	(2,641,444)	(855,000)	-
	-	-	7,500,000	42,491,000	6,411,957	9,886,855
\$	<u>(583,365)</u>	<u>\$ (862,478)</u>	<u>\$ 6,793,523</u>	<u>\$ 38,760,886</u>	<u>\$ (3,642,826)</u>	<u>\$ 8,778,682</u>
\$	<u>4,352,459</u>	<u>\$ (7,257,262)</u>	<u>\$ 12,846,255</u>	<u>\$ 41,663,531</u>	<u>\$ (1,659,917)</u>	<u>\$ (1,757,048)</u>
	<u>12.17%</u>	<u>9.50%</u>	<u>9.02%</u>	<u>8.19%</u>	<u>10.79%</u>	<u>13.45%</u>

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total
1997-98	\$ 733,506,212	\$ 0.75	\$ 77,811,970	\$ 3.10	\$ 37,241,285	\$ 38,687,375	\$ 887,246,842
1998-99	757,419,756	0.75	84,604,161	3.10	37,673,230	41,261,954	920,959,101
1999-00	821,184,338	0.75	86,319,427	3.10	37,925,570	44,297,238	989,726,573
2000-01	850,101,794	0.75	99,346,814	3.10	38,328,941	41,744,517	1,029,522,066
2001-02	855,894,803	0.75	104,253,943	3.10	37,680,535	44,177,050	1,042,006,331
2002-03	1,041,571,270	0.72	112,915,457	3.10	4,020,860	304,800,899	1,463,308,486
2003-04	1,120,896,350	0.72	118,008,072	3.10	3,753,075	288,954,628	1,531,612,125
2004-05	1,198,174,927	0.77	134,469,239	3.10	3,595,430	253,830,593	1,590,070,189
2005-06	1,820,476,337	0.40	156,703,285	3.10	4,620,563	220,026,033	2,201,826,217
2006-07	2,483,222,617	0.44	172,034,078	3.20	5,237,203	280,508,276	2,941,002,174

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate First Half	Real Estate Second Half	Personal Property	Farm Machinery and Tools	Machinery and Tools	Mobile Homes First Half	Mobile Homes Second Half
1997-98	\$ 0.75	\$ 0.75	\$ 3.10	\$ 2.00	\$ 2.50	\$ 0.75	\$ 0.75
1998-99	0.75	0.75	3.10	2.00	2.50	0.75	0.75
1999-00	0.75	0.75	3.10	2.00	2.50	0.75	0.75
2000-01	0.75	0.75	3.10	1.00	2.50	0.75	0.75
2001-02	0.75	0.75	3.10	1.00	2.50	0.75	0.72
2002-03	0.72	0.72	3.10	1.00	2.50	0.72	0.77
2003-04	0.77	0.72	3.10	-	2.50	0.77	0.72
2004-05	0.77	0.77	3.10	-	2.50	0.77	0.77
2005-06	0.77	0.40	3.10	-	2.50	0.77	0.40
2006-07	0.40	0.44	3.20	-	2.50	0.40	0.44

(1) Per \$100 of assessed value.

Principal Taxpayers
 Current Year and Nine Years Prior

Taxpayer	Taxes Paid	Fiscal Year 2007	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners, LP	\$ 906,094	\$ 205,930,477	16.61%
Virginia Dominion Power	83,528	18,983,732	1.53%
Hopyard Land, LLC	77,609	17,638,491	1.42%
Birchwood Power Partners, LLC	77,537	17,622,000	1.42%
Verizon South, Inc.	76,521	17,391,218	1.40%
Monmouth Woods Associates	42,647	9,692,500	0.78%
Robert S. Gollahon	30,236	6,871,773	0.55%
Dahlgren, LLC	28,791	6,543,500	0.53%
Dahlgren Office Bldg IV, LLC	26,728	6,074,600	0.49%
Hilliard & Bartko	25,567	5,810,600	0.47%
	<u>\$ 1,375,258</u>	<u>\$ 312,558,891</u>	<u>25.20%</u>

Source - Commissioner of the Revenue

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

COUNTY OF KING GEORGE, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections
1997-98	\$ 9,170,023	\$ 8,585,689	93.63%	\$ 174,028
1998-99	9,212,486	8,747,471	94.95%	186,577
1999-00	10,110,205	8,984,689	88.87%	202,086
2000-01	10,718,961	10,654,566	99.40%	210,639
2001-02	11,054,691	10,752,105	97.26%	287,271
2002-03	13,414,768	12,932,809	96.41%	231,346
2003-04	14,431,070	13,909,897	96.39%	266,915
2004-05	15,673,264	15,195,623	96.95%	457,637
2005-06	16,478,637	16,138,236	97.93%	392,040
2006-07	17,388,433	16,720,812	96.16%	333,070

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

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

Table 8

	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>		<u>Outstanding Delinquent Taxes (1)(3)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$	8,759,717	95.53%	\$	1,119,532	12.21%
	8,934,048	96.98%		1,103,033	11.97%
	9,186,775	90.87%		1,148,562	11.36%
	10,865,205	101.36%		1,408,757	13.14%
	11,039,376	99.86%		905,910	8.19%
	13,164,155	98.13%		918,312	6.85%
	14,176,812	98.24%		1,014,078	7.03%
	15,653,260	99.87%		1,103,844	7.04%
	16,530,276	100.31%		1,131,343	6.87%
	17,053,882	98.08%		1,611,078	9.27%

COUNTY OF KING GEORGE, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	State Literary Loans	Capital Leases	Virginia Water Facilities Loan	Revenue Bonds	Notes Payable
1997-98	\$ 18,580,000	\$ 472,600	\$ 296,071	\$ 1,318,592	\$ 4,547,954	\$ -
1998-99	11,900,000	4,813,600	539,861	1,235,435	4,536,841	-
1999-00	12,020,000	5,108,400	521,239	1,148,918	4,793,683	-
2000-01	11,375,000	4,813,600	388,384	1,058,906	4,604,225	-
2001-02	10,560,000	4,518,800	277,591	965,257	15,132,074	-
2002-03	9,715,000	4,224,000	213,481	867,825	18,730,000	1,000,000
2003-04	8,945,000	3,929,200	7,645,371	766,457	20,495,986	948,165
2004-05	40,636,000	3,634,400	15,073,052	660,993	20,068,450	496,099
2005-06	45,365,957	3,339,600	7,500,000	551,269	19,627,374	725,198
2006-07	53,357,853	3,044,800	7,730,141	437,112	23,203,178	680,381

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

Table 9

	Total Primary Government	Per Capita Personal Income (1)	Percentage of Personal Income	Population (1)	Per Capita
\$	25,215,217	\$ 25,759	6.01%	16,300	\$ 1,547
	23,025,737	27,176	5.10%	16,600	1,387
	23,592,240	27,842	5.04%	16,803	1,404
	22,240,115	30,074	4.38%	16,887	1,317
	31,453,722	31,196	5.90%	17,088	1,841
	34,750,306	N/A	N/A	17,657	1,968
	42,730,179	N/A	N/A	18,213	2,346
	80,568,994	30,425	13.68%	19,355	4,163
	77,109,398	31,338	11.92%	20,637	3,736
	88,453,465	33,778	12.02%	21,780	4,061

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage Of Estimated Actual Taxable Value of Property	Per Capita
1997-98	16,300	\$ 887,246,842	\$ 19,052,600	\$ -	\$ 19,052,600	2.15%	\$ 1,169
1998-99	16,600	920,959,101	16,713,600	-	16,713,600	1.81%	1,007
1999-00	16,803	989,726,573	17,128,400	603,419	16,524,981	1.67%	983
2000-01	16,887	1,029,522,066	16,188,600	537,211	15,651,389	1.52%	927
2001-02	17,088	1,042,006,331	15,078,800	-	15,078,800	1.45%	882
2002-03	17,657	1,463,308,486	13,939,000	-	13,939,000	0.95%	789
2003-04	18,213	1,531,612,125	12,874,200	-	12,874,200	0.84%	707
2004-05	19,355	1,590,070,189	44,270,400	1,090,604	43,179,796	2.72%	2,231
2005-06	20,637	2,201,826,217	48,705,557	1,095,309	47,610,248	2.16%	2,307
2006-07	21,780	2,941,002,174	56,402,653	1,113,229	55,289,424	1.88%	2,539

Sources:

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

Computation of Direct and Overlapping Bonded Debt
At June 30, 2007

Direct: (1)

County of King George	\$	55,289,424	100%	\$	55,289,424
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The County of King George has no overlapping debt.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997-98	\$ 1,534,596	\$ 1,231,324	\$ 303,272	\$ 79,928	55,149	2.25
1998-99	2,287,809	1,326,485	961,324	83,157	51,920	7.12
1999-00	1,649,777	1,402,156	247,621	86,517	48,560	1.83
2000-01	1,585,305	1,526,600	58,705	90,012	45,065	0.43
2001-02	2,050,609	1,557,588	493,021	93,649	41,428	3.65
2002-03	2,413,565	1,669,250	744,315	342,432	364,531	1.05
2003-04	3,008,576	2,456,146	552,430	451,368	926,310	0.40
2004-05	2,692,011	2,163,236	528,775	894,483	1,030,308	0.27
2005-06	3,823,051	2,297,711	1,525,340	821,701	1,005,324	0.83
2006-07	4,416,131	2,476,681	1,939,450	613,170	1,157,164	1.10

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Student Enrollment
1996-97	16,100	3.40	\$ 23,319	2,909
1997-98	16,300	2.50	25,759	3,018
1998-99	16,600	1.90	27,176	2,995
1999-00	16,803	1.50	27,842	2,980
2000-01	16,887	1.80	30,074	3,101
2001-02	17,088	2.10	31,196	3,107
2002-03	17,657	2.60	N/A	3,235
2003-04	18,213	2.20	N/A	3,356
2004-05	19,355	2.90	30,425	3,372
2005-06	20,637	2.80	31,338	3,825
2006-07	21,780	3.31	33,778	3,801

NA - Not available

Sources: www.fedstats.gov, Department of Education

Principal Employers
 Current Year and Nine Years Prior

Employer	Fiscal Year 2007		Fiscal Year 1998	
	Employees	Rank	Employees	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 999	2	250 to 499	2
TRW Inc.	250 to 499	3	-	-
King George County Government	250 to 499	4	100 to 249	10
EG & G, Inc.	100 to 249	5	100 to 249	5
Marconi Technology	100 to 249	6	250 to 499	3
Integrated Microcomputer System, Lockheed Martin	100 to 249	7	-	-
Chugach McKinley Inc.	100 to 249	8	-	-
Bowhead Information Tech Inc.	100 to 249	9	-	-
Sun Valley Management	100 to 249	10	-	-
Village Farms of Virginia Inc.	-	-	100 to 249	4
Syscon Corporation	-	-	100 to 249	6
White Packing Company	-	-	100 to 249	7
Computer Sciences Corporation	-	-	100 to 249	8
Synetics	-	-	100 to 249	9

Source: Virginia Employment Commission

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

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

Source: Individual county departments

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

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Sheriffs department:										
Physical arrests	N/A	503	653	673	854	1,341	2,129	1,410	908	892
Traffic violations	N/A	2,100	2,386	5,799	1,975	2,354	2,882	3,744	5,418	3,093
Civil papers	N/A	4,927	5,497	6,222	7,097	7,077	7,125	6,994	7,713	7,940
Fire and rescue:										
Number of calls answered	N/A	N/A	N/A	N/A	N/A	N/A	1,668	2,828	3,188	3,256
Building inspections:										
Permits issued	118	150	155	115	190	242	385	388	484	340
Animal control:										
Number of calls answered	886	868	952	867	869	850	776	636	452	488
Public works										
General maintenance:										
Trucks/vehicles	8	9	9	9	12	12	12	12	12	3
Component Unit - School Board										
Education:										
School age population	2,865	2,973	2,981	2,939	3,050	3,163	3,400	3,524	3,830	3,791
Number of teachers	223	233	239	237	N/A	260	255	257	257	283
Local expenditures per pupil	5,566	6,185	6,755	6,893	6,845	7,107	7,178	7,084	7,529	7,823

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	-	-	-	-	-	-	-	-	-	1
Public safety										
Sheriff's department:										
Patrol units	3	7	10	15	15	21	28	29	29	29
Other vehicles	3	3	4	4	4	4	6	7	7	7
Building inspections:										
Vehicles	-	-	-	-	-	-	-	-	-	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	8	9	9	9	12	12	12	12	12	3
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	2
Equipment	1	1	1	1	1	1	1	1	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	5	5	5	5	5	5	5	5	5	6
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	5	6	7	8	10	10	10	10	10	6
Parks acreage	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93	159.93
Community development										
Planning:										
Vehicles	2	2	2	2	4	4	5	6	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	7	7	7	7	8	8	8
School buses	43	50	50	53	56	57	62	64	67	58

Source: Individual county departments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

January 14, 2008

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

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

Compliance

We have audited the compliance of the County of King George, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of King George, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of King George, Virginia's management. Our responsibility is to express an opinion on the County of King George, Virginia's compliance based on our audit.

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

In our opinion, the County of King George, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 14, 2008

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2007

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT:		
<u>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:</u>		
<u>Pass through payments:</u>		
Community development block grants/state's programs	14.228 \$	396,834
<u>DEPARTMENT OF THE INTERIOR:</u>		
<u>Direct payments:</u>		
US Fish & Wildlife Service	15.000 \$	10,043
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>		
<u>Pass through payments:</u>		
Local law enforcement block grants	16.592 \$	3,526
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Open container/alcohol impaired dirving	20.607 \$	8,044
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Pass through payments:</u>		
Homeland security grant program	97.067 \$	42,917
Disaster relief public assistance	97.036	10,035
Local emergency management planning grant	97.042	12,820
Total U.S. Department of Homeland Security	\$	65,772
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561 \$	163,836
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
Child welfare services - state grants	93.556 \$	19,025
Temporary assistance to needy families	93.558	98,950
Refugee and entrant assistance	93.566	178
Low-income energy assistance	93.568	2,907
Payments to states for child care assistance	93.575	157,172
Child care and development fund	93.596	61,988
Foster care-title IV-E	93.658	249,117
Adoption assistance	93.659	5,424
Social services block grant	93.667	115,968
Independent living program	93.674	700
State children's insurance program	93.767	287
Medical assistance program	93.778	145,665
Total Department of Health and Human Services	\$	857,381
Total Primary Government	\$	1,505,436

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2007 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Agriculture and Consumer Services:		
Food distribution	10.555 \$	63,725
Department of Education:		
National school breakfast program	10.553	53,964
National school lunch program	10.555	271,496
		<hr/>
Total Department of Agriculture	\$	389,185
<u>U.S. DEPARTMENT OF THE NAVY:</u>		
<u>Pass through payments:</u>		
The College of William and Mary:		
N-Star Virginia demonstration project	12.300 \$	137,559
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000 \$	69,731
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Education Consolidation and Improvement Act of 1981:		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010 \$	376,786
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	985,212
Special Projects:		
Preschool	84.173	21,814
Vocational education - basic grants to states	84.048	37,188
Title VI - Improving School Prog State Blk Grnt	84.298	17,405
Drug-free schools and communities (2E004617)	84.186	5,505
Technology literacy challenge grant	84.318	3,703
Title II - Part A	84.367	130,529
		<hr/>
Total Department of Education	\$	1,578,142
Total Component Unit School Board	\$	2,174,617
Total Reporting Entity	\$	3,680,053

COUNTY OF KING GEORGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For Year Ended June 30, 2007

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 1,098,567
Capital Improvement Fund	396,834
Proprietary Fund	<u>10,035</u>
Total primary government	\$ <u>1,505,436</u>
Component Unit Public Schools:	
School Operating Fund	\$ 1,785,432
School Cafeteria Fund	325,460
Total component unit public schools	\$ <u>2,110,892</u>
Total federal expenditures per basic financial statements	\$ <u>3,616,328</u>
Non-cash expenditures - value of donated commodities	\$ <u>63,725</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,680,053</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? No
Significant deficiencies identified not considered
to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weaknesses identified? No
Significant deficiencies identified not considered
to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community development block grants
84.010	Title I
84.027	Title VI-B - Special Education Cluster (IDEA)
84.173	Special education preschool grant - Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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