

County of King George, Virginia

Comprehensive Annual Financial Report
2005-2006



For the fiscal year ended
June 30, 2006

COUNTY OF KING GEORGE, VIRGINIA

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2006

PREPARED BY:

Robyn Eustace, Acting Finance Director

COUNTY OF KING GEORGE, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

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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

King George County, Virginia



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

December 20, 2006

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, 2006. 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, 2006 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 a 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 a 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. As of 1997, the County contained 139 farms with an average of 246 acres.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

New High School: During the 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 set to begin in August of 2006 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. They will be building a \$5 million facility. The firm is the fourth largest steel company in North America and the facility will create approximately 50 new jobs in the county.

As of June 30, 2006 all of the lots in the industrial park have been sold. Several commercial developers have developed and are actively marketing shell buildings at this time.

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 will issue debt which will be used to fund the design phase of the new government center 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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



R. Bryan David
County Administrator



Robyn Eustace
Acting Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

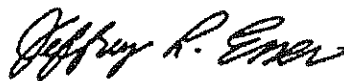
County of King George
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

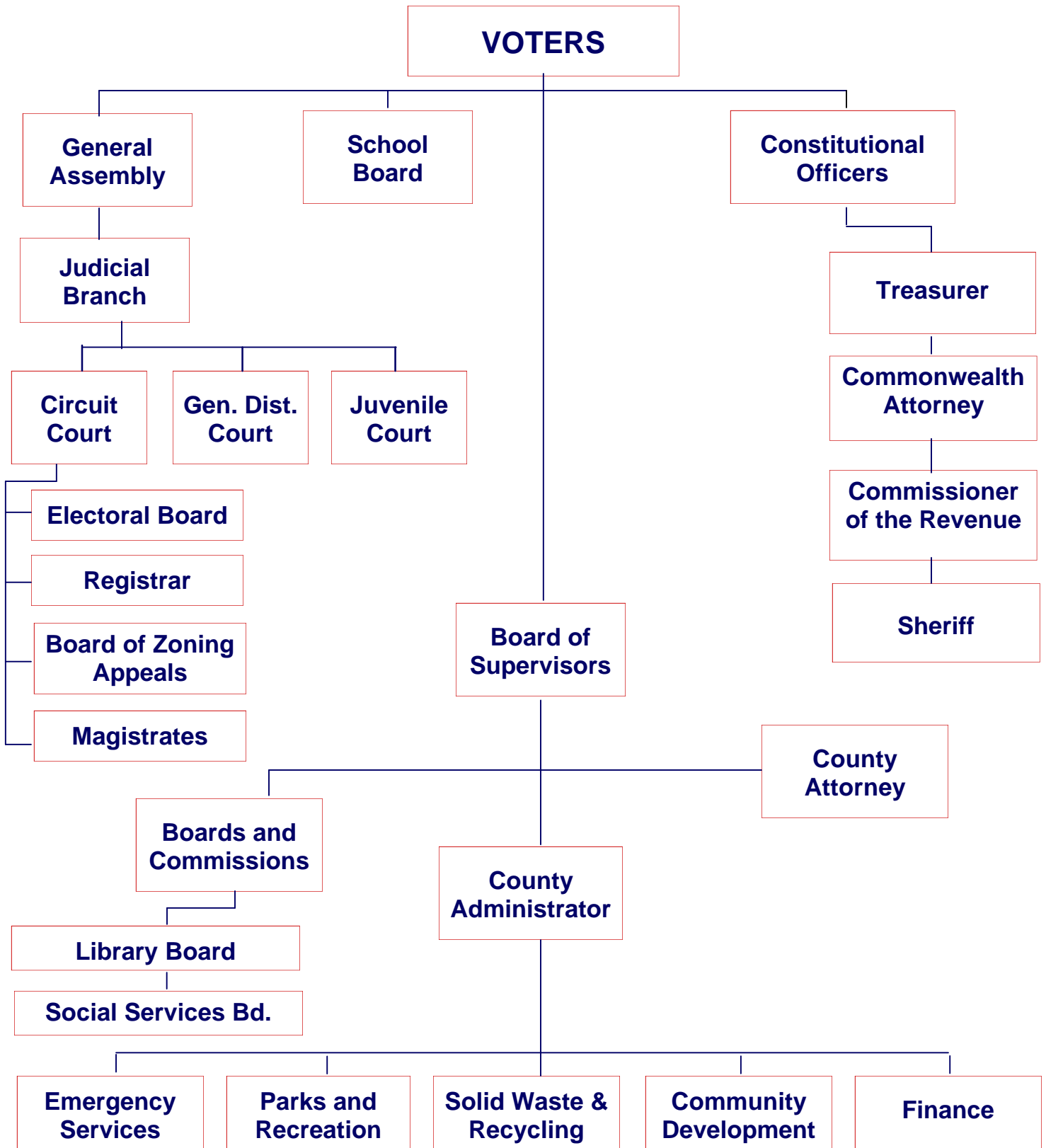


Executive Director

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County of King George, Virginia Organizational Chart



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COUNTY OF KING GEORGE, VIRGINIA

June 30, 2006

Board of Supervisors

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

County School Board

John C. Davis, Sr., Chairman
David Thompson, Vice-Chairman
Sherrie Allwine
Rose Marie Ball
Payne Kilbourn

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
Carolyn Ellington
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

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2006, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King George, Virginia, as of June 30, 2006, 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 November 9, 2006, 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 should be considered in 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 schedules 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

Charlottesville, Virginia
November 9, 2006

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, 2006. 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 \$45,775,442 (net assets). All of these assets are restricted for various items or projects.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$73,807,551 a decrease of \$1,659,917 in comparison with the prior year. Approximately twenty-four percent (24%) of this total amount, \$17,619,894 is available for appropriation at the County's discretion (unreserved fund balance). The unreserved fund balance represents sixty-two percent (62%) of total general fund expenditures.

Overview of the Financial Statements

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

- 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 \$45,775,442 at the close of the fiscal year.

The County's net investment in capital assets such as land, buildings and equipment totals \$10,144,772 at June 30, 2006. 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, 2006 and 2005

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 78,499,355	\$ 79,866,914	\$ 4,868,825	\$ 6,342,025	\$ 83,368,180	\$ 86,208,939
Capital assets	28,573,517	28,764,987	32,517,420	27,752,656	61,090,937	56,517,643
Total assets	<u>\$ 107,072,872</u>	<u>\$ 108,631,901</u>	<u>\$ 37,386,245</u>	<u>\$ 34,094,681</u>	<u>\$ 144,459,117</u>	<u>\$ 142,726,582</u>
Long-term liabilities outstanding	\$ 55,200,907	\$ 58,897,506	\$ 20,336,386	\$ 20,449,467	\$ 75,537,293	\$ 79,346,973
Current liabilities	6,096,523	5,689,449	4,318,059	3,296,451	10,414,582	8,985,900
Total liabilities	<u>\$ 61,297,430</u>	<u>\$ 64,586,955</u>	<u>\$ 24,654,445</u>	<u>\$ 23,745,918</u>	<u>\$ 85,951,875</u>	<u>\$ 88,332,873</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 10,144,772	\$ 8,164,881	\$ 11,307,604	\$ 10,843,832	\$ 21,452,376	\$ 19,008,713
Restricted	40,112,274	41,079,369	-	-	40,112,274	41,079,369
Unrestricted	(4,481,604)	(5,199,304)	1,424,196	(495,069)	(3,057,408)	(5,694,373)
Total net assets	<u>\$ 45,775,442</u>	<u>\$ 44,044,947</u>	<u>\$ 12,731,800</u>	<u>\$ 10,348,763</u>	<u>\$ 58,507,242</u>	<u>\$ 54,393,710</u>

Restricted net assets represent resources that are subject to external restrictions on how they may be used. These assets are restricted for E-911, debt service, and library operations as well as replacement of various County equipment and general government capital projects and renovations. The County's restricted net assets accounts for eighty-eight percent (88%) of total net assets. At year end the County has negative unrestricted assets due to the borrowing of funds for the new high school which are unexpended at the end of the year and which are restricted for these projects.

Governmental Activities - Governmental and business-type activities reflect changes in net assets of \$1,730,496 and \$2,383,037 respectively.

Government-wide Financial Analysis: (Continued)

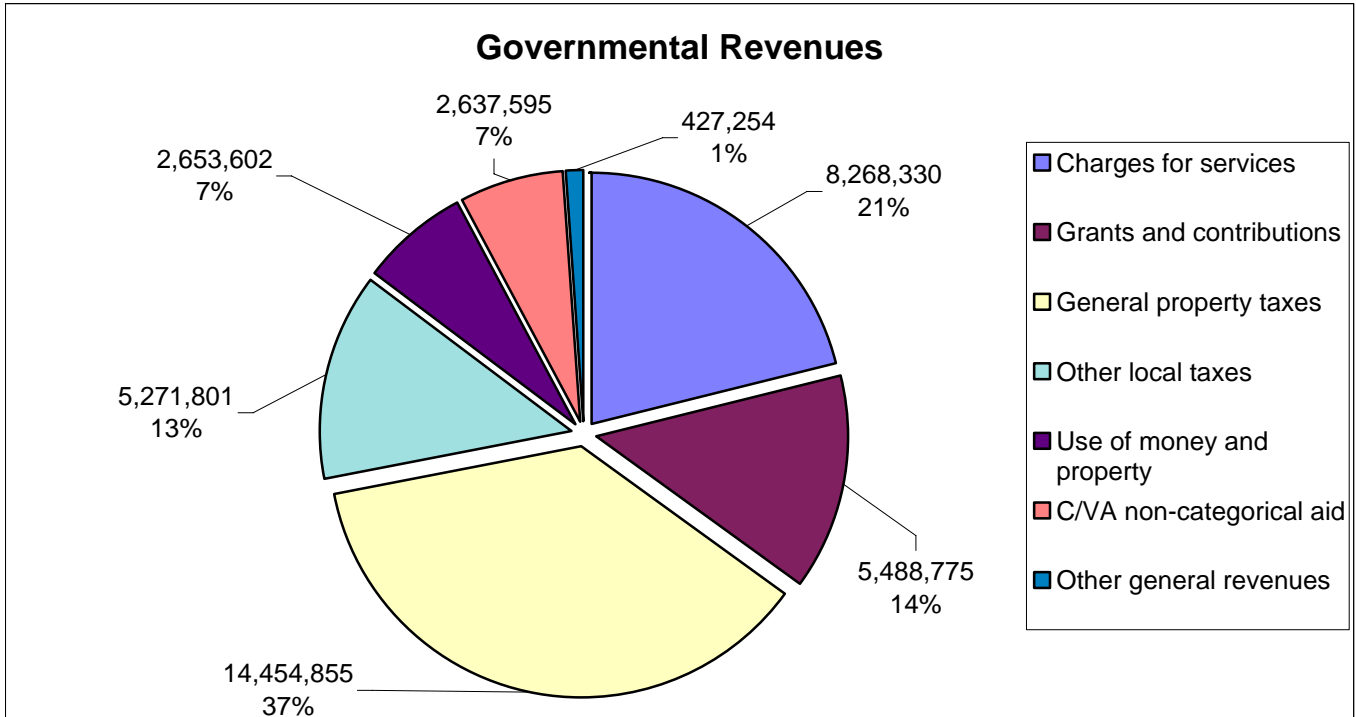
Key elements of the \$4,113,533 increase are as follows:

**County of King George, Virginia
Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2006 and 2005**

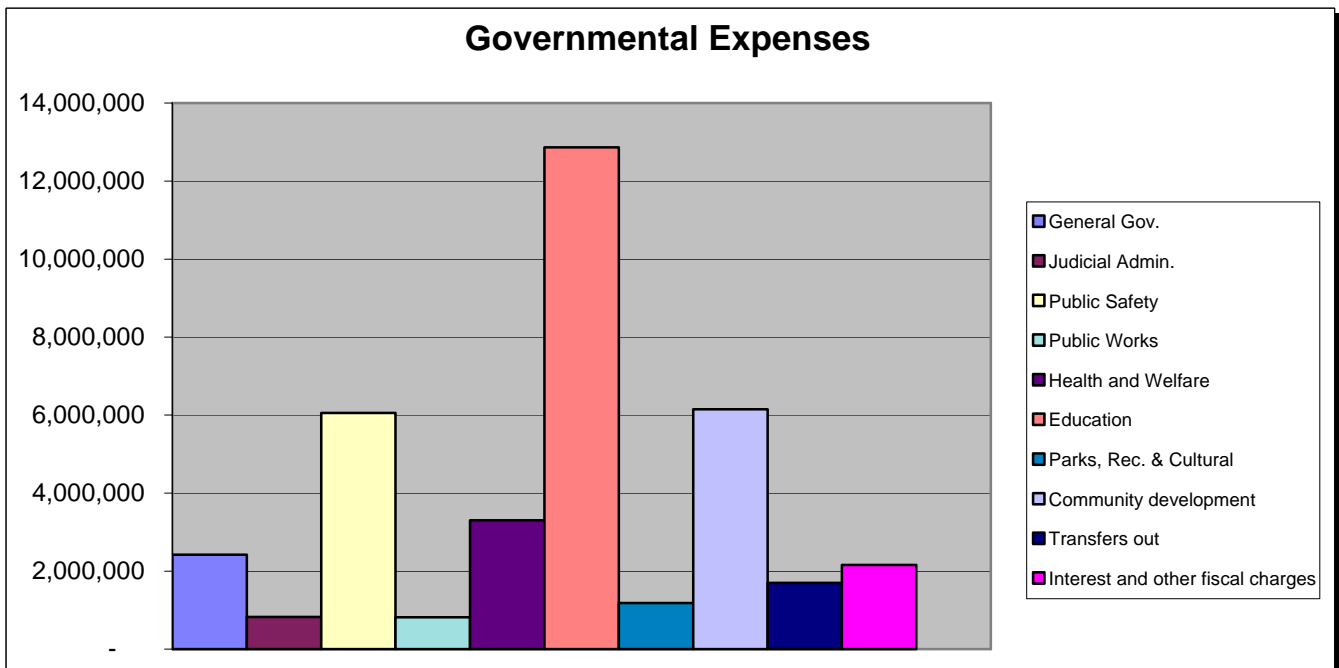
	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 8,268,330	\$ 8,001,139	\$ 2,499,579	\$ 1,950,443	\$ 10,767,909	\$ 9,951,582
Operating grants and contributions	4,103,226	3,526,500	-	-	4,103,226	3,526,500
Capital grants and contributions	1,385,549	840,000	-	63,290	1,385,549	903,290
General revenues:						
General property taxes	14,454,855	13,568,389	-	-	14,454,855	13,568,389
Other local taxes	5,271,801	4,717,346	-	-	5,271,801	4,717,346
Use of money and property	2,653,602	1,341,213	111,979	166,945	2,765,581	1,508,158
C/VA non-categorical aid	2,637,595	2,365,848	-	-	2,637,595	2,365,848
Other general revenues	427,254	390,189	1,211,493	574,623	1,638,747	964,812
Total revenues	\$ 39,202,212	\$ 34,750,624	\$ 3,823,051	\$ 2,755,301	\$ 43,025,263	\$ 37,505,925
Expenses:						
General government administration	\$ 2,419,782	\$ 2,416,186	\$ -	\$ -	\$ 2,419,782	\$ 2,416,186
Judicial administration	822,200	690,419	-	-	822,200	690,419
Public safety	6,052,406	5,510,533	-	-	6,052,406	5,510,533
Public works	817,142	829,157	-	-	817,142	829,157
Health and welfare	3,301,427	2,674,443	-	-	3,301,427	2,674,443
Education	12,866,014	9,378,083	-	-	12,866,014	9,378,083
Parks, recreation, and cultural	1,184,066	1,021,219	-	-	1,184,066	1,021,219
Community development	6,149,803	1,022,069	-	-	6,149,803	1,022,069
Interest and other fiscal charges	2,159,093	1,991,875	-	-	2,159,093	1,991,875
Water and sewer	-	-	3,139,797	2,741,913	3,139,797	2,741,913
Total expenses	\$ 35,771,933	\$ 25,533,984	\$ 3,139,797	\$ 2,741,913	\$ 38,911,730	\$ 28,275,897
Increase in net assets before transfers	\$ 3,430,279	\$ 9,216,640	\$ 683,254	\$ 13,388	\$ 4,113,533	\$ 9,230,028
Transfers	(1,699,783)	(1,678,298)	1,699,783	1,678,298	-	-
Increase in net assets	\$ 1,730,496	\$ 7,538,342	\$ 2,383,037	\$ 1,691,686	\$ 4,113,533	\$ 9,230,028
Net assets, July 1, 2005	44,044,946	36,506,604	10,348,763	8,657,077	54,393,709	45,163,681
Net assets, June 30, 2006	\$ 45,775,442	\$ 44,044,946	\$ 12,731,800	\$ 10,348,763	\$ 58,507,242	\$ 54,393,709

Government-wide Financial Analysis: (Continued)

Program and general revenues for governmental activities totaled \$39,202,212 for the fiscal year. Of this amount, property taxes totaled \$14,454,855, charges for services totaled \$8,268,330 (which includes \$6,729,120 of landfill revenues), and other local taxes totaled \$5,271,801. The chart below provides an overview of FY 2005-06 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 \$1,312,389 during the year. Most of this increase is due to new debt proceeds from the prior year in the amount of \$42,491,000, of which \$37,776,812 was unspent as of June 30, 2006, these amounts are invested in various interest bearing accounts. General property taxes increased \$886,466; most of this increase is due to the increase in the tax levy of \$805,373, reference table 8.

Expenses for the most part closely paralleled inflation and growth in the demand for services. Education expense increased \$3,487,931 due to the prior year capitalization of joint tenancy assets Health and welfare increased \$626,894 due to an increase in comprehensive services expenses. Community development expenses increased \$5,127,734 due to increases a contribution to the Rappahannock Area YMCA to aid in construction of a facility (\$4,500,000), the donation of land to the Rappahannock Area YMCA to build the facility on (\$255,394), and other community development services.

Business-type activities - Business-type activities increased net assets \$2,383,037 during the current year. Operating revenues increased \$1,186,066 while operating expenses increased \$384,275 from FY 2005 levels. The increase in revenues consists primarily of water and sewer availability fees and service fees which increased \$354,181 and \$448,515 respectfully. Water and sewer revenues increased in fiscal year 06 in the amounts of \$101,342 and \$154,404 respectfully. Expenses increased from \$2,741,913 to \$3,139,797 during the year. The largest increase noted in expenses was depreciation which increased from \$294,742 to \$723,621. Interest earned during the year decreased from \$166,945 to \$111,979. As noted earlier the County transferred \$1,699,783 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 \$73,807,551, a decrease of \$1,659,917 in comparison with the prior year. Approximately twenty-four percent (24%) of this amount (\$17,619,894) 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 (\$1,073,649), E-911 operations (\$166,504), debt service (\$1,095,309), and for capital projects (\$53,852,195).

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 \$17,619,894, while the total fund balances were \$18,881,707. 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 sixty-two percent (62%) of total general fund expenditures, while total fund balance represents sixty-seven percent (67%) of that same amount.

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

The fund balance of the County's general fund decreased \$1,628,088 during the current fiscal year. Some factors which are significant contributors to this decrease are as follows:

- Increase in general property taxes of \$868,892 due to increases in the tax assessments.
- Increase in intergovernmental revenues from the commonwealth of \$812,079 with comprehensive services being the largest part of this increase with revenues increasing from \$485,820 in FY 05 to \$653,914 in FY 06. Increase in health and welfare expenditures of \$614,726 with comprehensive services being the largest part of this increase with expenditures increasing from \$841,522 in FY05 to \$1,270,834 in FY06. Increase in education expenditures of \$980,785 with the contribution to the component unit school board being the largest part of this increase with the contribution increasing from \$8,252,827 in FY05 to \$9,233,493 in FY06. Increase in interest and fiscal charges of \$1,776,356, the largest reason for this increase was the first interest payments on a \$32,515,000 obligation issued in FY05 for which \$1,755,578 of interest was paid in FY06. During the current year the General Fund's inter-fund transfers decreased from \$2,997,077 in FY 05 to \$2,555,080 in FY 06.
- At the end of the current fiscal year the fund balance for the County's capital projects fund was \$53,852,195 which is all reserved for future capital projects. The County contributed \$4,500,000 to the YMCA to aid in funding of a new building and expended \$2.7 million on various school projects. Landfill fees collected in FY 06 totaled \$6.7 million and overall the fund virtually experienced a break even year as the fund balance declined by \$19,093.
- At the end of the current fiscal year the fund balance for the County's permanent fund was \$1,073,649 which is all reserved for library operations. The fund balance of the County's permanent fund decreased by \$12,736 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 (\$1,987,441 or a 7% increase in appropriations) and significant budget variances are summarized as follows:

- \$438,001 in increases allocated to public safety due to receipt of additional public safety grants.
- \$874,787 increases in health and welfare due to an increase in the counties allotment of comprehensive services grant revenue.
- \$369,318 in increases in education due to an increase in the necessary contribution to the component unit school board during the year

General Fund Budgetary Highlights: (Continued)

Of this increase, \$904,323 was to be funded from intergovernmental revenues, \$10,730 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 \$3,180,413, reference Exhibit 10. Some of the major factors which contributed to this are as follows:

- Other local taxes exceeded amended budget amounts by \$624,001 the largest portions of this favorable variance were attributable to recordation taxes and meals tax which exceeded amended budgeted amounts by \$191,770 and \$114,687 respectively. Intergovernmental revenues exceeded amended budget amounts by \$1,421,033 with a favorable variance in PPTRA revenue in the amount of \$1,341,234 accounting for the largest portion of this variance.
- The actual expenditures were \$2,842,966 less than the amended budget. The largest contributor to this was planning and community development had a favorable expenditure variance of \$1,527,112 made up primarily of expenditures relating to sustained economic development which totaled \$12,872 while the amended budget for these expenditures was \$1,416,407.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2006 totals \$28,573,517 (net of accumulated depreciation). Governmental capital assets declined a total of \$191,470 for the year ended June 30, 2006 while business-type activities increased \$4,764,764. Major highlights of governmental capital assets include:

Equipment additions of \$2,708,757 the most significant of which was the capitalization of the Emergency Communication system upgrade which cost a total of \$2,392,640. The County contributed 20 acres of land to the YMCA which had a cost of \$255,394. The County continues to expend significant sums of monies on construction of both a new elementary school as well as a new high school. To date the County has expended a total of \$18,245,314 in various school projects. At June 30, 2006 the County and School Board has expended \$14,651,862 on the new elementary school; \$3,021,966 on the new high school; and \$571,486 in renovations to the old high school.

Business Type Capital Assets - The Authority's investment in capital assets as of June 30, 2006 totals \$32,517,420 (net of accumulated depreciation). Investment in capital assets increased \$9,280,540. The largest increase in capital assets is because of the work done on the Perns Water and Sewer project in the amount of \$3,258,689. The Fairview Beach waste water treatment plant project contributed to the increase in capital assets as construction in progress increased \$1,896,199 during the year. Details supporting changes in capital asset activity including construction in progress can be found in notes 5 and 6 to the financial statements.

More details supporting increases and decreases of capital asset activity 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 \$57,148,501 and the King George Service Authority has \$20,954,635. Of this amount \$48,705,557 comprises debt backed by the full faith and credit of the County and \$20,178,643 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased \$3,044,396 during the current fiscal year. The County participated in the VPSA subsidy program during the year which resulted in the retirement of a \$7,500,000 lease obligation and the issuance of general obligation bonds in the amount of \$6,411,957. The County refunded \$855,000 of its 1995 general obligation bonds. The King George Service Authority reduced its long-term obligations by \$321,692 during the year. The authority issued a note payable in the amount of \$500,000 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 2.8% at June 30, 2006. The local unemployment rate compares favorably to the June 30, 2006 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 7,543 in 1992 to 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, 2007 totals \$27,438,101 which is an increase of \$2,906,909 or 12% 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 Acting Finance Director, 10459 Courthouse Drive, King George, Virginia 22485.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 69,730,511	\$ 4,204,663	\$ 73,935,174	\$ 574,894
Receivables (net of allowance for uncollectibles):				
Property taxes	879,829	-	879,829	-
Accounts receivable	1,837,848	354,151	2,191,999	41,204
Note receivable	725,198	-	725,198	-
Due from other governments	3,208,706	-	3,208,706	876,369
Restricted cash	1,095,309	2,018	1,097,327	-
Due from primary government	-	-	-	1,830,847
Total Current Assets	\$ 77,477,401	\$ 4,560,832	\$ 82,038,233	\$ 3,323,314
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 4,349,780	\$ 2,254,354	\$ 6,604,134	\$ 182,483
Infrastructure	-	21,913,366	21,913,366	-
Buildings	4,232,514	-	4,232,514	4,136,629
Equipment	3,101,312	261,274	3,362,586	850,736
Jointly owned assets	6,617,442	-	6,617,442	3,119,972
Construction in progress	10,272,469	8,088,426	18,360,895	9,595,170
Total capital assets	\$ 28,573,517	\$ 32,517,420	\$ 61,090,937	\$ 17,884,990
Other assets	1,021,954	307,993	1,329,947	-
Total Noncurrent Assets	\$ 29,595,471	\$ 32,825,413	\$ 62,420,884	\$ 17,884,990
Total Assets	\$ 107,072,872	\$ 37,386,245	\$ 144,459,117	\$ 21,208,304
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,185,255	\$ 1,206,270	\$ 2,391,525	\$ 225,781
Accrued liabilities	-	-	-	2,864,192
Due to component unit - School Board	1,830,847	-	1,830,847	-
Unearned revenue	-	2,262,341	2,262,341	-
Accrued interest payable	1,132,827	231,199	1,364,026	-
Current portion of long-term obligations	1,947,594	618,249	2,565,843	24,127
Total Current Liabilities	\$ 6,096,523	\$ 4,318,059	\$ 10,414,582	\$ 3,114,100
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	55,200,907	20,336,386	75,537,293	217,138
Total Liabilities	\$ 61,297,430	\$ 24,654,445	\$ 85,951,875	\$ 3,331,238
NET ASSETS				
Invested in capital assets, net of related debt	\$ 10,144,772	\$ 11,307,604	\$ 21,452,376	\$ 17,884,990
Restricted for:				
E-911 operations	166,504	-	166,504	-
Capital projects	37,776,812	-	37,776,812	226,971
Debt service	1,095,309	-	1,095,309	-
Smoot library	1,073,649	-	1,073,649	-
Unrestricted assets	(4,481,604)	1,424,196	(3,057,408)	(234,895)
Total Net Assets	\$ 45,775,442	\$ 12,731,800	\$ 58,507,242	\$ 17,877,066
Total Liabilities and Net Assets	\$ 107,072,872	\$ 37,386,245	\$ 144,459,117	\$ 21,208,304

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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,419,782	\$ -	\$ 224,212	\$ -
Judicial administration	822,200	390,426	528,744	-
Public safety	6,052,406	468,579	1,298,468	-
Public works	817,142	6,900,871	6,568	-
Health and welfare	3,301,427	-	1,964,992	-
Education	12,866,014	-	-	1,088,043
Parks, recreation, and cultural	1,184,066	304,635	75,624	-
Community development	6,149,803	203,819	4,618	297,506
Interest on long-term debt	2,159,093	-	-	-
Total government activities	<u>\$ 35,771,933</u>	<u>\$ 8,268,330</u>	<u>\$ 4,103,226</u>	<u>\$ 1,385,549</u>
Business-type activities:				
Water and sewer	<u>\$ 3,139,797</u>	<u>\$ 2,499,579</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 38,911,730</u>	<u>\$ 10,767,909</u>	<u>\$ 4,103,226</u>	<u>\$ -</u>
COMPONENT UNIT:				
School Board	<u>\$ 27,810,479</u>	<u>\$ 633,366</u>	<u>\$ 17,323,328</u>	<u>\$ 144,213</u>

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 fees
 Other local taxes
 Commonwealth of Virginia non-categorical aid
 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		Component
Activities	Type	Total	Unit
Activities	Activities		
\$ (2,195,570)	\$ -	\$ (2,195,570)	\$ -
96,970	-	96,970	-
(4,285,359)	-	(4,285,359)	-
6,090,297	-	6,090,297	-
(1,336,435)	-	(1,336,435)	-
(11,777,971)	-	(11,777,971)	-
(803,807)	-	(803,807)	-
(5,643,860)	-	(5,643,860)	-
(2,159,093)	-	(2,159,093)	-
<u>\$ (22,014,828)</u>	<u>\$ -</u>	<u>\$ (22,014,828)</u>	<u>\$ -</u>
\$ -	\$ (640,218)	\$ (640,218)	\$ -
-	<u>\$ (640,218)</u>	<u>\$ (22,655,046)</u>	<u>\$ -</u>
-	\$ -	\$ -	\$ (9,709,572)
14,454,855	-	14,454,855	-
1,185,968	-	1,185,968	-
372,235	-	372,235	-
1,171,729	-	1,171,729	-
483,352	-	483,352	-
741,770	-	741,770	-
635,687	-	635,687	-
230,387	-	230,387	-
450,673	-	450,673	-
2,637,595	-	2,637,595	-
2,653,602	111,979	2,765,581	16,290
-	-	-	12,678,267
427,254	1,211,493	1,638,747	80,960
(1,699,783)	1,699,783	-	-
<u>\$ 23,745,324</u>	<u>\$ 3,023,255</u>	<u>\$ 26,768,579</u>	<u>\$ 12,775,517</u>
<u>\$ 1,730,496</u>	<u>\$ 2,383,037</u>	<u>\$ 4,113,533</u>	<u>\$ 3,065,945</u>
<u>44,044,946</u>	<u>10,348,763</u>	<u>54,393,709</u>	<u>14,811,121</u>
<u>\$ 45,775,442</u>	<u>\$ 12,731,800</u>	<u>\$ 58,507,242</u>	<u>\$ 17,877,066</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2006

	<u>Governmental Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 16,997,082	\$ 51,659,780	\$ 1,073,649	\$ 69,730,511
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	879,829	-	-	879,829
Accounts	146,162	1,691,686	-	1,837,848
Note receivable	725,198	-	-	725,198
Restricted cash	1,095,309	-	-	1,095,309
Due from other governmental units	1,911,200	1,297,506	-	3,208,706
	<u>\$ 21,754,780</u>	<u>\$ 54,648,972</u>	<u>\$ 1,073,649</u>	<u>\$ 77,477,401</u>
LIABILITIES				
Accounts payable	\$ 388,478	\$ 796,777	\$ -	\$ 1,185,255
Due to component unit - School Board	1,830,847	-	-	1,830,847
Deferred revenue	653,748	-	-	653,748
	<u>\$ 2,873,073</u>	<u>\$ 796,777</u>	<u>\$ -</u>	<u>\$ 3,669,850</u>
FUND BALANCES				
Reserved for:				
Library operations	\$ -	\$ -	\$ 1,073,649	\$ 1,073,649
E-911 operations	166,504	-	-	166,504
Capital projects	-	53,852,195	-	53,852,195
Debt service	1,095,309	-	-	1,095,309
Unreserved	17,619,894	-	-	17,619,894
Total fund balances	<u>\$ 18,881,707</u>	<u>\$ 53,852,195</u>	<u>\$ 1,073,649</u>	<u>\$ 73,807,551</u>
Total liabilities and fund balances	<u>\$ 21,754,780</u>	<u>\$ 54,648,972</u>	<u>\$ 1,073,649</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.	\$ 29,595,471
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,132,827)
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.	653,748
Long-term liabilities applicable to the locality'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>(57,148,501)</u>
Net assets of general government activities	<u>\$ 45,775,442</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, 2006

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Permanent Fund	
Revenues:				
General property taxes	\$ 14,424,491	\$ -	\$ -	\$ 14,424,491
Other local taxes	5,271,801	-	-	5,271,801
Permits, privilege fees and regulatory licenses	833,933	6,729,120	-	7,563,053
Fines and forfeitures	332,871	-	-	332,871
Revenue from use of money and property	729,127	1,937,211	(12,736)	2,653,602
Charges for services	372,406	-	-	372,406
Miscellaneous	303,604	123,650	-	427,254
Recovered costs	177,900	-	-	177,900
Intergovernmental:				
Commonwealth	5,670,898	1,088,043	-	6,758,941
Federal	1,069,923	297,506	-	1,367,429
Total revenues	\$ 29,186,954	\$ 10,175,530	\$ (12,736)	\$ 39,349,748
Expenditures:				
Current:				
General government administration	\$ 2,244,017	\$ 169,512	\$ -	\$ 2,413,529
Judicial administration	817,472	645	-	818,117
Public safety	5,675,324	1,374,638	-	7,049,962
Public works	975,183	7,129	-	982,312
Health and welfare	3,285,612	-	-	3,285,612
Education	9,237,897	2,681,842	-	11,919,739
Parks, recreation, and cultural	1,149,277	-	-	1,149,277
Community development	1,014,112	4,873,111	-	5,887,223
Debt service:				
Principal retirement	1,194,852	-	-	1,194,852
Interest and other fiscal charges	2,666,216	-	-	2,666,216
Total expenditures	\$ 28,259,962	\$ 9,106,877	\$ -	\$ 37,366,839
Excess (deficiency) of revenues over expenditures	\$ 926,992	\$ 1,068,653	\$ (12,736)	\$ 1,982,909
Other financing sources (uses):				
Transfers in	\$ -	\$ 1,568,980	\$ -	\$ 1,568,980
Transfers out	(2,555,080)	(713,683)	-	(3,268,763)
Early retirement of indebtedness	-	(7,500,000)	-	(7,500,000)
Payment to refunded bond escrow agent	-	(855,000)	-	(855,000)
Long-term debt issued	-	6,411,957	-	6,411,957
Total other financing sources (uses)	\$ (2,555,080)	\$ (1,087,746)	\$ -	\$ (3,642,826)
Net changes in fund balances	\$ (1,628,088)	\$ (19,093)	\$ (12,736)	\$ (1,659,917)
Fund balances at beginning of year	20,509,795	53,871,288	1,086,385	75,467,468
Fund balances at end of year	\$ 18,881,707	\$ 53,852,195	\$ 1,073,649	\$ 73,807,551

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, 2006

	<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	\$ (1,659,917)
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	\$ 1,582,492
Disposal of land -- donation	(255,394)
Depreciation expense	<u>(775,028)</u> 552,070
Transfer of joint tenancy assets from Primary Government to the Component Unit	(743,540)
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.	30,364
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 the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:	
Proceeds from VPSA subsidy bond	\$ (6,411,957)
Principal retired on general obligation bonds	1,682,000
Principal retired on state literary fund loans	294,800
Principal retired on capital lease obligations	<u>7,573,052</u> 3,137,895
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	\$ (93,499)
Change in interest payable	<u>507,123</u> <u>413,624</u>
Change in net assets of governmental activities	\$ <u><u>1,730,496</u></u>

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

Statement of Net Assets - Proprietary Fund
June 30, 2006

	Business Type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 4,204,663
Receivables (net of allowance for uncollectibles):	
Accounts receivable	354,151
Restricted cash	<u>2,018</u>
Total Current Assets	<u>\$ 4,560,832</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 2,254,354
Infrastructure	26,290,420
Equipment	552,668
Construction in progress	8,088,426
Accumulated depreciation	<u>(4,668,448)</u>
Total Capital Assets	<u>\$ 32,517,420</u>
Bond issue costs, net of amortization	<u>\$ 307,993</u>
Total Noncurrent Assets	<u>\$ 32,825,413</u>
Total Assets	<u>\$ 37,386,245</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 1,206,270
Deferred revenue	2,262,341
Accrued interest payable	231,199
Current portion of long-term obligations	<u>618,249</u>
Total Current Liabilities	<u>\$ 4,318,059</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>20,336,386</u>
Total Liabilities	<u>\$ 24,654,445</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 11,307,604
Unrestricted assets	<u>1,424,196</u>
Total Net Assets	<u>\$ 12,731,800</u>
Total Liabilities and Net Assets	<u>\$ 37,386,245</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, 2006

Operating revenues:	
Water revenues	\$ 667,047
Sewer revenues	702,790
Water and sewer tap revenues	12,750
Service fees	1,116,992
Other revenues	<u>1,211,493</u>
Total operating revenues	\$ <u>3,711,072</u>
Operating expenses:	
Personnel services	\$ 867,915
Fringe benefits	319,370
Contractual services	270,903
Depreciation and amortization	723,621
Other operating expenses	<u>839,523</u>
Total operating expenses	\$ <u>3,021,332</u>
Net income from operations	\$ <u>689,740</u>
Nonoperating revenues (expenses):	
Interest income	\$ 111,979
Interest expense	<u>(118,465)</u>
Total nonoperating revenues (expenses)	\$ <u>(6,486)</u>
Net income before transfers	\$ 683,254
Transfers:	
Transfers in	<u>1,699,783</u>
Change in net assets	\$ 2,383,037
Net assets, beginning of year	<u>10,348,763</u>
Net assets, end of year	\$ <u><u>12,731,800</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, 2006

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,929,765
Payments to employees (including fringe benefits)	(1,187,285)
Payments for operating activities	<u>(1,145,498)</u>
Net cash provided by operating activities	<u>\$ 2,596,982</u>
Cash flows from non-capital financing activities:	
Transfers in	\$ 7,368,927
Transfers (out)	<u>(5,669,144)</u>
Net cash provided by non-capital financing activities	<u>\$ 1,699,783</u>
Cash flows from capital and related financing activities:	
Construction and acquisition of capital assets	\$ (5,476,281)
Proceeds from long term indebtedness issued	500,000
Retirement of indebtedness	(821,701)
Interest paid on loans	<u>(129,162)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (5,927,144)</u>
Cash flows from investing activities:	
Interest received	<u>\$ 111,979</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,518,400)
Cash and cash equivalents at beginning of year	<u>5,725,081</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,206,681</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Cash flows from operations:	
Income from operations	\$ 689,740
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	723,621
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(57,303)
(Decrease) in accounts payable and accrued liabilities	(35,072)
Increase in prepaid connection fees	<u>1,275,996</u>
Net cash provided by operating activities	<u><u>\$ 2,596,982</u></u>

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

Statement of Fiduciary Net Assets
At June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 7,041,789
Accounts receivable	<u>97,316</u>
Total assets	<u>\$ 7,139,105</u>
LIABILITIES	
Accounts payable	\$ 30,782
Amounts held for others	3,420,576
Amounts held for landfill closure	3,675,609
Amounts held for social service clients	<u>12,138</u>
Total liabilities	<u>\$ 7,139,105</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, 2006

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

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (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 new 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 new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (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 organizations 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, 2006.

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, 2006 (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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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, 2006 (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, 2006 (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 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, 2006 (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 "due 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 \$273,898 at June 30, 2006 and is composed of the following:

Property taxes	\$ 251,514
Water & sewer accounts	<u>22,384</u>
Total	<u><u>\$ 273,898</u></u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

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

H. Receivables and Payables: (Continued)

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.

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, 2006 totaled \$870,762.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

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

J. Compensated Absences: (Continued)

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.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

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

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, 2006 totaled \$12,104.

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 2—Deposits and Investments:

Deposits

All cash of the County 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.

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, 2006 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			
	AAA	AA	A	Unrated
U.S. Agencies	\$ -	\$ 10,105,308	\$ 32,558,907	\$ -
Local Government Investment Pool	6,473,996	-	-	-
State Non-Arbitrage Pool	-	17,710,265	-	-
U.S. Treasury Money Market Fund	-	3,675,609	-	-
Money Market Mutual Funds	-	968,791	-	-
Mutual Funds	-	-	-	407,927
U.S. Treasuries	-	290,534	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	-	10,823,584	-
Total	\$ 6,473,996	\$ 32,750,507	\$ 43,382,491	\$ 407,927

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities: (Continued)

The County's investments in the mutual funds for the Permanent Fund in the amount of \$407,927 is not permissible in accordance with the security for Public Deposits Act of the Code of Virginia.

Interest Rate Risk

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

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater Than 10 Years</u>
Repurchase Agreements	\$ 10,823,584	\$ 10,823,584	\$ -	\$ -	\$ -
U.S. Treasuries Money Market Funds	3,675,609	3,675,609	-	-	-
U.S. Agencies	42,664,215	35,277,662	6,728,356	-	658,197
U.S. Treasuries	<u>290,534</u>	<u>290,534</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>57,453,942</u>	\$ <u>50,067,389</u>	\$ <u>6,728,356</u>	\$ <u>-</u>	\$ <u>658,197</u>

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.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 3—Due From Other Governments:

At June 30, 2006 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	-	246,259
PPTRA	1,088,066	-
Local sales taxes	107,857	-
Public assistance	21,150	-
Shared expenses	131,587	-
CSA	463,596	-
Other	35,413	-
Federal Government:		
School funds	-	630,110
Law Enforcement Grant	40,578	-
CDBG	297,506	-
Public assistance	22,953	-
Totals	<u>\$ 3,208,706</u>	<u>\$ 876,369</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (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	\$ 1,830,847	\$ -
School	-	1,830,847
Totals	<u>\$ 1,830,847</u>	<u>\$ 1,830,847</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, 2006, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 2,555,080
Service Authority	7,368,927	5,669,144
Capital Improvements Fund	1,568,980	713,683
Total	<u>\$ 8,937,907</u>	<u>\$ 8,937,907</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, 2006 (Continued)

Note 6—Capital Assets:

The following is a summary of capital asset activity for the year ending June 30, 2006:

Primary Government:

	Beginning Balance July 1, 2005	Additions	Deletions	Ending Balance June 30, 2006
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,605,174	\$ -	\$ 255,394	\$ 4,349,780
Construction in progress-jointly owned assets	8,771,654	966,534	1,088,043	8,650,145
Construction in progress	<u>2,748,589</u>	<u>1,266,375</u>	<u>2,392,640</u>	<u>1,622,324</u>
Total capital assets not being depreciated	<u>\$ 16,125,417</u>	<u>\$ 2,232,909</u>	<u>\$ 3,736,077</u>	<u>\$ 14,622,249</u>
Capital assets being depreciated:				
Buildings	\$ 7,185,391	\$ -	\$ -	\$ 7,185,391
Equipment	2,345,195	2,708,757	71,765	4,982,187
Jointly owned assets	<u>8,922,453</u>	<u>-</u>	<u>857,854</u>	<u>8,064,599</u>
Total capital assets being depreciated	<u>\$ 18,453,039</u>	<u>\$ 2,708,757</u>	<u>\$ 929,619</u>	<u>\$ 20,232,177</u>
Less accumulated depreciation for:				
Buildings	\$ 2,838,423	\$ 114,454	\$ -	\$ 2,952,877
Equipment	1,494,801	457,839	71,765	1,880,875
Jointly owned assets	<u>1,480,245</u>	<u>202,735</u>	<u>235,823</u>	<u>1,447,157</u>
Total accumulated depreciation	<u>\$ 5,813,469</u>	<u>\$ 775,028</u>	<u>\$ 307,588</u>	<u>\$ 6,280,909</u>
Total capital assets being depreciated, net	<u>\$ 12,639,570</u>	<u>\$ 1,933,729</u>	<u>\$ 622,031</u>	<u>\$ 13,951,268</u>
Governmental activities capital assets, net	<u>\$ 28,764,987</u>	<u>\$ 4,166,638</u>	<u>\$ 4,358,108</u>	<u>\$ 28,573,517</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2005	Additions	Deletions	Ending Balance June 30, 2006
<u>Business-type activities-KGSA:</u>				
Capital assets not being depreciated:				
Land	\$ 2,254,354	\$ -	\$ -	\$ 2,254,354
Construction in progress	<u>12,604,202</u>	<u>5,476,281</u>	<u>9,992,057</u>	<u>8,088,426</u>
Total capital assets not being depreciated	<u>\$ 14,858,556</u>	<u>\$ 5,476,281</u>	<u>\$ 9,992,057</u>	<u>\$ 10,342,780</u>
Capital assets being depreciated:				
Infrastructure	\$ 16,298,363	\$ 9,992,057	\$ -	\$ 26,290,420
Equipment	<u>552,668</u>	<u>-</u>	<u>-</u>	<u>552,668</u>
Total capital assets being depreciated	<u>\$ 16,851,031</u>	<u>\$ 9,992,057</u>	<u>\$ -</u>	<u>\$ 26,843,088</u>
Less accumulated depreciation for:				
Infrastructure	\$ 3,710,670	\$ 666,384	\$ -	\$ 4,377,054
Equipment	<u>246,261</u>	<u>45,133</u>	<u>-</u>	<u>291,394</u>
Total accumulated depreciation	<u>\$ 3,956,931</u>	<u>\$ 711,517</u>	<u>\$ -</u>	<u>\$ 4,668,448</u>
Total capital assets being depreciated, net	<u>\$ 12,894,100</u>	<u>\$ 9,280,540</u>	<u>\$ -</u>	<u>\$ 22,174,640</u>
Business-type activities capital assets, net	<u>\$ 27,752,656</u>	<u>\$ 14,756,821</u>	<u>\$ 9,992,057</u>	<u>\$ 32,517,420</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2005	Additions	Deletions	Ending Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 182,483	\$ -	\$ -	\$ 182,483
Construction in progress	<u>6,697,427</u>	<u>2,897,743</u>	<u>-</u>	<u>9,595,170</u>
Total capital assets not being depreciated	<u>\$ 6,879,910</u>	<u>\$ 2,897,743</u>	<u>\$ -</u>	<u>\$ 9,777,653</u>
Capital assets, being depreciated:				
Buildings	\$ 11,390,492	\$ -	\$ -	\$ 11,390,492
Equipment	2,725,551	170,438	85,586	2,810,403
Jointly owned assets	<u>3,254,047</u>	<u>857,854</u>	<u>-</u>	<u>4,111,901</u>
Total capital assets being depreciated	<u>\$ 17,370,090</u>	<u>\$ 1,028,292</u>	<u>\$ 85,586</u>	<u>\$ 18,312,796</u>
Less accumulated depreciation for:				
Buildings	\$ 6,898,803	\$ 355,060	\$ -	\$ 7,253,863
Equipment	1,859,091	169,663	69,087	1,959,667
Jointly owned assets	<u>756,106</u>	<u>235,823</u>	<u>-</u>	<u>991,929</u>
Total accumulated depreciation	<u>\$ 9,514,000</u>	<u>\$ 760,546</u>	<u>\$ 69,087</u>	<u>\$ 10,205,459</u>
Total capital assets being depreciated, net	<u>\$ 7,856,090</u>	<u>\$ 267,746</u>	<u>\$ 16,499</u>	<u>\$ 8,107,337</u>
School Board capital assets, net	<u>\$ 14,736,000</u>	<u>\$ 3,165,489</u>	<u>\$ 16,499</u>	<u>\$ 17,884,990</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 157,209
Judicial administration	3,624
Public safety	332,612
Public works	29,142
Health and Welfare	7,214
Education	202,735
Parks, recreation and cultural	28,914
Community development	<u>13,578</u>
Total	\$ <u>775,028</u>
Component Unit-School Board	\$ <u>524,723</u> (1)
King George Service Authority	\$ <u>711,517</u>
(1) Depreciation expense	\$ 524,723
Accumulated depreciation on Joint tenancy asset transfer	<u>235,823</u>
Total accumulated depreciation, page 44	\$ <u>760,546</u>

Note 7—Restricted Assets:

Restricted assets at June 30, 2006 consist of the following:

Unexpended VRA loan and bond proceeds	\$ 2,018
Cash reserves for debt service	<u>1,095,309</u>
Total	\$ <u>1,097,327</u>

Note 8—Other Assets:

Note Receivable:

\$281,498 note dated February 2, 2004 payable in annual principal installments of \$28,450, interest at 4% long-term portion	\$ 225,198
\$500,000 note dated September 20, 2005 payable in annual principal installments of \$16,667, interest at 0%	<u>500,000</u>
Total notes receivable	\$ <u>725,198</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 8—Other Assets: (Continued)

Bond Issuance Costs:

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	\$ 35,006	\$ 177,143
2002 VRA bonds	<u>150,982</u>	30	<u>5,033</u>	<u>20,132</u>	<u>130,850</u>
Total	<u>\$ 363,131</u>		<u>\$ 12,104</u>	<u>\$ 55,138</u>	<u>\$ 307,993</u>

Note 9—Long-Term Obligations:

Changes in Long-Term Obligations:

The following is a summary of changes in long-term obligation transactions of the County for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<u>Governmental Funds</u>					
General Obligation Bonds	\$ 40,636,000	\$ 6,411,957	\$ 1,682,000	\$ 45,365,957	\$ 1,588,104
State Literary Fund Loans	3,634,400	-	294,800	3,339,600	294,800
Capital Leases	15,073,052	-	7,573,052	7,500,000	-
Compensated Absences	405,378	154,306	60,807	498,877	49,888
Premium on bonds payable	<u>444,067</u>	<u>-</u>	<u>-</u>	<u>444,067</u>	<u>14,802</u>
Total	<u>\$ 60,192,897</u>	<u>\$ 6,566,263</u>	<u>\$ 9,610,659</u>	<u>\$ 57,148,501</u>	<u>\$ 1,947,594</u>

The general fund revenues are used to liquidate compensated absences.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 9—Long-Term Obligations: (Continued)

Changes in Long-Term Obligations: (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 Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,588,104	\$ 2,150,043	\$ 294,800	\$ 100,188	\$ -	\$ 264,750
2008	1,645,926	2,012,160	294,800	91,344	7,500,000	264,750
2009	1,705,293	1,927,025	250,000	82,500	-	132,375
2010	2,026,837	1,841,552	250,000	75,000	-	-
2011	1,708,565	1,760,671	250,000	67,500	-	-
2012	1,575,489	1,693,348	250,000	60,000	-	-
2013	1,626,842	1,631,072	250,000	52,500	-	-
2014	1,374,585	1,566,797	250,000	45,000	-	-
2015	1,419,250	1,513,800	250,000	37,500	-	-
2016	1,462,890	1,457,565	250,000	30,000	-	-
2017	1,128,773	1,405,521	250,000	22,500	-	-
2018	1,163,911	1,358,758	250,000	15,000	-	-
2019	1,204,318	1,308,501	250,000	7,500	-	-
2020	1,245,009	1,256,560	-	-	-	-
2021	1,295,997	1,193,822	-	-	-	-
2022	1,347,299	1,128,520	-	-	-	-
2023	1,403,930	1,060,639	-	-	-	-
2024	1,464,985	990,834	-	-	-	-
2025	1,525,887	918,432	-	-	-	-
2026	1,587,067	843,002	-	-	-	-
2027	1,275,000	778,250	-	-	-	-
2028	1,330,000	719,281	-	-	-	-
2029	1,395,000	657,769	-	-	-	-
2030	1,460,000	593,250	-	-	-	-
2031	1,530,000	520,250	-	-	-	-
2032	1,605,000	443,750	-	-	-	-
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	\$ <u>45,365,957</u>	\$ <u>33,662,418</u>	\$ <u>3,339,600</u>	\$ <u>686,532</u>	\$ <u>7,500,000</u>	\$ <u>661,875</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 9—Long-Term Obligations: (Continued)

Details of Long-Term Obligations are as follows:

Governmental Funds:

	<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%	\$ 2,439,000	\$ 25,000
\$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%	1,750,000	220,000
\$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%	565,000	105,000
\$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%	265,000	50,000
\$1,755,000, Virginia Public School Authority refunding bond issued December 15, 1993 due in various annual installments through December 15, 2010, interest payable semiannually at rates ranging from 6.76% to 7.2%	400,000	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%	1,020,000	235,000
\$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%.	6,411,957	273,104
\$32,515,000 IDA Lease Revenue Bonds Series 2004 payable in various installments beginning March 1, 2007 through March 1, 2036, interest payable semiannually at 4.76%	<u>32,515,000</u>	<u>575,000</u>
Total General Obligation Bonds	\$ <u>45,365,957</u>	\$ <u>1,588,104</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 9—Long-Term Obligations: (Continued)

Governmental Funds: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</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%	\$ 13,600	\$ 6,800
\$742,337, issued June 15, 1989 due in annual installments of \$38,000 through June 15, 2008, interest at 3%	76,000	38,000
\$5,000,000, issued August 1, 1998, due in annual installments of \$250,000 through August 1, 2018, interest at 3%	<u>3,250,000</u>	<u>250,000</u>
Total State Literary Fund Loans	\$ <u>3,339,600</u>	\$ <u>294,800</u>
<u>Capital Lease Obligation:</u>		
The following capital lease obligation was obtained to provide temporary financing on school capital projects. As of June 30, 2006 the County has expended \$966,534 of these proceeds on school construction projects which are recorded under construction in progress-joint tenancy in note 6.		
\$7,500,000 lease obligation payable January 15, 2009, interest payable semi-annually at 3.53%, secured by school capital projects	\$ 7,500,000	\$ -
Compensated Absences	498,877	49,888
Premium on bonds payable	<u>444,067</u>	<u>14,802</u>
Total	\$ <u>57,148,501</u>	\$ <u>1,947,594</u>

King George County Service Authority:

The following is a summary of changes in long-term obligations for the King George County Service Authority:

<u>Proprietary Funds</u>	<u>Balance July 1, 2005</u>	<u>Increases/ Proceeds</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Note Payable	\$ 496,099	\$ 500,000	\$ 270,901	\$ 725,198	\$ 44,817
Virginia Water Facility Loan	660,993	-	109,724	551,269	114,157
VRA Utility Revenue Bond	10,120,000	-	210,000	9,910,000	215,000
VRA Water Revenue Bond	7,905,000	-	160,000	7,745,000	165,000
Compensated absences	50,785	2,539	2,530	50,794	5,079
Water & Sewer Revenue Bond	<u>2,043,450</u>	-	<u>71,076</u>	<u>1,972,374</u>	<u>74,196</u>
Total	\$ <u>21,276,327</u>	\$ <u>502,539</u>	\$ <u>824,231</u>	\$ <u>20,954,635</u>	\$ <u>618,249</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (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		Notes Payable		Water and Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 114,157	\$ 20,920	\$ 165,000	\$ 362,254	\$ 215,000	\$ 495,598	\$ 44,817	\$ 9,008	\$ 74,196	\$ 86,588
2008	118,769	16,308	170,000	357,139	225,000	487,320	44,817	7,882	77,453	83,330
2009	123,568	11,510	175,000	351,868	235,000	478,095	44,817	6,774	80,853	79,930
2010	128,560	6,518	180,000	346,224	245,000	467,873	44,817	5,630	84,403	76,380
2011	66,215	1,324	185,000	340,104	255,000	457,215	44,817	4,504	88,108	72,676
2012	-	-	195,000	331,594	265,000	445,485	44,817	3,378	91,976	68,808
2013	-	-	205,000	322,624	280,000	431,970	44,817	2,258	96,014	64,770
2014	-	-	215,000	312,170	290,000	417,690	44,817	1,126	100,229	60,554
2015	-	-	220,000	303,356	305,000	402,900	16,667	-	104,629	56,154
2016	-	-	230,000	294,116	320,000	387,345	16,667	-	109,222	51,562
2017	-	-	240,000	284,224	335,000	371,025	16,667	-	114,017	46,766
2018	-	-	250,000	273,664	355,000	353,940	16,667	-	119,022	41,760
2019	-	-	265,000	262,416	370,000	335,835	16,667	-	124,247	36,536
2020	-	-	275,000	250,226	390,000	316,965	16,667	-	129,702	31,082
2021	-	-	285,000	237,232	410,000	297,075	16,667	-	135,396	25,388
2022	-	-	300,000	223,765	430,000	276,165	16,667	-	141,340	19,444
2023	-	-	315,000	209,365	450,000	254,235	16,667	-	147,545	13,238
2024	-	-	330,000	194,087	475,000	231,285	16,667	-	154,022	6,762
2025	-	-	345,000	178,083	500,000	207,060	16,667	-	-	-
2026	-	-	360,000	161,350	525,000	181,560	16,667	-	-	-
2027	-	-	380,000	143,890	550,000	154,785	16,667	-	-	-
2028	-	-	395,000	125,460	575,000	126,735	16,667	-	-	-
2029	-	-	415,000	105,315	605,000	97,410	16,667	-	-	-
2030	-	-	435,000	84,150	635,000	66,555	16,667	-	-	-
2031	-	-	460,000	61,965	670,000	34,170	16,667	-	-	-
2032	-	-	480,000	38,505	-	-	16,667	-	-	-
2033	-	-	275,000	14,025	-	-	16,667	-	-	-
2034	-	-	-	-	-	-	16,667	-	-	-
2035	-	-	-	-	-	-	16,667	-	-	-
2036	-	-	-	-	-	-	16,655	-	-	-
Total	\$ 551,269	\$ 56,580	\$ 7,745,000	\$ 6,169,171	\$ 9,910,000	\$ 7,776,291	\$ 725,198	\$ 40,560	\$ 1,972,374	\$ 921,728

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (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%	\$ 225,198	\$ 28,150
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,677 through July 1, 2035, interest at 0%.	500,000	16,667
\$1,816,890, Virginia Water Facilities Revolving Loan Fund issued April 1, 1991, payable in principal and interest semiannual installments of \$67,539 through September 2011, interest at 4%	551,269	114,157
\$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%	9,910,000	215,000
\$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%	7,745,000	165,000
\$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%	<u>1,972,374</u>	<u>74,196</u>
Total long-term debt	\$ 20,903,841	\$ 613,170
Compensated absences	<u>50,794</u>	<u>5,079</u>
Total long-term obligations	<u>\$ 20,954,635</u>	<u>\$ 618,249</u>

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 9–Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ending June 30, 2006:

	<u>Amounts Payable July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 235,180	\$ 58,795	\$ 52,710	\$ 241,265	\$ 24,127
Total	<u>\$ 235,180</u>	<u>\$ 58,795</u>	<u>\$ 52,710</u>	<u>\$ 241,265</u>	<u>\$ 24,127</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>498,877</u>
King George Service Authority	\$ <u>50,794</u>
Component Unit School Board	\$ <u>241,265</u>

Note 11–Deferred Revenue:

Deferred revenue represents amounts for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$2,916,089 is comprised of the following:

- A. Prepaid connections fees for the King George Service Authority totaled \$2,262,341 at June 30, 2006.
- B. Deferred property tax revenues totaled \$653,748 at June 30, 2006.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 12–Litigation:

At June 30, 2006, 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 2006 were 4% and 5% of annual covered payroll, respectively.

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 13–Defined Benefit Pension Plan: (Continued)

B. Funding Policy: (Continued)

The School Board’s contribution for professional employees were \$957,006, \$786,365 and \$474,890 to the teacher cost-sharing pool for the fiscal years ended June 30, 2006, 2005 and 2004 respectively and these contributions represented 6.62%, 6.03% and 3.77% respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year ended 2006, the County’s annual pension cost of \$265,480 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 2006, the School Board’s annual pension cost for the non-professional employees was \$95,451 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, 2006 (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, 2006	\$ 265,480	100%	\$ -
June 30, 2005	238,844	100%	-
June 30, 2004	156,067	100%	-
School Board:			
Non-professional:			
June 30, 2006	\$ 95,451	100%	\$ -
June 30, 2005	85,005	100%	-
June 30, 2004	61,160	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, 2006 (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, 2006 the County has recorded \$3,675,609 as a liability in the event the contract defaults on any closure and post-closure care costs.

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—Surety Bond:

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

COUNTY OF KING GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2006 (Continued)

Note 18—Construction Commitments:

At June 30, 2006 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, 2005</u>	<u>Contract Balance</u>
Perns W&S Project	\$ 3,364,390	\$ 2,607,978	\$ 756,412
Fairview Beach WWTP	2,361,737	2,292,718	69,019
Sealston Well Treatment Facility	419,023	372,993	46,030
King George Fire and Rescue	<u>3,138,860</u>	<u>782,284</u>	<u>2,356,576</u>
Total	<u>\$ 9,284,010</u>	<u>\$ 6,055,973</u>	<u>\$ 3,228,037</u>

Note 19—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, 2006 the defeased bonds had balances outstanding of \$2,439,000.

Note 20—Subsequent Events:

On September 18, 2006 the County issued \$8,510,000 of Public Facility Lease Revenue Bonds, series 2006, the proceeds of which will be used for construction of a new government center as well as King George Service Authority Projects.

On October 13, 2006 the County issued \$5,100,000 of Lease Revenue Bonds, series 2006B to be used for the new high school project.

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, 2006

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 14,032,600	\$ 14,032,600	\$ 14,424,491	\$ 391,891
Other local taxes	4,647,800	4,647,800	5,271,801	624,001
Permits, privilege fees and regulatory licenses	658,900	658,900	833,933	175,033
Fines and forfeitures	205,400	205,400	332,871	127,471
Revenue from use of money and property	348,415	359,145	729,127	369,982
Charges for services	240,200	309,733	372,406	62,673
Miscellaneous	209,690	221,165	303,604	82,439
Recovered costs	245,410	252,010	177,900	(74,110)
Intergovernmental:				
School Board	142,496	142,496	-	-
Commonwealth	4,410,465	5,270,684	5,670,898	400,214
Federal	5,000	49,104	1,069,923	1,020,819
Total revenues	\$ 25,146,376	\$ 26,149,037	\$ 29,186,954	\$ 3,180,413
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 106,561	\$ 129,110	\$ 126,435	\$ 2,675
General and financial administration:				
County administration	\$ 434,716	\$ 442,896	\$ 385,073	\$ 57,823
Legal services	121,776	118,787	66,473	52,314
Commissioner of the Revenue	323,384	313,424	310,474	2,950
Reassessment	-	71,589	71,587	2
Treasurer	280,147	280,147	274,028	6,119
Department of finance	957,684	1,012,162	892,204	119,958
Total general and financial administration	\$ 2,117,707	\$ 2,239,005	\$ 1,999,839	\$ 239,166
Board of Elections:				
Electoral board and officials	\$ 32,777	\$ 32,777	\$ 27,083	\$ 5,694
Registrar	95,644	99,856	90,660	9,196
Total board of elections	\$ 128,421	\$ 132,633	\$ 117,743	\$ 14,890
Total general government administration	\$ 2,352,689	\$ 2,500,748	\$ 2,244,017	\$ 256,731

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2006 (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	\$ 53,220	\$ 53,220	\$ 38,396	\$ 14,824
Combined courts	34,420	34,420	20,228	14,192
Magistrates	4,608	4,608	3,084	1,524
Clerk of the circuit court	349,432	381,781	337,712	44,069
Law library	7,700	7,700	3,274	4,426
Victim assistance program	26,432	25,148	25,148	-
Total courts	\$ 475,812	\$ 506,877	\$ 427,842	\$ 79,035
Commonwealth's attorney:				
Commonwealth's attorney	\$ 318,006	\$ 400,854	\$ 389,630	\$ 11,224
Total judicial administration	\$ 793,818	\$ 907,731	\$ 817,472	\$ 90,259
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,404,955	\$ 2,435,157	\$ 2,435,062	\$ 95
VJCCA / CHINS	48,901	48,901	44,124	4,777
E-911	275,315	350,775	343,493	7,282
Law enforcement	22,200	22,200	11,613	10,587
Public safety grants	-	151,166	118,216	32,950
Total law enforcement and traffic control	\$ 2,751,371	\$ 3,008,199	\$ 2,952,508	\$ 55,691
Fire and rescue services:				
Emergency services	\$ 1,328,379	\$ 1,339,011	\$ 1,257,641	\$ 81,370
Fire and rescue grants	-	15,682	15,682	-
King george fire and rescue	245,678	282,977	270,325	12,652
King George rescue - Dalhgren	128,000	128,000	128,000	-
Total fire and rescue services	\$ 1,702,057	\$ 1,765,670	\$ 1,671,648	\$ 94,022
Correction and detention:				
Juvenile detention	\$ 87,198	\$ 90,382	\$ 90,334	\$ 48
Regional jail	628,491	628,491	628,490	1
Court service unit - juvenile court	3,162	3,162	3,161	1
Juvenile justice planner	16,008	16,008	16,008	-
Total correction and detention	\$ 734,859	\$ 738,043	\$ 737,993	\$ 50

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2006 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Other protection:				
Animal control	\$ 200,206	\$ 200,206	\$ 197,750	\$ 2,456
Medical examiner	250	300	300	-
Miscellaneous public safety grants	-	115,126	115,125	1
Total other protection	\$ 200,456	\$ 315,632	\$ 313,175	\$ 2,457
Total public safety	\$ 5,388,743	\$ 5,827,544	\$ 5,675,324	\$ 152,220
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 137,238	\$ 159,212	\$ 135,864	\$ 23,348
Sanitation and waste removal:				
Landfill	\$ 215,968	\$ 219,707	\$ 212,006	\$ 7,701
Maintenance of general buildings and grounds:				
General properties	\$ 474,228	\$ 494,882	\$ 460,338	\$ 34,544
Construction - engineering inspections	184,519	194,597	80,435	114,162
Miscellaneous	52,500	54,551	24,220	30,331
Citizen's center	64,611	64,611	62,320	2,291
Total maintenance of general buildings and grounds	\$ 775,858	\$ 808,641	\$ 627,313	\$ 181,328
Total public works	\$ 1,129,064	\$ 1,187,560	\$ 975,183	\$ 212,377
Health and welfare:				
Health:				
Local health department	\$ 229,143	\$ 229,143	\$ 229,143	\$ -
Mental health and mental retardation:				
Community services board	\$ 70,213	\$ 70,213	\$ 70,213	\$ -
Welfare:				
Administration and public assistance	\$ 1,823,360	\$ 1,823,360	\$ 1,715,422	\$ 107,938
Comprehensive services	557,713	1,432,500	1,270,834	161,666
Total welfare	\$ 2,381,073	\$ 3,255,860	\$ 2,986,256	\$ 269,604
Total health and welfare	\$ 2,680,429	\$ 3,555,216	\$ 3,285,612	\$ 269,604

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2006 (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	\$ 4,404	\$ 4,404	\$ 4,404	\$ -
Contribution to School Board Component Unit	8,991,170	9,360,488	9,233,493	126,995
Total education	\$ 8,995,574	\$ 9,364,892	\$ 9,237,897	\$ 126,995
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 277,891	\$ 277,891	\$ 273,261	\$ 4,630
Parks operations	147,931	147,931	131,031	16,900
Bluemont concert series	4,000	4,000	4,000	-
Recreation programs and events	279,269	355,677	339,883	15,794
Total parks and recreation	\$ 709,091	\$ 785,499	\$ 748,175	\$ 37,324
Library:				
Library	\$ 402,519	\$ 403,783	\$ 401,102	\$ 2,681
Total parks, recreation and cultural	\$ 1,111,610	\$ 1,189,282	\$ 1,149,277	\$ 40,005
Community development:				
Planning and community development:				
Community development	\$ 645,436	\$ 645,436	\$ 634,383	\$ 11,053
Planning / community zoning boards	80,375	80,375	7,466	72,909
Sustained economic development	1,416,407	1,416,407	12,872	1,403,535
Welcome center	88,196	94,796	74,015	20,781
Community organizations	151,810	179,690	178,629	1,061
Total planning and community development	\$ 2,382,224	\$ 2,416,704	\$ 907,365	\$ 1,509,339
Environmental management:				
Litter control	\$ 6,501	\$ 18,820	\$ 5,285	\$ 13,535
Soil and water conservation district	20,000	20,000	20,000	-
Total environmental management	\$ 26,501	\$ 38,820	\$ 25,285	\$ 13,535

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2006 (Continued)

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Cooperative extension program:				
VPI extension	\$ 85,700	\$ 85,700	\$ 81,462	\$ 4,238
Total community development	\$ 2,494,425	\$ 2,541,224	\$ 1,014,112	\$ 1,527,112
Nondepartmental:				
Reimbursements and recoveries	\$ 45,000	\$ 45,000	\$ -	\$ 45,000
Refunds	14,300	14,300	-	14,300
Contingency	181,319	40,915	-	40,915
Total nondepartmental	\$ 240,619	\$ 100,215	\$ -	\$ 100,215
Debt service:				
Principal retirement	\$ 1,189,800	\$ 1,189,800	\$ 1,194,852	\$ (5,052)
Interest and fiscal charges	2,738,716	2,738,716	2,666,216	72,500
Total debt service	\$ 3,928,516	\$ 3,928,516	\$ 3,861,068	\$ 67,448
Total expenditures	\$ 29,115,487	\$ 31,102,928	\$ 28,259,962	\$ 2,842,966
Excess (deficiency) of revenues over expenditures	\$ (3,969,111)	\$ (4,953,891)	\$ 926,992	\$ 6,023,379
Other financing sources (uses):				
Operating transfers in	\$ 3,926,020	\$ -	\$ -	\$ -
Operating transfers (out)	-	(1,560,080)	(2,555,080)	(995,000)
Total other financing sources (uses)	\$ 3,926,020	\$ (1,560,080)	\$ (2,555,080)	\$ (995,000)
Net changes in fund balance	\$ (43,091)	\$ (6,513,971)	\$ (1,628,088)	\$ 4,885,883
Fund balance at beginning of year	43,091	6,513,971	20,509,795	13,995,824
Fund balance at end of year	\$ -	\$ -	\$ 18,881,707	\$ 18,881,707

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)
6/30/2005	\$ 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%
6/30/2003	9,713,527	9,010,536	(702,991)	107.80%	4,744,193	-14.82%

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)
6/30/2005	\$ 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%
6/30/2003	1,752,482	1,714,049	(38,433)	102.24%	1,375,728	-2.79%

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, 2006

	<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	\$ 6,834,000	\$ 6,834,000	\$ 6,729,120	\$ (104,880)
Revenue from use of money and property	375,000	375,000	1,937,211	1,562,211
Miscellaneous	-	-	123,650	123,650
Intergovernmental:				
Commonwealth	-	160,000	1,088,043	928,043
Federal	-	634,864	297,506	(337,358)
Total revenues	\$ 7,209,000	\$ 8,003,864	\$ 10,175,530	\$ 2,171,666
Expenditures:				
Capital outlay:				
General government administration:				
Access control system	\$ -	\$ 32,656	\$ 32,469	\$ 187
Total general government administration	\$ -	\$ 32,656	\$ 32,469	\$ 187
Judicial administration:				
Communication equipment	\$ -	\$ 1,942	\$ 645	\$ 1,297
Total judicial administration	\$ -	\$ 1,942	\$ 645	\$ 1,297
Public safety:				
Vehicle acquisition - EMS rescue vehicles	\$ -	\$ 40,035	\$ 4,200	\$ 35,835
Vehicle acquisition - EMS fire vehicles	-	187,686	2,089	185,597
Equipment replacement	50,000	50,000	41,788	8,212
Response vehicle	120,000	129,204	-	129,204
Total public safety	\$ 170,000	\$ 406,925	\$ 48,077	\$ 358,848
Public works:				
Generators for HS and admin. Building	\$ 600,000	\$ 1,000,000	\$ 479	\$ 999,521
Miscellaneous capital outlays	-	15,272	6,650	8,622
Total public works	\$ 600,000	\$ 1,015,272	\$ 7,129	\$ 1,008,143
Capital projects:				
General government administration:				
County complex	\$ 1,864,297	\$ 1,872,125	\$ 137,043	\$ 1,735,082
Total general government administration	\$ 1,864,297	\$ 1,872,125	\$ 137,043	\$ 1,735,082

Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (Continued)				
Public safety:				
EMS training facility	\$ -	\$ 200,000	\$ 200,000	\$ -
Courthouse area fire and rescue project	-	3,377,728	887,706	2,490,022
Emergency communication upgrade	-	239,915	238,855	1,060
Animal pound	-	300,000	-	300,000
Total public safety	<u>\$ -</u>	<u>\$ 4,117,643</u>	<u>\$ 1,326,561</u>	<u>\$ 2,791,082</u>
Education:				
School construction - elementary school	\$ -	\$ 461,146	\$ 379,843	\$ 81,303
School construction -new high school	-	1,142,500	1,271,646	(129,146)
Old high school renovations	1,775,000	1,476,050	25,525	1,450,525
High school track renovations	-	298,950	182,262	116,688
High school vo-tech wing	-	1,517,214	457,943	1,059,271
School HVAC project	-	370,452	364,623	5,829
Total education	<u>\$ 1,775,000</u>	<u>\$ 5,266,312</u>	<u>\$ 2,681,842</u>	<u>\$ 2,584,470</u>
Parks and recreation:				
Parks and recreation - sealston park	\$ -	\$ 53,368	\$ -	\$ 53,368
Rt. 206 biking & pedestrian	-	200,000	-	200,000
Total parks and recreation	<u>\$ -</u>	<u>\$ 253,368</u>	<u>\$ -</u>	<u>\$ 253,368</u>
Community development:				
Homeless shelter	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
YMCA contribution	-	4,500,000	4,500,000	-
Kings highway project	-	634,864	298,111	336,753
Total community development	<u>\$ 75,000</u>	<u>\$ 5,209,864</u>	<u>\$ 4,873,111</u>	<u>\$ 336,753</u>
Total expenditures	<u>\$ 4,484,297</u>	<u>\$ 18,176,107</u>	<u>\$ 9,106,877</u>	<u>\$ 9,069,230</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,724,703</u>	<u>\$ (10,172,243)</u>	<u>\$ 1,068,653</u>	<u>\$ 11,240,896</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 713,980	\$ 1,568,980	\$ 855,000
Transfers (out)	(4,499,703)	(713,683)	(713,683)	-
Early retirement of indebtedness	-	-	(7,500,000)	(7,500,000)
Payment to refunded bond escrow agent	-	-	(855,000)	(855,000)
Long-term debt issued	-	-	6,411,957	6,411,957
Total other financing sources (uses):	<u>\$ (4,499,703)</u>	<u>\$ 297</u>	<u>\$ (1,087,746)</u>	<u>\$ (1,088,043)</u>
Net changes in fund balance	<u>\$ (1,775,000)</u>	<u>\$ (10,171,946)</u>	<u>\$ (19,093)</u>	<u>\$ 10,152,853</u>
Fund balance at beginning of the year	<u>1,775,000</u>	<u>10,171,946</u>	<u>53,871,288</u>	<u>43,699,342</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,852,195</u>	<u>\$ 53,852,195</u>

Combining Schedule of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2006

	<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	\$ 12,138	\$ -	\$ 3,675,609	\$ 3,354,042	\$ 7,041,789
Accounts receivable	<u>-</u>	<u>97,316</u>	<u>-</u>	<u>-</u>	<u>97,316</u>
Total assets	<u>\$ 12,138</u>	<u>\$ 97,316</u>	<u>\$ 3,675,609</u>	<u>\$ 3,354,042</u>	<u>\$ 7,139,105</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 30,782	\$ 30,782
Amounts held for others	-	97,316	-	3,323,260	3,420,576
Amounts held for landfill closure	-	-	3,675,609	-	3,675,609
Amounts held for social service clients	<u>12,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,138</u>
Total liabilities	<u>\$ 12,138</u>	<u>\$ 97,316</u>	<u>\$ 3,675,609</u>	<u>\$ 3,354,042</u>	<u>\$ 7,139,105</u>

Agency Funds
 Combining Schedule of Changes in Assets and Liabilities
 Year Ended June 30, 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 5,008	\$ 22,631	\$ 15,501	\$ 12,138
Liabilities:				
Amounts held for social service clients	\$ 5,008	\$ 22,631	\$ 15,501	\$ 12,138
Payroll Taxes Fund:				
Assets:				
Cash	\$ (69,682)	\$ 2,051,023	\$ 1,981,341	\$ -
Accounts receivable	-	97,316	-	97,316
Total assets	\$ (69,682)	\$ 2,148,339	\$ 1,981,341	\$ 97,316
Liabilities:				
Amounts held for others	\$ (69,682)	\$ 2,148,339	\$ 1,981,341	\$ 97,316
Landfill Escrow Fund:				
Assets:				
Cash	\$ 3,555,591	\$ 120,018	-	\$ 3,675,609
Liabilities:				
Amounts held for landfill closure	\$ 3,555,591	\$ 120,018	-	\$ 3,675,609
EDA Fund:				
Assets:				
Cash	\$ 1,688,670	\$ 2,113,490	\$ 448,118	\$ 3,354,042
Liabilities:				
Accounts payable	\$ 35,938	-	\$ 5,156	\$ 30,782
Amounts held for others	1,652,732	2,113,490	442,962	3,323,260
Total liabilities	\$ 1,688,670	\$ 2,113,490	\$ 448,118	\$ 3,354,042
Totals -- All agency funds				
Assets:				
Cash	\$ 5,179,587	\$ 4,307,162	\$ 2,444,960	\$ 7,041,789
Accounts receivable	-	97,316	-	97,316
Total assets	\$ 5,179,587	\$ 4,404,478	\$ 2,444,960	\$ 7,139,105
Liabilities:				
Accounts payable	\$ 35,938	-	\$ 5,156	\$ 30,782
Amounts held for social service clients	5,008	22,631	15,501	12,138
Amounts held for landfill closure	3,555,591	120,018	-	3,675,609
Amounts held for others	1,583,050	4,261,829	2,424,303	3,420,576
Total liabilities	\$ 5,179,587	\$ 4,404,478	\$ 2,444,960	\$ 7,139,105

Discretely Presented Component Unit-School Board

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2006

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 195,774	\$ 77,149	\$ 301,971	\$ 574,894
Receivables (Net of allowances for uncollectibles):				
Accounts	32,904	8,300	-	41,204
Due from primary government	1,830,847	-	-	1,830,847
Due from other governmental units	<u>876,369</u>	<u>-</u>	<u>-</u>	<u>876,369</u>
 Total assets	 <u>\$ 2,935,894</u>	 <u>\$ 85,449</u>	 <u>\$ 301,971</u>	 <u>\$ 3,323,314</u>
 LIABILITIES				
Accounts payable	\$ 150,781	\$ -	\$ 75,000	\$ 225,781
Accrued liabilities	<u>2,783,113</u>	<u>81,079</u>	<u>-</u>	<u>2,864,192</u>
 Total liabilities	 <u>\$ 2,933,894</u>	 <u>\$ 81,079</u>	 <u>\$ 75,000</u>	 <u>\$ 3,089,973</u>
 FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ -	\$ 226,971	\$ 226,971
Unreserved:				
Undesignated	<u>2,000</u>	<u>4,370</u>	<u>-</u>	<u>6,370</u>
 Total fund balances	 <u>\$ 2,000</u>	 <u>\$ 4,370</u>	 <u>\$ 226,971</u>	 <u>\$ 233,341</u>
 Total liabilities and fund balances	 <u>\$ 2,935,894</u>	 <u>\$ 85,449</u>	 <u>\$ 301,971</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.

17,884,990

Long-term liabilities applicable to the locality'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.

(241,265)

Net assets of General Government Activities

\$ 17,877,066

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2006

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Construction</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 16,290	\$ -	\$ -	\$ 16,290
Charges for services	39,925	609,940	-	649,865
Miscellaneous	68,729	12,230	-	80,959
Intergovernmental:				
County contribution to School Board	9,233,493	-	-	9,233,493
Commonwealth	15,686,262	13,577	-	15,699,839
Federal	1,469,298	298,404	-	1,767,702
 Total revenues	 <u>\$ 26,513,997</u>	 <u>\$ 934,151</u>	 <u>\$ -</u>	 <u>\$ 27,448,148</u>
Expenditures:				
Current:				
Education	\$ 26,460,250	\$ 979,781	\$ -	\$ 27,440,031
Capital projects	-	-	81,330	81,330
Debt service:				
Interest and fiscal charges	3,747	-	-	3,747
 Total expenditures	 <u>\$ 26,463,997</u>	 <u>\$ 979,781</u>	 <u>\$ 81,330</u>	 <u>\$ 27,525,108</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 50,000</u>	 <u>\$ (45,630)</u>	 <u>\$ (81,330)</u>	 <u>\$ (76,960)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 50,000	\$ -	\$ 50,000
Transfers (out)	(50,000)	-	-	(50,000)
 Total other financing sources (uses)	 <u>\$ (50,000)</u>	 <u>\$ 50,000</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Net changes in fund balances	 \$ -	 \$ 4,370	 \$ (81,330)	 \$ (76,960)
 Fund balances at beginning of year	 <u>2,000</u>	 <u>-</u>	 <u>308,301</u>	 <u>310,301</u>
 Fund balances at end of year	 <u>\$ 2,000</u>	 <u>\$ 4,370</u>	 <u>\$ 226,971</u>	 <u>\$ 233,341</u>

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, 2006

	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	\$ 16,290	\$ (3,710)
Charges for services	65,000	65,000	39,925	(25,075)
Miscellaneous	204,000	204,000	68,729	(135,271)
Intergovernmental:				
County contribution to School Board	8,991,170	9,360,488	9,233,493	(126,995)
Commonwealth	15,363,563	15,818,169	15,686,262	(131,907)
Federal	1,119,374	1,283,638	1,469,298	185,660
Total revenues	\$ 25,763,107	\$ 26,751,295	\$ 26,513,997	\$ (237,298)
Expenditures:				
Current:				
Instruction	\$ 18,830,012	\$ 19,538,554	\$ 19,528,044	\$ 10,510
Administration, attendance and health	877,954	878,614	873,505	5,109
Pupil transportation	2,022,528	2,162,552	2,075,359	87,193
Operation and maintenance	2,574,242	2,712,733	2,712,693	40
School food service costs	-	-	-	-
Facilities	165,489	165,489	135,553	29,936
Technology	1,166,083	1,166,554	1,135,096	31,458
Total education	\$ 25,636,308	\$ 26,624,496	\$ 26,460,250	\$ 164,246
Capital projects	-	-	-	-
Contribution to primary government	-	-	-	-
Debt service:				
Principal retirement	73,054	73,054	-	73,054
Interest and fiscal charges	3,745	3,745	3,747	(2)
Total expenditures	\$ 25,713,107	\$ 26,701,295	\$ 26,463,997	\$ 237,298
Excess (deficiency) of revenues over expenditures	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers (out)	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	\$ (50,000)	\$ (50,000)	\$ (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)	\$ -	\$ -	\$ -	\$ -
544,364	630,278	609,940	(20,338)	-	-	-	-
7,500	7,500	12,230	4,730	-	-	-	-
-	-	-	-	-	-	-	(142,496)
12,500	103,586	13,577	(90,009)	142,496	142,496	-	-
275,000	275,000	298,404	23,404	-	-	-	-
<u>\$ 840,364</u>	<u>\$ 1,017,364</u>	<u>\$ 934,151</u>	<u>\$ (83,213)</u>	<u>\$ 142,496</u>	<u>\$ 142,496</u>	<u>\$ -</u>	<u>\$ (142,496)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
840,364	1,017,364	979,781	37,583	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 840,364</u>	<u>\$ 1,017,364</u>	<u>\$ 979,781</u>	<u>\$ 37,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-	-	81,330	(81,330)
-	-	-	-	142,496	142,496	-	142,496
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 840,364</u>	<u>\$ 1,017,364</u>	<u>\$ 979,781</u>	<u>\$ 37,583</u>	<u>\$ 142,496</u>	<u>\$ 142,496</u>	<u>\$ 81,330</u>	<u>\$ 61,166</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,630)</u>	<u>\$ (45,630)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,330)</u>	<u>\$ (81,330)</u>
\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 4,370	\$ 4,370	\$ -	\$ -	\$ (81,330)	\$ (81,330)
-	-	-	-	-	-	308,301	308,301
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,370</u>	<u>\$ 4,370</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, 2006

		Component Unit School Board
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net changes in fund balances - total governmental funds	\$	(76,960)
<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. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:</p>		
Net change in fund balances - total governmental funds		
Capital additions	\$ 2,946,672	
Loss on disposal of assets	(16,499)	
Depreciation expense	<u>(524,723)</u>	2,405,450
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.		(6,085)
Transfer of joint tenancy assets from Primary Government to the Component Unit		<u>743,540</u>
Change in net assets of governmental activities	\$	<u><u>3,065,945</u></u>

Supporting Schedules

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Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006

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	\$ 9,925,300	\$ 9,925,300	\$ 9,648,917	\$ (276,383)
Public service taxes	2,080,000	2,080,000	1,688,008	(391,992)
Personal property taxes	1,641,600	1,641,600	2,592,496	950,896
Mobile home taxes	41,500	41,500	34,617	(6,883)
Machinery and tools taxes	110,200	110,200	156,504	46,304
Penalties	146,000	146,000	192,679	46,679
Interest	88,000	88,000	111,270	23,270
Total general property taxes	\$ 14,032,600	\$ 14,032,600	\$ 14,424,491	\$ 391,891
Other local taxes:				
Local sales and use taxes	\$ 1,139,900	\$ 1,139,900	\$ 1,185,968	\$ 46,068
Consumer utility taxes	339,400	339,400	372,235	32,835
Local consumption tax	70,000	70,000	65,582	(4,418)
Business license taxes	1,075,000	1,075,000	1,171,729	96,729
Cable TV franchise license taxes	44,200	44,200	33,547	(10,653)
Motor vehicle licenses	427,000	427,000	483,352	56,352
Bank franchise taxes	69,100	69,100	92,125	23,025
Recordation taxes	550,000	550,000	741,770	191,770
Local tax from clerk	79,000	79,000	150,539	71,539
Interest on fines	2,500	2,500	3,797	1,297
Transient occupancy tax	100,700	100,700	105,083	4,383
Meals tax	521,000	521,000	635,687	114,687
E-911 fees	230,000	230,000	230,387	387
Total other local taxes	\$ 4,647,800	\$ 4,647,800	\$ 5,271,801	\$ 624,001
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,800	\$ 7,800	\$ 7,789	\$ (11)
Building and related permits	417,300	417,300	450,574	33,274
Landfill inspection fees	168,700	168,700	171,751	3,051
Other permits and licenses	65,100	65,100	203,819	138,719
Total permits, privilege fees and regulatory licenses	\$ 658,900	\$ 658,900	\$ 833,933	\$ 175,033
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 205,400	\$ 205,400	\$ 332,871	\$ 127,471

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (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	\$ 319,815	\$ 319,815	\$ 673,140	\$ 353,325
Revenue from use of property	28,600	39,330	55,987	16,657
Total revenue from use of money and property	<u>\$ 348,415</u>	<u>\$ 359,145</u>	<u>\$ 729,127</u>	<u>\$ 369,982</u>
Charges for services:				
Sheriff's fees	\$ 1,400	\$ 1,400	\$ 921	\$ (479)
Law library fees	3,500	3,500	2,988	(512)
Local court appointed attorney fees	3,900	3,900	6,264	2,364
Courthouse maintenance fees	10,300	10,300	12,901	2,601
Commonwealth attorney fees	600	600	1,281	681
Concealed weapon fees	4,200	4,200	4,190	(10)
Courthouse security personnel fee	19,100	19,100	34,121	15,021
Jail admission fee	100	100	3,379	3,279
Charges for parks and recreation	194,500	264,033	304,635	40,602
Charges for maps / publications	2,600	2,600	1,235	(1,365)
Other charges for services	-	-	491	491
Total charges for services	<u>\$ 240,200</u>	<u>\$ 309,733</u>	<u>\$ 372,406</u>	<u>\$ 62,673</u>
Miscellaneous revenue:				
Miscellaneous	\$ 142,190	\$ 142,190	\$ 232,741	\$ 90,551
Contributions to Welcome Center	45,500	45,500	23,429	(22,071)
Insurance recoveries	22,000	33,475	47,434	13,959
Total miscellaneous revenue	<u>\$ 209,690</u>	<u>\$ 221,165</u>	<u>\$ 303,604</u>	<u>\$ 82,439</u>
Recovered costs:				
Service authority cost allocation	\$ 245,410	\$ 252,010	\$ 177,900	\$ (74,110)
Total revenue from local sources	<u>\$ 20,588,415</u>	<u>\$ 20,686,753</u>	<u>\$ 22,446,133</u>	<u>\$ 1,759,380</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Intergovernmental revenue:				
School Board contribution to Primary Government	\$ 142,496	\$ 142,496	\$ -	\$ (142,496)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 24,000	\$ 24,000	\$ 9,851	\$ (14,149)
Wine taxes	17,200	17,200	10,325	(6,875)
Rolling stock tax	3,500	3,500	216	(3,284)
Mobile home titling taxes	40,000	40,000	28,604	(11,396)
Recordation tax	74,000	74,000	146,559	72,559
Auto rental tax	35,700	35,700	32,306	(3,394)
PPTRA	1,068,500	1,068,500	2,409,734	1,341,234
Total noncategorical aid	\$ 1,262,900	\$ 1,262,900	\$ 2,637,595	\$ 1,374,695
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 173,600	\$ 231,146	\$ 232,552	\$ 1,406
Sheriff	835,200	835,200	879,498	44,298
Commissioner of the Revenue	87,500	87,500	90,443	2,943
Treasurer	85,600	85,600	89,074	3,474
Medical examiner	200	200	120	(80)
Registrar/electoral board	38,400	38,400	44,695	6,295
Clerk of the Circuit Court	140,100	140,100	296,192	156,092
Total shared expenses	\$ 1,360,600	\$ 1,418,146	\$ 1,632,574	\$ 214,428
Other categorical aid:				
Welfare administration and assistance	\$ 1,120,360	\$ 1,120,360	\$ 376,811	\$ (743,549)
Litter control	2,000	2,000	6,568	4,568
Two for life funds	-	-	16,781	16,781
Health department	-	-	9,002	9,002
Comprehensive services	520,000	1,077,502	653,914	(423,588)
VJCCCA grant	-	-	21,324	21,324
Va, Commission of the arts	4,000	4,000	4,000	-
Department of criminal justice grant	-	94,798	31,690	(63,108)
CCP 2005 grant	-	10,000	-	(10,000)
LEMPG grant	-	12,820	-	(12,820)
Wireless bd grant	43,815	119,275	110,606	(8,669)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Drug asset seizure forfeiture	\$ -	\$ -	\$ 1,712	\$ 1,712
DCJS - Victim witness assistance grant	26,432	21,630	25,487	3,857
Library grant	70,358	71,622	71,624	2
DUI enforcement grant	-	23,282	-	(23,282)
Other categorical aid	-	32,349	71,210	38,861
Total other categorical aid	\$ 1,786,965	\$ 2,589,638	\$ 1,400,729	\$ (1,188,909)
Total categorical aid	\$ 3,147,565	\$ 4,007,784	\$ 3,033,303	\$ (974,481)
Total revenue from the Commonwealth	\$ 4,410,465	\$ 5,270,684	\$ 5,670,898	\$ 400,214
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ -	\$ -	\$ 925,265	\$ 925,265
US Fish and wildlife service	5,000	5,000	4,618	(382)
Citizen corps grant	-	-	2,400	2,400
Emergency management grant	-	-	9,536	9,536
JAG justice assistance grant program	-	3,526	-	(3,526)
Byrne formula grant	-	-	3,946	3,946
Transportation grant	-	-	7,969	7,969
Homeland security	-	-	75,611	75,611
Law enforcement block grant	-	40,578	40,578	-
Total revenue from the federal government	\$ 5,000	\$ 49,104	\$ 1,069,923	\$ 1,020,819
Total General Fund	\$ 25,146,376	\$ 26,149,037	\$ 29,186,954	\$ 3,037,917
Capital Improvements Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Landfill host fees	\$ 6,420,000	\$ 6,420,000	\$ 6,479,585	\$ 59,585
Landfill fees - beneficial use	414,000	414,000	249,535	(164,465)
Total permits, privilege fees and regulatory licenses	\$ 6,834,000	\$ 6,834,000	\$ 6,729,120	\$ (104,880)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Primary Government: (Continued)				
Capital Improvements Fund: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 375,000	\$ 375,000	\$ 1,937,211	\$ 1,562,211
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 123,650	\$ 123,650
Total revenue from local sources	<u>\$ 7,209,000</u>	<u>\$ 7,209,000</u>	<u>\$ 8,789,981</u>	<u>\$ 1,580,981</u>
Revenue from the Commonwealth:				
Categorical aid:				
VPSA subsidy	\$ -	\$ -	\$ 1,088,043	\$ 1,088,043
Rt. 206 biking & pedestrian facility	-	160,000	-	(160,000)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 1,088,043</u>	<u>\$ 928,043</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 634,864	\$ 297,506	\$ (337,358)
Total Capital Improvements Fund	<u>\$ 7,209,000</u>	<u>\$ 8,003,864</u>	<u>\$ 10,175,530</u>	<u>\$ 2,171,666</u>
Grand Total Revenues -- Primary Government	<u>\$ 32,355,376</u>	<u>\$ 34,152,901</u>	<u>\$ 39,362,484</u>	<u>\$ 5,209,583</u>
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	\$ 16,290	\$ (3,710)
Total revenue from use of money and property	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 16,290</u>	<u>\$ (3,710)</u>
Charges for services:				
Charges for tuition	\$ 65,000	\$ 65,000	\$ 39,925	\$ (25,075)
Total charges for services	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 39,925</u>	<u>\$ (25,075)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 60,700	\$ 60,700	\$ 3,190	\$ (57,510)
Other reimbursements and recoveries	<u>143,300</u>	<u>143,300</u>	<u>65,539</u>	<u>(77,761)</u>
Total miscellaneous revenue	<u>\$ 204,000</u>	<u>\$ 204,000</u>	<u>\$ 68,729</u>	<u>\$ (135,271)</u>
Total revenue from local sources	<u>\$ 289,000</u>	<u>\$ 289,000</u>	<u>\$ 124,944</u>	<u>\$ (164,056)</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 8,991,170</u>	<u>\$ 9,360,488</u>	<u>\$ 9,233,493</u>	<u>\$ (126,995)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,642,323	\$ 2,642,323	\$ 2,752,910	\$ 110,587
Basic school aid	8,682,389	9,136,995	8,862,360	(274,635)
Remedial education	158,252	158,252	162,863	4,611
Textbook	136,833	136,833	140,820	3,987
Vocational education SOQ	201,608	201,608	207,482	5,874
Special education	1,094,754	1,094,754	1,126,652	31,898
Fringe benefits	920,319	920,319	881,243	(39,076)
K-3	183,994	183,994	187,739	3,745
Lottery	531,639	531,639	537,491	5,852
Technology grant	180,000	180,000	180,000	-
Other state funds	<u>631,452</u>	<u>631,452</u>	<u>646,702</u>	<u>15,250</u>
Total categorical aid	<u>\$ 15,363,563</u>	<u>\$ 15,818,169</u>	<u>\$ 15,686,262</u>	<u>\$ (131,907)</u>
Total revenue from the Commonwealth	<u>\$ 15,363,563</u>	<u>\$ 15,818,169</u>	<u>\$ 15,686,262</u>	<u>\$ (131,907)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 299,224	\$ 299,224	\$ 374,819	\$ 75,595
Title VI - B	520,128	520,128	728,597	208,469
Title II - EESA	112,858	112,858	96,936	(15,922)
Other federal assistance	<u>187,164</u>	<u>351,428</u>	<u>268,946</u>	<u>(82,482)</u>
Total categorical aid	<u>\$ 1,119,374</u>	<u>\$ 1,283,638</u>	<u>\$ 1,469,298</u>	<u>\$ 185,660</u>
Total revenue from the federal government	<u>\$ 1,119,374</u>	<u>\$ 1,283,638</u>	<u>\$ 1,469,298</u>	<u>\$ 185,660</u>
Total School Operating Fund	<u>\$ 25,763,107</u>	<u>\$ 26,751,295</u>	<u>\$ 26,513,997</u>	<u>\$ (237,298)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2006 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
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	\$ 544,364	\$ 630,278	\$ 609,940	\$ (20,338)
Miscellaneous revenue:				
Miscellaneous	\$ 7,500	\$ 7,500	\$ 12,230	\$ 4,730
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 12,500	\$ 103,586	\$ 13,577	\$ (90,009)
Revenue from the federal government:				
Categorical aid:				
School food	\$ 275,000	\$ 275,000	\$ 298,404	\$ 23,404
Total School Cafeteria Fund	<u>\$ 840,364</u>	<u>\$ 1,017,364</u>	<u>\$ 934,151</u>	<u>\$ (83,213)</u>
School Construction Fund:				
Categorical aid:				
Construction grant	\$ 142,496	\$ 142,496	\$ -	\$ (142,496)
Total School Construction Fund	<u>\$ 142,496</u>	<u>\$ 142,496</u>	<u>\$ -</u>	<u>\$ (142,496)</u>
Grand Total Revenues--Component Unit-School Board	<u>\$ 26,745,967</u>	<u>\$ 27,911,155</u>	<u>\$ 27,448,148</u>	<u>\$ (463,007)</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 2003; schedules presenting government-wide information include information beginning in that year.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</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
Restricted	16,962,297	8,336,059	19,676,870	41,079,369	40,112,274
Unrestricted	11,011,148	12,648,884	13,502,050	(5,199,304)	(4,481,604)
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>
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
Unrestricted	481,599	1,063,433	(851,067)	(495,069)	1,424,196
Total primary government expenses	<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>
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
Restricted	16,962,297	8,336,059	19,676,870	41,079,369	40,112,274
Unrestricted	11,492,747	13,712,317	12,650,983	(5,694,373)	(3,057,408)
Total primary government	<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>

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

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

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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
Local sales and use taxes	883,908	947,874	1,030,237	1,103,560	1,185,968
Consumer utility taxes	322,347	306,359	324,936	334,509	372,235
Business license taxes	840,367	881,947	1,044,156	1,052,792	1,171,729
Motor vehicle license tax	374,152	395,760	426,854	456,906	483,352
Recordation taxes	117,575	173,998	241,285	485,706	741,770
Meals tax	438,032	457,174	520,961	640,118	635,687
E-911 taxes	217,788	219,806	223,770	227,575	230,387
Other local taxes	199,060	246,301	336,802	416,180	450,673
Commonwealth of Virginia non-categorical aid	-	1,957,494	2,184,442	2,365,848	2,637,595
Unrestricted revenues from use of money and property	621,796	626,202	399,015	1,341,213	2,653,602
Miscellaneous	166,487	126,611	860,599	390,189	427,254
Transfers	-	-	(706,477)	(1,678,298)	(1,699,783)
Total governmental activities	<u>\$ 13,608,739</u>	<u>\$ 18,025,488</u>	<u>\$ 19,508,092</u>	<u>\$ 20,704,687</u>	<u>\$ 23,745,324</u>
Business-type activities:					
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ 99,431	\$ 166,945	\$ 111,979
Miscellaneous	-	-	361,451	574,623	1,211,493
Transfers	-	-	706,477	1,678,298	1,699,783
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,167,359</u>	<u>\$ 2,419,866</u>	<u>\$ 3,023,255</u>
Total primary government	<u>\$ 13,608,739</u>	<u>\$ 18,025,488</u>	<u>\$ 20,675,451</u>	<u>\$ 23,124,553</u>	<u>\$ 26,768,579</u>
Change in Net Assets					
Governmental activities	\$ 2,701,533	\$ (5,933,368)	\$ 13,103,631	\$ 7,538,342	\$ 1,730,496
Business-type activities	659,724	1,165,052	2,355,969	1,691,686	2,383,037
Total primary government	<u>\$ 3,361,257</u>	<u>\$ (4,768,316)</u>	<u>\$ 15,459,600</u>	<u>\$ 9,230,028</u>	<u>\$ 4,113,533</u>

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>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund					
Reserved	\$ 30,721	\$ 919,720	\$ 2,410,722	\$ 60,501	\$ 290,158
Unreserved	4,349,736	3,782,992	5,479,287	5,968,158	7,823,619
Total General Fund	<u>\$ 4,380,457</u>	<u>\$ 4,702,712</u>	<u>\$ 7,890,009</u>	<u>\$ 6,028,659</u>	<u>\$ 8,113,777</u>
All other Governmental Funds					
Reserved for capital projects	\$	\$	\$ 1,475,000	\$ 4,583,000	\$ 7,432,450
Unreserved, reported in:					
Permanent Funds	-	-	-	-	-
Special Revenue	162,565	158,655	159,711	137,244	254,056
Debt Service	599,739	605,147	608,802	603,419	537,211
Capital Projects	675,593	1,396,783	3,367,919	4,863,637	6,306,718
Total all other governmental funds	<u>\$ 1,437,897</u>	<u>\$ 2,160,585</u>	<u>\$ 5,611,432</u>	<u>\$ 10,187,300</u>	<u>\$ 14,530,435</u>

Table 3

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 252,734	\$ 1,381,447	\$ 1,703,385	\$ 1,450,717	\$ 1,261,813
<u>11,108,069</u>	<u>12,532,709</u>	<u>13,755,238</u>	<u>19,059,078</u>	<u>17,619,894</u>
<u>\$ 11,360,803</u>	<u>\$ 13,914,156</u>	<u>\$ 15,458,623</u>	<u>\$ 20,509,795</u>	<u>\$ 18,881,707</u>
\$ 16,138,304	\$ 6,323,709	\$ 17,196,042	\$ 53,871,288	\$ 53,852,195
715,836	719,816	1,149,272	1,086,385	1,073,649
-	-	-	-	-
-	-	-	-	-
<u>\$ 16,854,140</u>	<u>\$ 7,043,525</u>	<u>\$ 18,345,314</u>	<u>\$ 54,957,673</u>	<u>\$ 54,925,844</u>

County of King George, Virginia

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues:					
General property taxes	\$ 8,833,212	\$ 9,124,099	\$ 9,403,414	\$ 9,510,284	\$ 9,484,387
Other local taxes	2,358,402	2,467,075	2,504,457	2,851,057	3,112,812
Permits, privilege fees and regulatory licenses	1,141,609	2,980,561	6,673,064	6,751,718	7,191,862
Fines and forfeitures	90,014	102,842	93,512	780,083	125,082
Revenue from use of money and property	221,855	161,399	327,821	386,004	1,151,602
Charges for services	138,830	167,387	263,888	228,334	215,519
Miscellaneous	107,756	1,181,076	1,616,708	69,784	438,592
Recovered costs	-	-	-	20,612	5,786
Intergovernmental:					
School Board	-	-	-	-	-
Commonwealth	1,614,740	2,222,921	1,795,855	2,479,533	4,047,071
Federal	488,191	591,505	824,392	718,734	851,082
Total revenues	<u>\$ 14,994,609</u>	<u>\$ 18,998,865</u>	<u>\$ 23,503,111</u>	<u>\$ 23,796,143</u>	<u>\$ 26,623,795</u>
Expenditures:					
General government administration	\$ 871,054	\$ 931,045	\$ 951,221	\$ 1,049,670	\$ 1,180,897
Judicial administration	155,440	222,693	239,736	392,397	527,313
Public safety	2,007,588	2,378,295	2,552,622	2,722,162	3,379,592
Public works	406,448	429,177	458,990	423,181	35,156
Health and welfare	1,259,984	1,543,156	1,581,736	1,731,808	1,908,407
Education	2,595	5,484	5,585	3,868	3,982
Parks, recreation, and cultural	446,079	494,807	488,050	557,663	603,876
Community development	585,984	547,314	474,326	525,126	524,325
NonDepartmental	35,009	214,992	64,713	119,507	41,068
Capital outlays and projects	1,208,188	1,899,395	2,392,411	1,661,105	1,310,398
Debt service:					
Principal retirement	354,263	384,050	393,888	415,094	501,506
Interest and other fiscal charges	368,272	351,572	350,980	335,376	372,090
Total expenditures	<u>7,700,904</u>	<u>9,401,980</u>	<u>9,954,258</u>	<u>9,936,957</u>	<u>10,388,610</u>
Excess (deficiency) of revenues over expenditures	<u>7,293,705</u>	<u>9,596,885</u>	<u>13,548,853</u>	<u>13,859,186</u>	<u>16,235,185</u>
Other financing sources (uses):					
Transfers in	\$ 757,534	\$ 2,504,777	\$ 7,834,899	\$ 8,012,058	\$ 7,042,185
Transfers (out)	(8,262,933)	(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)	<u>\$ (7,505,399)</u>	<u>\$ (8,551,942)</u>	<u>\$ (8,124,796)</u>	<u>\$ (8,733,946)</u>	<u>\$ (9,306,932)</u>
Net changes in fund balances	<u>\$ (211,694)</u>	<u>\$ 1,044,943</u>	<u>\$ 5,424,057</u>	<u>\$ 5,125,240</u>	<u>\$ 6,928,253</u>
Debt service as a percentage of noncapital expenditures	<u>12.81%</u>	<u>10.29%</u>	<u>11.23%</u>	<u>10.25%</u>	<u>10.32%</u>

Table 4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$	9,561,119	\$ 11,644,240	\$ 12,391,790	\$ 13,555,599	\$ 14,424,491
	3,393,229	3,629,219	4,149,001	4,717,346	5,271,801
	7,289,227	7,866,325	7,553,367	7,437,075	7,563,053
	131,065	187,635	193,299	292,217	332,871
	621,796	626,202	399,015	1,341,213	2,653,602
	217,982	259,739	243,307	271,847	372,406
	166,487	126,611	860,599	260,832	427,254
	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
	784,521	804,072	1,008,321	1,033,529	1,367,429
\$	<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>
\$	1,540,980	\$ 1,526,946	\$ 1,691,011	\$ 2,432,055	\$ 2,413,529
	571,430	523,670	631,216	684,282	818,117
	3,563,653	3,826,071	4,552,953	7,697,855	7,049,962
	599,590	761,308	724,495	947,689	982,312
	1,654,251	2,077,203	2,462,346	2,670,886	3,285,612
	7,677,143	21,190,220	8,850,378	12,464,331	11,919,739
	772,020	928,529	952,483	1,238,568	1,149,277
	773,992	864,064	898,036	1,021,505	5,887,223
	1,821,680	2,097,260	2,737,547	-	-
	1,245,520	1,230,829	1,161,983	1,119,800	1,194,852
	1,106,426	782,048	882,588	889,860	2,666,216
	<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>4,935,824</u>	<u>(6,394,784)</u>	<u>6,052,732</u>	<u>2,902,645</u>	<u>1,982,909</u>
\$	240,015	\$ 279,900	\$ 1,583,277	\$ 3,077,927	\$ 1,568,980
	(823,380)	(1,142,378)	(2,289,754)	(4,756,225)	(3,268,763)
	-	-	-	145,561	-
	-	-	-	444,067	-
	-	-	-	-	(7,500,000)
	-	-	-	(2,641,444)	(855,000)
	-	-	7,500,000	42,491,000	6,411,957
\$	<u>(583,365)</u>	<u>(862,478)</u>	<u>6,793,523</u>	<u>38,760,886</u>	<u>(3,642,826)</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>12.17%</u>	<u>9.50%</u>	<u>9.02%</u>	<u>8.19%</u>	<u>13.66%</u>

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Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year(1)	Real Estate	Personal Property	Machinery and Tools	Public Service	Total
1996-97	\$ 707,670,471	\$ 78,389,081	\$ 36,541,580	\$ 39,034,075	\$ 861,635,207
1997-98	733,506,212	77,811,970	37,241,285	38,687,375	887,246,842
1998-99	757,419,756	84,604,161	37,673,230	41,261,954	920,959,101
1999-00	821,184,338	86,319,427	37,925,570	44,297,238	989,726,573
2000-01	850,101,794	99,346,814	38,328,941	41,744,517	1,029,522,066
2001-02	855,894,803	104,253,943	37,680,535	44,177,050	1,042,006,331
2002-03	1,041,571,270	112,915,457	4,020,860	304,800,899	1,463,308,486
2003-04	1,120,896,350	118,008,072	3,753,075	288,954,628	1,531,612,125
2004-05	1,198,174,927	134,469,239	3,595,430	253,830,593	1,590,070,189
2005-06	1,820,476,337	156,703,285	4,620,563	220,026,033	2,201,826,217

(1) 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

<u>Fiscal Years</u>	<u>Real Estate First Half</u>	<u>Real Estate Second Half</u>	<u>Personal Property</u>	<u>Farm Machinery and Tools</u>	<u>Machinery and Tools</u>	<u>Mobile Homes First Half</u>	<u>Mobile Homes Second Half</u>
1996-97	\$ 0.75	\$ 0.75	\$ 3.10	\$ 2.00	\$ 2.50	\$ 0.75	\$ 0.75
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

(1) Per \$100 of assessed value

Principal Taxpayers

Taxpayer	Taxes Paid	Fiscal Year 2006	
		Assessed Valuation	% of Total Assessed Valuation
Birchwood Power Partners LP	\$ 1,378,956	\$ 344,739,000	21.68%
Virginia Dominion Power	121,999	30,499,750	1.92%
Verizon South, Inc.	112,679	28,169,750	1.77%
Birchwood Power Partners LLC	70,488	17,622,000	1.11%
Monmouth Woods Associates	38,770	9,692,500	0.61%
Virginia Homes LLC	29,278	7,319,500	0.46%
Augustine Land & Development LLC	28,671	7,167,750	0.45%
Thomas Worman Building Inc	28,363	7,090,750	0.45%
Dahlgren Office Bldg , LLC	26,174	6,543,500	0.41%
Dahlgren Office Bldg IV, LLC	24,298	6,074,500	0.38%
	<u>\$ 1,859,676</u>	<u>\$ 458,844,500</u>	<u>28.86%</u>

Source - Commissioner of the Revenue

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
1996-97	\$ 8,718,188	\$ 8,220,143	94.29%	\$ 194,503
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

(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>
\$ 8,414,646	96.52%	\$ 1,105,421	12.68%
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%

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 Facility Loans	Revenue Bonds	Notes Payable
1996-97	\$ 19,270,000	\$ 542,000	\$ 385,121	\$ 1,398,520	\$ 3,824,360	\$ -
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

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
\$	25,420,001	\$ 23,319	6.77%	16,100	\$ 1,579
	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

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Total	Percentage Of Estimated Actual Taxable Value of Property	Per Capita
1996-97	16,100	\$ 861,635,207	\$ 19,812,000	\$ -	\$ 19,812,000	2.30%	\$ 1,231
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

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, excludes revenue bonds, capital leases, and compensated absences.

Computation of Direct and Overlapping Bonded Debt
At June 30, 2006

Direct:(1)

County of King George	\$	47,610,248	100%	\$	47,610,248
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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	
1996-97	\$ 1,656,576	\$ 1,220,169	\$ 436,407	\$ 76,825	58,252	3.23
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

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

NA - Not available

Sources: www.fedstats.gov, Bureau of Labor Statistics, Bureau of Economic Analysis, Department of Education

Principal Employers

Employer	Fiscal Year 2006		% of Total County Employment
	Employees	Rank	
Navel Surface Warfare Center (NAVSWC)	3,850	1	19.19%
King George County Public School Board	510	2	2.54%
EG&G Services	325	3	1.62%
Logicon/Syscon Inc	225	4	1.12%
Synetics Corporation	225	5	1.12%
King George County Government	175	6	0.87%
Computer Sciences Corporation	150	7	0.75%
Greenhost Inc	130	8	0.65%
Heritage Hall Health Care	125	9	0.62%
CACI	70	10	0.35%
Totals	<u>5,785</u>		<u>28.84%</u>

NA - Not available

Source: Individual county departments

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

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

Source: Individual county departments

Note: Information was only available prior to fiscal year 2001.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Sheriffs department:										
Physical arrests	N/A	N/A	503	653	673	854	1,341	2,129	1,410	908
Traffic violations	N/A	N/A	2,100	2,386	5,799	1,975	2,354	2,882	3,744	5,418
Civil papers	N/A	N/A	4,927	5,497	6,222	7,097	7,077	7,125	6,994	7,713
Fire and rescue:										
Number of calls answered	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,668	2,828	3,188
Building inspections:										
Permits issued	95	118	150	155	115	190	242	385	388	484
Animal control:										
Number of calls answered	767	886	868	952	867	869	850	776	636	452
Public works										
General maintenance:										
Trucks/vehicles	3	8	9	9	9	12	12	12	12	12
Component Unit - School Board										
Education:										
School age population	2,880	2,865	2,973	2,981	2,939	3,050	3,163	3,400	3,524	3,830
Number of teachers	210	223	233	239	237	N/A	260	255	257	N/A
Local expenditures per pupil	5,511	5,566	6,185	6,755	6,893	6,845	7,107	7,178	7,084	7,529

Source: Individual county departments

N/A - Information not available

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Patrol units	1	3	7	10	15	15	21	28	29	29
Other vehicles	3	3	3	4	4	4	4	6	7	7
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	3	8	9	9	9	12	12	12	12	12
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
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	5
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	5	5	6	7	8	10	10	10	10	10
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	2	4	4	5	6	6
Component Unit - School Board										
Education:										
Schools	7	7	7	7	7	7	7	7	8	8
School buses	43	43	50	50	53	56	57	62	64	67

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 aggregate discretely presented component units, 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, 2006, which collectively comprise the County of King George, Virginia's basic financial statements and have issued our report thereon dated November 9, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have reported to management in a separate letter dated November 9, 2006.

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

Charlottesville, Virginia
November 9, 2006

Report on Compliance with Requirements Applicable to Each Major Program and 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 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, 2006. 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; Specifications for Audits of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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, 2006.

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 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 9, 2006

County of King George, Virginia

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2006

<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 \$	297,506
<u>DEPARTMENT OF THE INTERIOR:</u>		
<u>Direct payments:</u>		
US Fish & Wildlife Service	15.000 \$	4,618
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>		
<u>Pass through payments:</u>		
Drug Control & System Improvement Grant	16.579 \$	3,946
State and local anti-terrorism training	16.614	40,579
Total Department of Criminal Justice	\$	44,525
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
State and Community Highway Safety	20.600 \$	2,271
Open Container/Alcohol Impaired Dirving	20.604	5,698
Total Department of Transportation	\$	7,969
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Direct payments:</u>		
Emergency management preparedness grant	97.042 \$	3,126
<u>Pass through payments:</u>		
Emergency management preparedness grant	97.042	6,410
State homeland security grant program	97.004	75,611
Citizen Corps	97.004	2,400
Total U.S. Department of Homeland Security:	\$	87,547
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561 \$	139,190
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
State-wide fraud	93.000 \$	250
Family preservation and support	93.556	12,063
Temporary assistance to needy families	93.558	86,177
Refugee and entrant assistance	93.566	141
Low-income energy assistance	93.568	5,752
Payments to states for child care assistance	93.575	126,706
Child care and development fund	93.596	100,157
Foster care-title IV-E	93.658	231,340
Adoption assistance	93.659	7,297
Social services block grant	93.667	93,461
Medical assistance program	93.778	122,730
Total Department of Health and Human Services	\$	786,074
Total Primary Government	\$	1,367,429

County of King George, Virginia

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Units
Year Ended June 30, 2006 (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 \$	54,283
Department of Education:		
National school breakfast program	10.553	55,934
National school lunch program	10.555	<u>242,470</u>
Total Department of Agriculture		\$ <u>352,687</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000 \$	<u>71,144</u>
Total Department of Labor		\$ <u>71,144</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Pass through payments:</u>		
Education Consolidation and Improvement Act of 1981:		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010 \$	374,819
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	728,597
Special Projects:		
Preschool	84.173	29,662
Vocational education - basic grants to states	84.048	39,899
Emergency impact aid	84.938	78,705
Title VI - Improving School Prog State Blk Grnt	84.298	19,287
Drug-free schools and communities (2E004617)	84.186	21,401
Technology literacy challenge grant	84.318	6,596
State assessments and related activities	84.369	2,252
Title II - Part A	84.367	<u>96,936</u>
Total Department of Education		\$ <u>1,398,154</u>
Total Component Unit School Board		\$ <u><u>1,821,985</u></u>
Total Reporting Entity		\$ <u><u>3,189,414</u></u>

County of King George, Virginia

Notes to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2006

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	\$ 1,069,923
Capital Improvement Fund	<u>297,506</u>
Total primary government	\$ <u>1,367,429</u>
Component Unit Public Schools:	
School Operating Fund	\$ 1,469,298
School Cafeteria Fund	<u>298,404</u>
Total component unit public schools	\$ <u>1,767,702</u>
Total federal expenditures per basic financial statements	\$ <u>3,135,131</u>
Non-cash expenditures - value of donated commodities	\$ <u>54,283</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,189,414</u></u>

County of King George, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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
Reportable conditions 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
Reportable conditions identified not considered
to be material weaknesses? None reported

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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