

COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

Prepared by

Terri E. Hale, Assistant County Administrator

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS

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

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS (Continued)

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

COUNTY OF KING WILLIAM, VIRGINIA

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

TABLE OF CONTENTS (Continued)

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

COUNTY OF KING WILLIAM, VIRGINIA

BOARD OF SUPERVISORS

C.T. Redd III, Chairman

Eugene J. Rivara

W.F. Adams

Thomas G. Smiley

Otto O. Williams

COUNTY SOCIAL SERVICES BOARD

Leo C. Wagner, Chairman

Otto O. Williams

Lydia Maddox

Constance D. Mickens

Elizabeth A. Donoghue

COUNTY SCHOOL BOARD

Kathy H. Morrison, Chairperson

Terry S. Adams

Sharon T. Townsend

Steven M. Tupponce

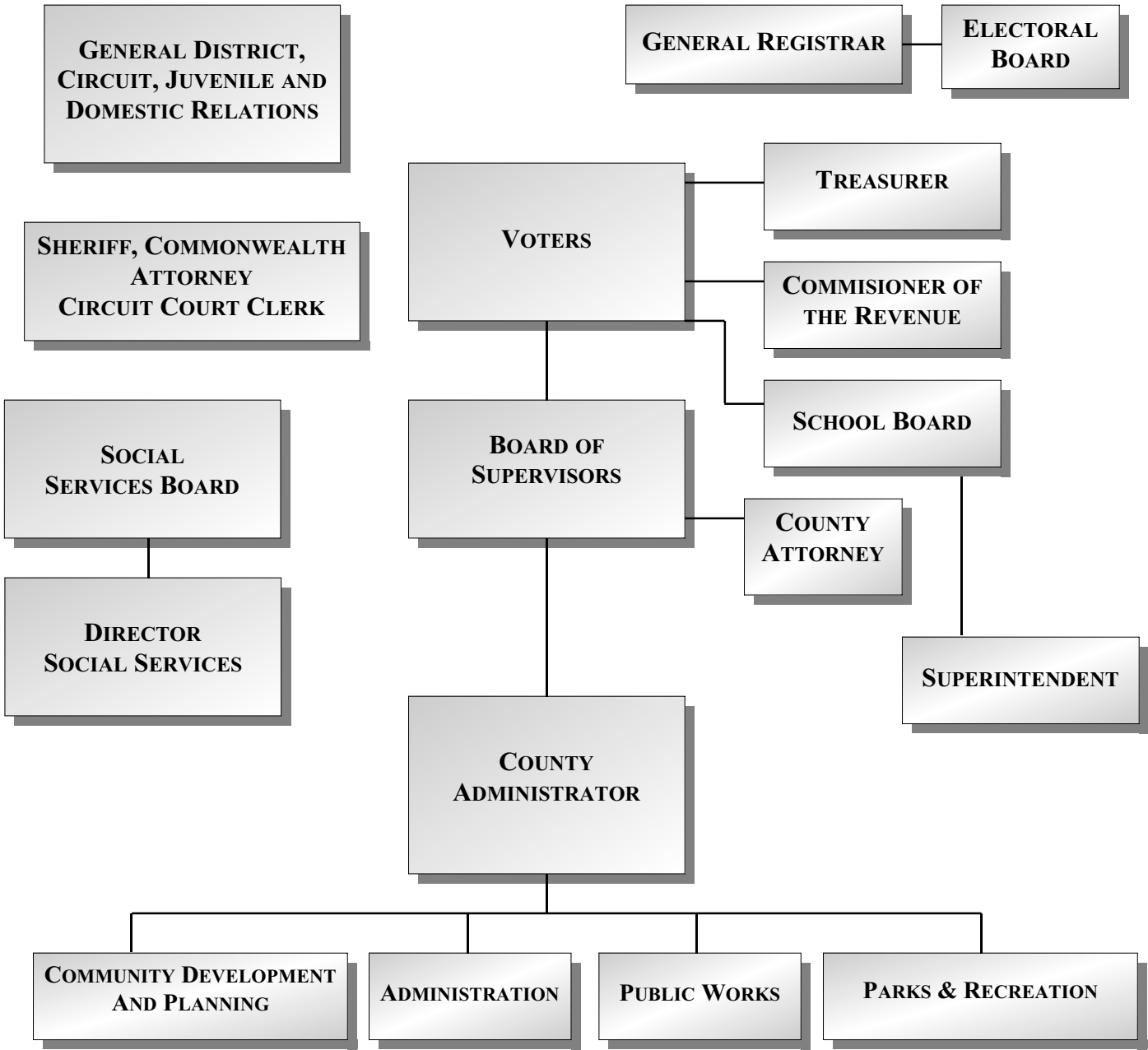
Donald B. Longest

OTHER OFFICIALS

Judge of the Circuit Court
Clerk of the Circuit Court
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Acting Superintendent of Schools
Director of Social Services
County Administrator
Assistant County Administrator
County Attorney

Thomas B. Hoover
Patricia M. Norman
Merlin M. Renne
George C. Fairbanks, IV
Stephen A. Palmer
Sally W. Pearson
Harry L. Whitt
J.S. "Jeff" Walton
Dr. Johnnie Gordon
Ben P. Owen, IV
Frank A. Pleva
Terri E. Hale
L. McCauley Chenault

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





King William County
Est. 1702 in Virginia

BOARD OF SUPERVISORS

FRANK A. PLEVA
County Administrator

TERRI E. HALE
Assistant County Administrator

C. Thomas Redd III, First District
W. Franklin Adams, Second District
Eugene J. Rivara, Third District
Thomas G. Smiley, Fourth District
Otto O. Williams, Fifth District

December 21, 2007

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

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

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

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

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

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

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

THE REPORTING ENTITY AND ITS SERVICES

The County of King William report includes all funds and account groups of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified one discretely presented component unit. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. The County has no blended components; the School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to a public whose Board is elected and is fiscally dependent on the local government.

ECONOMIC CONDITION AND OUTLOOK

The County continues to see a relatively stable growth in revenues; however, expenditures have grown at a significantly faster pace over the last several fiscal years, the result of federal and state costs passed on to the local level and an increased demand for services due to growth. In June 2002, the County began collecting real estate taxes twice a year. This resulted in a significant one-time fund balance increase, which the Board of Supervisors designated for future debt service. During FY04, the County substantially completed the schools’ portion of a \$29M multi-year, multi-phase capital improvements plan approved by the Board in FY01. This included a new primary school and a significant addition and renovation of the high school. A 300,000-gallon elevated water tank and associated water and sewer lines were completed in June 2002. A new Courts and Public Safety Building was dedicated in October 2004. Debt service, while still within an acceptable range, has and will continue to become a larger part of the annual operating budget as the County continues to grow and become an area of metropolitan Richmond.

The Board of Supervisors and the Treasurer have implemented a strict plan to collect outstanding taxes. This initially resulted in a significant increase in delinquent collections; however, these collections have leveled out and begun to decline.

The County continues to see considerable growth in population, 20.5% based on the 2000 census and an additional 13.4% projected through 2007. The challenge it faces in the future is continuing to provide the same and higher levels of services to its citizens while maintaining a stable tax rate.

MAJOR INITIATIVES

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

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

At a special meeting on November 13, 2007 the Board of Supervisors voted unanimously not to participate in the fall Virginia Resources Authority (VRA) pooled bond issue, which would have provided permanent financing for the acquisition of real property for the reservoir. The motion also requested that the City of Newport News delay any acquisition until all permits for the reservoir have been issued, to acquire property nearer the 2012 construction date and to acquire any property at their own expense. This significant issue has not yet been resolved.

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

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

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

The Board of Supervisors has approved a water and sewer service area, which includes the Routes 360/30 corridor. The water system currently has 20 commercial and 107 residential customers; the sewer system currently has 20 commercial and 10 residential customers. Discussions are currently being held to provide water and sewer service to a number of potential retail and commercial businesses within the service area. Discussions are underway to determine if the existing service area should be extended and/or another water tank and pump station should be constructed.

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

Construction is in progress for the planned development McCauley Park, which includes 247 single-family homes, retail shops and office space, and multi-family senior apartments. Section I of this project, which includes 93 homes, has been sold and/or built out. Sections II and III are now being marketed and include 77 homes each. Another planned development named Kennington was approved in January 2004 to be constructed over a five-year period that includes 229 single-family homes and 172 multi-family units consisting of townhouses, carriage-style homes for sale and commercial property. The developers have completed the construction of the subdivision and are currently applying for permits. To date, permits have been issued for 21 single-family homes and 12 town homes. Construction on the clubhouse and pool are complete. Kennington has both public water and sewer.

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

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

Finally, the County had entered into an agreement with two other middle peninsula counties to construct and operate a regional animal shelter. Plans for the approximately 4,000 square foot facility were being finalized when one of the localities withdrew from the agreement. The two remaining counties have scaled back the facility and the location has been changed to one more central, on a parcel adjacent to the King William Courthouse Complex. The project is anticipated to cost each participating jurisdiction approximately \$500,000. The facility is approximately 80% complete, with an expected opening in spring, 2008.

RISK MANAGEMENT

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

OTHER INFORMATION

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of King William, Virginia for its comprehensive annual financial report for the fiscal years ended June 30, 1998, June 30, 1999, June 30, 2000, June 30, 2001, June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005 and June 30, 2006. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

We could not accomplish the preparation of this report in a timely manner without the efficient and dedicated service provided by the staffs of the Finance Department, Treasurer, Commissioner of Revenue, School Administration and Department of Social Services. We would like to express our appreciation to all the members of the staff who assisted and contributed to its preparation. We would also like to thank the members of the Board of Supervisors for their continued interest and support in planning and conducting the financial operations of this County in a responsible, timely and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frank A. Pleva". The signature is written in dark ink and is positioned above the printed name and title.

Frank A. Pleva
County Administrator

A handwritten signature in cursive script that reads "Terri E. Hale". The signature is written in dark ink and is positioned above the printed name and title.

Terri E. Hale
Assistant County Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of King William
Virginia

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

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



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County of King William, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of King William, Virginia's management. Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the County of King William, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of King William, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The liabilities of the County exceeded its assets at the close of the most recent fiscal year by \$800,897 (net assets). The County is experiencing a high rate of growth and a significant increase in the demand for services. This has continued to occur over the last several fiscal years. The Board of Supervisors has attempted to balance tax increases with the fund balance; unfortunately, reductions in state revenues and costs passed on to the local government have eliminated the fund balance. Also, there are a number of human services programs that the Board has felt a moral obligation to continue. In concert with staff, the Board has developed a plan to rebuild the fund balance, which includes, but is not limited to, expenditure reductions, reduction of current programs, postponement of proposed programs and increases in taxes and fees. Also, the Board is in discussions with a financial advisor to develop a long term financial plan focusing more closely on service goals, priorities and fund balance.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$273,799, a decrease of \$348,470 over the prior year.
- The County's long-term obligations decreased by \$656,751 during FY07, resulting primarily from the payoff of general obligation bonds and literary fund loans. The Board of Supervisors did, however, approve the issuance of bonds in the amount of \$1,490,000 for Phase I of the construction/renovations to the King William High School athletic fields. Also, compensated absences decreased by 2.4%, or \$8,897.

Overview of the Financial Statements

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

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

Overview of the Financial Statements (Continued)

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. King William County liabilities exceeded assets by \$800,897 at the close of the fiscal year.

The County's investment in capital assets such as land, buildings and equipment totals \$34,278,548 (net of accumulated depreciation) at June 30, 2007. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 2,290,366	\$ 6,148,771
Capital assets	<u>34,278,548</u>	<u>34,104,386</u>
Total assets	<u>\$ 36,568,914</u>	<u>\$ 40,253,157</u>
Long-term liabilities outstanding	\$ 33,481,572	\$ 33,805,896
Current liabilities	<u>3,888,239</u>	<u>7,846,297</u>
Total liabilities	<u>\$ 37,369,811</u>	<u>\$ 41,652,193</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 68,259	\$ (659,035)
Restricted for:		
E-911 operations	-	43,036
Unrestricted	<u>(869,156)</u>	<u>(783,037)</u>
Total net assets	<u>\$ (800,897)</u>	<u>\$ (1,399,036)</u>

Government-Wide Financial Analysis (Continued)

Governmental Activities - Governmental activities reflect a change in net assets of \$598,140. Key elements of the increase are as follows:

	Changes in Net Assets	
	For the Years Ended June 30, 2007 and 2006	
	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 883,968	\$ 715,470
Operating grants and contributions	2,537,831	2,528,302
Capital grants and contributions	669,589	509,707
General revenues:		
General property taxes	12,411,669	11,133,059
Other local taxes	1,602,328	1,600,993
Use of money and property	271,379	105,636
Grants and contributions not restricted to specific programs	1,331,018	1,323,143
Other general revenues	391,817	83,195
Total revenues	\$ 20,099,599	\$ 17,999,505
Expenses:		
General government administration	\$ 1,587,512	\$ 1,419,242
Judicial administration	703,379	546,844
Public safety	2,902,265	3,876,633
Public works	1,634,409	1,365,801
Health and welfare	1,647,634	1,633,408
Education	7,914,185	8,735,293
Parks, recreation, and cultural	795,222	768,139
Community development	632,854	588,039
Interest and other fiscal charges	1,683,999	1,650,115
Total expenses	\$ 19,501,459	\$ 20,583,514
Change in net assets	\$ 598,140	\$ (2,584,009)
Net assets, July 1, 2006	(1,399,036)	1,184,973
Net assets, June 30, 2007	\$ (800,897)	\$ (1,399,036)

Program and general revenues for governmental activities totaled \$20,099,599 for the fiscal year. Of this amount, general property taxes totaled \$12,411,669 and other local taxes totaled \$1,602,328 accounting for 69.4% of governmental activity revenues.

The largest increase noted in revenues was general property taxes which increase by \$1,278,610, due to a increase in the tax levy of \$1,262,860, reference table 9.

Government-Wide Financial Analysis (Continued)

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Public safety expenses decreased by \$974,368 due to in large part a decrease of \$308,750 in expenses related to the regional security center. In addition Education expenses decreased by \$821,108 due to a current year transfer of jointly owned assets to the component unit school board of \$1,511,181 compared with \$2,361,866 in FY 06, a decrease of \$850,685.

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 \$273,799 a decrease of \$348,470 in comparison with the prior year.

The general fund reported an ending fund balance of (\$1,573,398), a decrease of \$206,350. The primary reason for this decrease is the continued demand for services in the County. The general capital projects fund reported an ending fund balance of \$1,484,039, a decrease of \$309,366. The significant factors contributing to this decrease include the expenditures related to the regional animal shelter project which totaled \$675,064 in FY 07 compared to \$13,081 in FY 06 combined with the decrease in expenditures related to the courthouse construction and administration building renovations projects which totaled \$146,640 in FY 07 compared to \$370,891 in FY 06. The school capital projects fund reported an ending fund balance of \$363,158, a increase of \$167,246. This increase can largely be contributed to the issuance of long term debt in FY 07 in the amount of \$1,490,000 combined with an increase of \$1,268,207 in expenditures related to the construction/renovations of the high school athletic fields.

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$1,573,398), while the total fund balances were \$273,799.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$586,266, or 2.9% increase in the total annual appropriation. These increases are briefly summarized as follows:

- ✓ \$117,897 increase in debt service
- ✓ \$89,191 for the Mt. Olive Community Improvement Project
- ✓ \$65,005 increase in legal services
- ✓ \$63,865 in the Comprehensive Services Act (CSA)
- ✓ \$62,152 for reassessment services
- ✓ \$57,418 increase in a transfer station lease
- ✓ \$28,928 in grant funds in the circuit court
- ✓ \$19,184 in central utilities, primarily engineering services
- ✓ \$15,651 for juvenile detention homes, based on usage
- ✓ \$11,238 in general properties for electrical services
- ✓ \$55,737 in miscellaneous functional increases

During the year actual expenditures exceeded actual revenues by \$206,350.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$44,923,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the year the County began Phase I of the construction and renovations to the King William High School athletic fields, expending \$1,433,770; continued construction of the regional animal shelter, expending \$675,064; completed miscellaneous paving at the court house complex, expending \$37,632; extended electrical service to the old landfill, expending \$13,711; and installed snow guards on the human services building, expending \$3,191.

Additional information of the County's capital asset increases and decreases during the year can be found in Note 4 to the financial statements.

Long-term obligations - At the end of the current fiscal year, the County has total long-term obligations outstanding of \$35,326,516. Of this amount \$25,065,730 comprises debt backed by the full faith and credit of the County and \$10,260,786 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total long-term obligations decreased by \$656,751 during the current fiscal year.

Additional information of the County's long-term obligations can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 2.8% at June 30, 2007, which approximates the prior year. The local unemployment rate compares favorably to the June 30, 2007 state and national rates of 2.9 and 4.7 respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last four years. According to the Virginia Employment Commission, the number of persons employed has increased from 4,909 in 2001 to 5,321 in 2005.

The County's FY08 adopted budget totals \$51,341,350, which is an increase of \$812,320, or 1.6% from the FY07 budget. A real property tax rate increase of \$0.07 was required to meet the demand for existing and new programs.

Requests for Information

This financial report is designed to provide a general overview of the County of King William, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant County Administrator, 180 Horse Landing Road, King William, Virginia 23086.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Assets
June 30, 2007

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Deposits and investments	\$ 617,340	\$ 1,054,063
Receivables (net of allowance for uncollectibles):		
Property taxes	858,678	-
Accounts receivable	112,101	10,871
Due from primary government	-	733,063
Due from other governments	<u>702,247</u>	<u>454,142</u>
 Total Current Assets	 \$ <u>2,290,366</u>	 \$ <u>2,252,139</u>
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	\$ 882,416	\$ 42,423
Buildings and improvements	7,385,252	3,808,776
Equipment	448,429	432,393
Jointly owned assets	20,400,948	6,361,442
Infrastructure	2,639,874	-
Construction in progress	2,521,629	-
Total Capital Assets	<u>\$ 34,278,548</u>	<u>\$ 10,645,034</u>
 Total Assets	 \$ <u>36,568,914</u>	 \$ <u>12,897,173</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 522,525	\$ 226,092
Accrued liabilities	-	1,990,933
Contingency	143,785	-
Due to component unit - School Board	733,063	-
Accrued interest payable	643,922	-
Current portion of long-term obligations	1,844,944	14,257
Total Current Liabilities	<u>\$ 3,888,239</u>	<u>\$ 2,231,282</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	<u>33,481,572</u>	<u>128,310</u>
 Total Liabilities	 \$ <u>37,369,811</u>	 \$ <u>2,359,592</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 68,259	\$ 10,645,034
Unrestricted assets	<u>(869,156)</u>	<u>(107,453)</u>
 Total Net Assets	 \$ <u>(800,897)</u>	 \$ <u>10,537,581</u>
 Total Liabilities and Net Assets	 \$ <u>36,568,914</u>	 \$ <u>12,897,173</u>

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

Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
PRIMARY GOVERNMENT:						
Governmental activities:						
General government						
administration	\$ 1,587,512	\$ -	\$ 228,053	\$ -	\$ (1,359,459)	\$ -
Judicial administration	703,379	70,068	373,098	-	(260,213)	-
Public safety	2,902,265	141,582	855,926	-	(1,904,757)	-
Public works	1,634,409	242,938	6,886	-	(1,384,585)	-
Health and welfare	1,647,634	-	1,068,868	-	(578,766)	-
Education	7,914,185	-	-	171,793	(7,742,392)	-
Parks, recreation, and cultural	795,222	62,935	5,000	-	(727,287)	-
Community development	632,854	366,445	-	497,796	231,387	-
Interest on long-term debt	1,683,999	-	-	-	(1,683,999)	-
Total governmental activities	\$ 19,501,459	\$ 883,968	\$ 2,537,831	\$ 669,589	\$ (15,410,071)	\$ -
COMPONENT UNIT:						
School Board	\$ 19,924,069	\$ 544,351	\$ 12,912,474	\$ -		\$ (6,467,244)
General revenues:						
General property taxes				\$ 12,411,669	\$ -	
Grants and contributions not restricted to specific programs				1,331,018	-	
Consumer utility taxes				316,991	-	
Business licenses				307,841	-	
Motor vehicle license taxes				268,331	-	
Emergency telephone tax				94,613	-	
Recordation taxes				368,069	-	
Other local taxes				246,483	644,635	
Unrestricted revenues from use of money and property				271,379	12,935	
County contribution to the School Board				-	7,335,757	
Miscellaneous				391,817	44,797	
Total general revenues				\$ 16,008,211	\$ 8,038,124	
Change in net assets				\$ 598,140	\$ 1,570,880	
Net assets - beginning				(1,399,036)	8,966,701	
Net assets - ending				\$ (800,897)	\$ 10,537,581	

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

Fund Financial Statements

This page intentionally left blank

Balance Sheet - Governmental Funds
At June 30, 2007

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	School Capital Projects	
ASSETS				
Deposits and investments	\$ -	\$ 1,528,694	\$ 788,651	\$ 2,317,345
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	858,678	-	-	858,678
Accounts	112,101	-	-	112,101
Due from other governmental units	702,247	-	-	702,247
Total assets	\$ 1,673,026	\$ 1,528,694	\$ 788,651	\$ 3,990,371
LIABILITIES				
Reconciled overdraft	\$ 1,274,512	\$ -	\$ 425,493	\$ 1,700,005
Accounts payable	477,870	44,655	-	522,525
Contingency	143,785	-	-	143,785
Due to component unit - School Board	733,063	-	-	733,063
Deferred revenue	617,194	-	-	617,194
Total liabilities	\$ 3,246,424	\$ 44,655	\$ 425,493	\$ 3,716,572
FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ 1,484,039	\$ 363,158	\$ 1,847,197
Unreserved, undesignated	(1,573,398)	-	-	(1,573,398)
Total fund balances	\$ (1,573,398)	\$ 1,484,039	\$ 363,158	\$ 273,799
Total liabilities and fund balances	\$ 1,673,026	\$ 1,528,694	\$ 788,651	

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.

34,278,548

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

(643,922)

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.

617,194

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(35,326,516)

Net assets of General Government Activities

\$ (800,897)

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

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

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	School Capital Projects	
Revenues:				
General property taxes	\$ 12,335,200	\$ -	\$ -	\$ 12,335,200
Other local taxes	1,602,328	-	-	1,602,328
Permits, privilege fees and regulatory licenses	308,665	198,822	-	507,487
Fines and forfeitures	61,357	-	-	61,357
Revenue from use of money and property	147,219	47,472	76,688	271,379
Charges for services	315,124	-	-	315,124
Miscellaneous	391,816	-	-	391,816
Recovered costs	121,278	278,600	-	399,878
Intergovernmental:				
Commonwealth	3,248,417	364	171,793	3,420,574
Federal	1,117,864	-	-	1,117,864
Total revenues	\$ 19,649,268	\$ 525,258	\$ 248,481	\$ 20,423,007
Expenditures:				
Current:				
General government administration	\$ 1,481,314	\$ -	\$ -	\$ 1,481,314
Judicial administration	545,276	-	-	545,276
Public safety	3,288,323	-	-	3,288,323
Public works	1,519,831	-	-	1,519,831
Health and welfare	1,641,189	-	-	1,641,189
Education	5,702,768	-	127,990	5,830,758
Parks, recreation, and cultural	783,565	-	-	783,565
Community development	1,051,637	-	-	1,051,637
Capital outlays and projects	-	867,865	1,405,574	2,273,439
Debt service:				
Principal retirement	2,107,408	-	-	2,107,408
Interest and other fiscal charges	1,734,307	143	37,671	1,772,121
Total expenditures	\$ 19,855,618	\$ 868,008	\$ 1,571,235	\$ 22,294,861
Excess (deficiency) of revenues over expenditures	\$ (206,350)	\$ (342,750)	\$ (1,322,754)	\$ (1,871,854)
Other financing sources (uses):				
Long-term debt issued	\$ -	\$ 1,460,000	\$ 1,490,000	\$ 2,950,000
Premium on bonds issued	-	85,346	-	85,346
Payment to refunded bond escrow agent	-	(1,511,962)	-	(1,511,962)
Total other financing sources (uses)	\$ -	\$ 33,384	\$ 1,490,000	\$ 1,523,384
Changes in fund balances	\$ (206,350)	\$ (309,366)	\$ 167,246	\$ (348,470)
Fund balances at beginning of year	(1,367,048)	1,793,405	195,912	622,269
Fund balances at end of year	<u>\$ (1,573,398)</u>	<u>\$ 1,484,039</u>	<u>\$ 363,158</u>	<u>\$ 273,799</u>

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

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

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(348,470)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:		
Capital outlay	\$ 2,738,550	
Depreciation expense	<u>(1,053,206)</u>	1,685,344
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,511,181)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the change in deferred taxes.		76,469
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Principal retired on bond anticipation notes (capital leases)	\$ 60,000	
Principal retired on revenue bonds	1,681,424	
Principal retired on general obligation bonds	1,225,419	
Principal retired on state literary fund loans	565,565	
Deferred amount on refunding	120,346	
Premium on long-term debt issued	(85,346)	
Long-term debt issued	<u>(2,950,000)</u>	617,408
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	\$ (9,552)	
Change in interest payable	39,227	
Amortization of premium on bonds payable	<u>48,895</u>	<u>78,570</u>
Change in net assets of governmental activities	\$	<u><u>598,140</u></u>

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

Statement of Fiduciary Net Assets
 At June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Due from other governments	\$ <u>538,054</u>
Total assets	\$ <u><u>538,054</u></u>
LIABILITIES	
Reconciled overdraft	\$ 337,222
Accounts payable	32,183
Due to other localities	168,319
Amounts held for social services clients	<u>330</u>
Total liabilities	\$ <u><u>538,054</u></u>

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

COUNTY OF KING WILLIAM, VIRGINIA

Notes to Financial Statements
As of June 30, 2007

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2007.

COUNTY OF KING WILLIAM, VIRGINIA

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

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

B. Individual Component Unit Disclosures: (Continued)

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

C. Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Middle Peninsula Northern Neck Community Services Board

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

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

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

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Project Funds

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

2. Fiduciary Funds (Trust and Agency Funds)

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

E. Budgets and Budgetary Accounting

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

E. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, School Capital Projects Fund, and the General Capital Projects Fund of the primary government and the School Fund and the School Cafeteria Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all county units.
8. All budget data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

F. Cash and Cash Equivalents

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

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

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “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 \$111,447 at June 30, 2007 and is comprised solely of property taxes.

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

H. Capital Assets

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

H. Capital Assets: (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Infrastructure	40
Vehicles	3-5
Office and computer equipment	5
Buses	12
Communication equipment	10
Kitchen equipment	15

I. Compensated Absences

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

J. Long-term Obligations

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

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

K. Fund Equity

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

L. Retirement Plan

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

M. Use of Estimates

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

N. Net Assets

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

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

<u>Locality's Rated Debt Investments' Values</u>	
	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 17,550
State Non-Arbitrage Pool	254,023
Money Market Mutual Funds	<u>1,020,477</u>
Total	<u>\$ 1,292,050</u>

Interest Rate Risk

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

External Investment Pools:

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

Note 3—Due From Other Governmental Units:

At June 30, 2007 the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
City of Fredericksburg	\$ -	\$ 14,057
City of Newport News	179,290	-
Commonwealth of Virginia:		
School funds	-	11,265
Public Assistance	18,683	-
Comprehensive services	100,811	-
Shared expenses	101,815	-
Communications tax	62,294	-
Other	56,031	-
Federal Government:		
School Funds	-	428,820
Community Development	134,139	-
Public Assistance	30,205	-
Other	18,979	-
Totals	\$ <u>702,247</u>	\$ <u>454,142</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets:

The following is a summary of changes in capital assets for the year ended June 30, 2007:

Governmental Activities:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 882,416	\$ -	\$ -	\$ 882,416
CIP Jointly owned assets	-	1,396,099	-	1,396,099
Construction in progress	<u>5,751,324</u>	<u>1,186,171</u>	<u>5,811,965</u>	<u>1,125,530</u>
Total capital assets not being depreciated	<u>\$ 6,633,740</u>	<u>\$ 2,582,270</u>	<u>\$ 5,811,965</u>	<u>\$ 3,404,045</u>
Capital assets being depreciated:				
Buildings	\$ 3,109,637	\$ 5,811,965	\$ -	\$ 8,921,602
Equipment	2,087,890	156,279	32,748	2,211,421
Infrastructure	3,289,965	-	-	3,289,965
Jointly owned assets	<u>24,740,674</u>	<u>-</u>	<u>1,760,984</u>	<u>22,979,690</u>
Total capital assets being depreciated	<u>\$ 33,228,166</u>	<u>\$ 5,968,244</u>	<u>\$ 1,793,732</u>	<u>\$ 37,402,678</u>
Less accumulated depreciation for:				
Buildings	\$ 1,320,833	\$ 215,517	\$ -	\$ 1,536,350
Equipment	1,610,409	185,331	32,748	1,762,992
Infrastructure	560,504	89,587	-	650,091
Jointly owned assets	<u>2,265,774</u>	<u>562,771</u>	<u>249,803</u>	<u>2,578,742</u>
Total accumulated depreciation	<u>\$ 5,757,520</u>	<u>\$ 1,053,206</u>	<u>\$ 282,551</u>	<u>\$ 6,528,175</u>
Total capital assets being depreciated, net	<u>\$ 27,470,646</u>	<u>\$ 4,915,038</u>	<u>\$ 1,511,181</u>	<u>\$ 30,874,503</u>
Governmental activities capital assets, net	<u>\$ 34,104,386</u>	<u>\$ 7,497,308</u>	<u>\$ 7,323,146</u>	<u>\$ 34,278,548</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets: (Continued)

Discretely Presented Component Unit-School Board:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 42,423	\$ -	\$ -	\$ 42,423
Total capital assets not being depreciated	\$ 42,423	\$ -	\$ -	\$ 42,423
Capital assets being depreciated:				
Buildings	\$ 9,764,586	\$ -	\$ -	\$ 9,764,586
Equipment	2,135,483	168,867	-	2,304,350
Jointly owned assets	5,527,123	1,760,984	-	7,288,107
Total capital assets being depreciated	\$ 17,427,192	\$ 1,929,851	\$ -	\$ 19,357,043
Less accumulated depreciation for:				
Buildings	\$ 5,541,137	\$ 414,673	\$ -	\$ 5,955,810
Equipment	1,799,033	72,924	-	1,871,957
Jointly owned assets	676,862	249,803	-	926,665
Total accumulated depreciation	\$ 8,017,032	\$ 737,400	\$ -	\$ 8,754,432
Total capital assets being depreciated, net	\$ 9,410,160	\$ 1,192,451	\$ -	\$ 10,602,611
School Board capital assets, net	\$ 9,452,583	\$ 1,192,451	\$ -	\$ 10,645,034

School Board capital assets are jointly owned by the County (primary government) and the Component Unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2007 the County transferred assets with costs of \$1,760,984 and accumulated depreciation of \$249,803 to the Component Unit School Board.

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 4—Capital Assets: (Continued)

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

Governmental activities:

General government	\$	49,480
Judicial administration		156,978
Public safety		159,654
Public works		110,388
Health and welfare		5,450
Education		562,771
Parks, recreation and cultural		<u>8,485</u>
Total	\$	<u><u>1,053,206</u></u>

Component Unit School Board:

Depreciation expense	\$	487,597
Accumulated depreciation on joint-tenancy asset transfer		<u>249,803</u>
Total increase in accumulated depreciation, page 32	\$	<u><u>737,400</u></u>

Note 5—Compensated Absences:

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

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

Primary Government	\$	<u><u>220,234</u></u>
Component Unit-School Board	\$	<u><u>142,567</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations:

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Literary Fund Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 298,754	\$ 476,401	\$ 1,216,718	\$ 841,072	\$ 565,489	\$ 159,322	\$ 65,000	\$ 53,071
2009	316,211	465,515	1,128,071	785,278	559,637	141,265	70,000	49,200
2010	328,788	453,492	1,069,481	734,747	534,200	123,203	70,000	45,000
2011	341,442	439,381	1,070,950	686,693	434,200	106,177	70,000	40,800
2012	354,238	425,862	1,072,480	638,209	434,200	93,151	75,000	36,450
2013	367,181	411,914	1,074,476	588,909	434,200	80,125	80,000	31,800
2014	385,216	397,026	1,073,179	536,773	434,200	67,099	85,000	26,850
2015	403,411	381,137	1,078,287	481,999	434,200	54,073	90,000	21,600
2016	416,751	364,264	1,078,667	426,995	434,032	41,047	100,000	15,900
2017	430,244	346,675	1,084,319	371,403	434,200	28,021	105,000	9,750
2018	453,896	325,842	1,090,269	315,076	250,000	15,000	110,000	3,300
2019	385,000	304,275	1,096,534	258,874	250,000	7,500	-	-
2020	400,000	285,657	1,068,125	204,550	-	-	-	-
2021	425,000	265,859	1,074,139	152,683	-	-	-	-
2022	445,000	245,072	1,080,002	100,645	-	-	-	-
2023	470,000	223,244	1,086,604	47,360	-	-	-	-
2024	490,000	200,291	380,000	10,995	-	-	-	-
2025	510,000	176,199	30,000	690	-	-	-	-
2026	540,000	150,740	-	-	-	-	-	-
2027	555,000	124,188	-	-	-	-	-	-
2028	590,000	96,558	-	-	-	-	-	-
2029	615,000	67,473	-	-	-	-	-	-
2030	240,000	36,792	-	-	-	-	-	-
2031	140,000	27,535	-	-	-	-	-	-
2032	70,000	22,250	-	-	-	-	-	-
2033	75,000	18,625	-	-	-	-	-	-
2034	80,000	14,750	-	-	-	-	-	-
2035	80,000	10,750	-	-	-	-	-	-
2036	85,000	6,625	-	-	-	-	-	-
2037	90,000	2,250	-	-	-	-	-	-
Total	\$ 10,381,132	\$ 6,766,642	\$ 17,852,301	\$ 7,182,951	\$ 5,198,558	\$ 915,983	\$ 920,000	\$ 333,721

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Changes in Long-Term Obligations:

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

	<u>Amounts Payable July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Payable June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Capital leases	\$ 980,000	\$ -	\$ 60,000	\$ 920,000	\$ 65,000
Compensated absences	210,682	51,688	42,136	220,234	22,023
Revenue bonds	9,112,556	2,950,000	1,681,424	10,381,132	298,754
Deferred amount on refunding	-	(120,346)	-	(120,346)	-
General obligation bonds	19,077,720	-	1,225,419	17,852,301	841,072
State literary fund loans	5,764,123	-	565,565	5,198,558	565,489
Premium on Bonds payable	838,186	85,346	48,895	874,637	52,606
Total	<u>\$ 35,983,267</u>	<u>\$ 2,966,688</u>	<u>\$ 3,623,439</u>	<u>\$ 35,326,516</u>	<u>\$ 1,844,944</u>

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

Details of Long-Term Obligations

	<u>Amount Outstanding</u>
<u>Revenue Bond:</u>	
\$1,100,000 revenue bond due in annual principal installments of \$87,712 through July 2018, interest at 4.55%	\$ 746,132
\$150,000 VRA revenue bond (non refunded portion of \$1,700,000 series 2000B) due in various annual principal installments through April 2010, interest 5.10%	115,000
\$5,995,000 IDA lease revenue bond due in various annual principal installments through April 2029, interest ranging from 3% to 5%	5,535,000
\$1,050,000 EDA lease revenue bond due in various annual principal installments through August 2030, interest at 4.43%	1,035,000
\$1,490,000 EDA lease revenue bond due in various annual principal installments through August 2036, interest ranging from 3.65% to 5%	1,490,000
\$1,460,000 VRA revenue refunding bond due in various annual principal installments through October 2029, interest ranging from 3.6% to 4.91%	1,460,000
Total revenue bonds	<u>\$ 10,381,132</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
\$1,905,000 issued January 15, 1994 due in annual installments through December 15, 2007, interest at varying rates	\$ 210,000
\$6,513,732 issued November 7, 2002 due in various annual installments through July 15, 2022, interest payable semi-annually at 4.77%	5,302,301
\$715,000 issued November 15, 1998 due in various annual installments through July 15, 2018, interest payable semi-annually at 4.72%	420,000
\$6,750,000 issued November 7, 2002 due in various annual installments through July 15, 2022 interest payable semi-annually ranging from 2.35% to 5.1%	5,390,000
\$7,055,000 issued November 6, 2003 due in various annual installments through July 15, 2023, interest payable semi-annually ranging from 3.1% to 5.1%	5,990,000
\$605,000 issued November 10, 2004 due in various annual installments through July 15, 2024, interest payable semi-annually at 3.83%	540,000
Total General Obligation Bonds	<u>\$ 17,852,301</u>
<u>State Literary Funds:</u>	
\$5,000,000 issued December 21 1998, due in annual principal installments of \$250,000 through December 15, 2018, interest at 3%	\$ 3,000,000
\$111,224 issued July 1, 1982, due in annual installments of \$5,565 through March 17, 2007, interest at 4%	5,489
\$515,637 issued November 1, 1990, due in annual installments of \$25,800 through November 1, 2009, interest at 4%	51,237
\$2,000,000 issued February 1, 1991, due in annual installments of \$100,000 through February 2010, interest at 4%	300,000
\$3,131,232 issued August 15, 1996, due in annual installments of \$184,200 through September 2016, interest at 3%	1,841,832
Total State Literary Fund Loans	<u>\$ 5,198,558</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
\$1,395,000 Capital lease agreement, due in annual installments through August 15, 2017, interest at 5.773%: This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. Total cost of assets acquired under this obligation were \$1,395,000.	\$ <u>920,000</u>
Compensated absences	\$ <u>220,234</u>
<u>Premium on bonds payable:</u>	
Unamortized premium on 2002 general obligation bond	\$ 405,540
Unamortized premium on 2003 general obligation bond	383,751
Unamortized premium on 2006 revenue refunding bond	<u>85,346</u>
Total premium on bonds payable	\$ <u>874,637</u>
Deferred amount on refunding of 2006 revenue refunding bond	\$ <u>(120,346)</u>
Total general long-term obligations	\$ <u><u>35,326,516</u></u>

Component Unit School Board:

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

	<u>Amounts Payable July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amount Payable June 30, 2007</u>	<u>Amount Due Within One Year</u>
Compensated absences payable	\$ <u>161,016</u>	\$ <u>13,754</u>	\$ <u>32,203</u>	\$ <u>142,567</u>	\$ <u>14,257</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 7—Commitments and Contingencies:

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

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

The County of King William and the City of Newport News have entered into a project involving the development of a reservoir. As part of this project the City of Newport News has paid King William County \$143,785 for the purchase of various parcels of land. Newport News has received a permit for the reservoir. Upon obtaining permanent financing the County of King William will be required to refund the City of Newport News \$143,785, otherwise the County retains this amount.

Note 8—Landfill Postclosure Care Costs:

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

Note 9—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the association for its workers compensation insurance.

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

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

Note 10—Litigation:

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 11—Expenditures and Appropriations:

Expenditures exceeded appropriations at June 30, 2007 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Contribution to School Board Component Unit	\$ 5,683,462	\$ 5,696,586	\$ 13,124
Mt. Olive improvement project	525,411	639,155	113,744

Note 12—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 law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) 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 beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters 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, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School non-professional employee contribution rates for the fiscal year ended 2007 were 5.51% and 5.25% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$914,070, \$633,381 and \$534,024, to the teacher cost-sharing pool for the fiscal years ended June 30, 2007, 2006 and 2005 respectively and these contributions represented 9.20%, 6.62% and 6.00% respectively, of current covered payroll.

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 12—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year ended 2007, the County’s annual pension cost of \$179,713 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.

For the fiscal year ended 2007, the County School Board’s annual pension cost for the Board’s non-professional employees was \$55,246 which was equal to the Board’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.

	<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 3%

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2007	\$ 179,713	100%	\$ -
June 30, 2006	47,462	100%	-
June 30, 2005	41,359	100%	-
School Board Non-Professional:			
June 30, 2007	\$ 55,246	100%	\$ -
June 30, 2006	7,447	100%	-
June 30, 2005	7,267	100%	-

(1) Employer portion only

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 13—Surety Bond Information:

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

Note 14—Due To/From Primary Government/Component Units:

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

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

Note 15—Fund Deficits:

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

<u>Fund</u>	
General Fund	\$ <u>1,573,398</u>
Component Unit School Board Operating	\$ <u>205,836</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 16—Construction Commitments:

At June 30, 2007 the County has the following projects under construction:

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenditures as of June 30, 2007</u>	<u>Contract Balance</u>
Animal Shelter	\$ 972,545	\$ 626,980	\$ 345,565
High School Athletic Fields	<u>1,541,060</u>	<u>1,249,832</u>	<u>291,228</u>
Total	<u>\$ 2,513,605</u>	<u>\$ 1,876,812</u>	<u>\$ 636,793</u>

Note 17—Short-term Debt:

The County's short-term debt activity for the year ended June 30, 2007 is summarized as follows:

<u>Project</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Revenue anticipation note	\$ <u>3,550,000</u>	\$ <u>8,700,000</u>	\$ <u>12,250,000</u>	\$ <u>-</u>

Note 18—Debt Refunding:

The County of King William, Virginia issued \$1,460,000 in Utility Revenue Refunding Bonds, Series, 2006 with an effective interest rate ranging from 3.6% to 5.1%. The Series 2006 bonds were issued to refund \$1,425,000 of VRA Revenue Bonds Series 2000B. The 2006 bonds will be repaid in various installments beginning October 1, 2007 to 2029. As a result, the 2000 bonds maturing annually on April 1, 2007 to April 1, 2030 are considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$6,962. The advance refunding was undertaken to reduce the total debt service payments over the next 24 years by \$225,334 and resulted in an economic gain of \$138,372. At June 30, 2007 the defeased bonds had balances outstanding of \$1,393,333.

Note 19—Line of Credit:

On July 11, 2006 the County was issued a line of credit from Citizens & Farmers Bank not to exceed \$210,350 which is being used to post a bond which is required for landfill post-closure care.

Note 20—Subsequent Events:

On August 8, 2007 the County issued \$2,055,000 of Public Facility Lease Revenue Bonds to be used to fund Phase II of the high school athletic fields construction/renovations 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.

This page intentionally left blank

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 12,578,860	\$ 12,578,860	\$ 12,335,200	\$ (243,660)
Other local taxes	1,515,750	1,515,750	1,602,328	86,578
Permits, privilege fees and regulatory licenses	258,700	272,993	308,665	35,672
Fines and forfeitures	87,520	87,520	61,357	(26,163)
Revenue from use of money and property	65,790	183,687	147,219	(36,468)
Charges for services	227,780	227,780	315,124	87,344
Miscellaneous	112,460	125,230	391,816	266,586
Recovered costs	151,520	151,520	121,278	(30,242)
Intergovernmental:				
Commonwealth	3,180,820	3,249,476	3,248,417	(1,059)
Federal	809,490	839,822	1,117,864	278,042
Total revenues	\$ 18,988,690	\$ 19,232,638	\$ 19,649,268	\$ 416,630
Expenditures:				
General government administration:				
Legislative:				
Board of supervisors	\$ 109,190	\$ 114,891	\$ 114,892	\$ (1)
General and financial administration:				
County administrator	\$ 528,000	\$ 528,000	\$ 512,608	\$ 15,392
Public information office	84,160	84,160	81,781	2,379
Legal services	77,720	142,725	142,725	-
Independent auditor	31,500	31,975	31,975	-
Commissioner of the revenue	200,440	200,440	196,519	3,921
Assessor	-	62,152	62,152	-
Treasurer	227,020	230,075	230,076	(1)
Total general and financial administration	\$ 1,148,840	\$ 1,279,527	\$ 1,257,836	\$ 21,691
Board of Elections:				
Electoral board and officials	\$ 32,570	\$ 32,570	\$ 22,514	\$ 10,056
Registrar	93,090	93,090	86,072	7,018
Total board of elections	\$ 125,660	\$ 125,660	\$ 108,586	\$ 17,074
Total general government administration	\$ 1,383,690	\$ 1,520,078	\$ 1,481,314	\$ 38,764

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 22,920	\$ 22,920	\$ 20,644	\$ 2,276
General district court	11,950	11,950	8,963	2,987
Special magistrates	2,750	2,750	1,252	1,498
Juvenile and domestic relations district court	9,160	9,160	8,947	213
Clerk of the circuit court	237,460	266,388	266,387	1
Victim and witness assistance	52,470	52,470	51,870	600
Commissioner of accounts	50	50	-	50
Total courts	\$ 336,760	\$ 365,688	\$ 358,063	\$ 7,625
Commonwealth's attorney:				
Commonwealth's attorney	\$ 180,730	\$ 187,210	\$ 187,213	\$ (3)
Total judicial administration	\$ 517,490	\$ 552,898	\$ 545,276	\$ 7,622
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,514,170	\$ 1,514,170	\$ 1,480,931	\$ 33,239
Emergency 911 system	299,600	299,600	228,530	71,070
Other law enforcement and traffic control	750	750	200	550
Total law enforcement and traffic control	\$ 1,814,520	\$ 1,814,520	\$ 1,709,661	\$ 104,859
Fire and rescue services:				
Volunteer fire departments	\$ 354,770	\$ 359,454	\$ 359,454	\$ -
Ambulance and rescue services	55,600	55,600	55,214	386
Forest fire extinction	6,290	6,290	6,285	5
Total fire and rescue services	\$ 416,660	\$ 421,344	\$ 420,953	\$ 391
Correction and detention:				
Regional security center	\$ 706,940	\$ 706,940	\$ 568,100	\$ 138,840
VJCCCA	3,390	3,390	3,030	360
Juvenile detention homes	81,590	97,241	97,241	-
Juvenile and district court services unit	11,600	11,600	10,576	1,024
Total correction and detention	\$ 803,520	\$ 819,171	\$ 678,947	\$ 140,224

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 296,970	\$ 296,970	\$ 267,806	\$ 29,164
Fire marshall	2,300	2,300	1,400	900
Property maintenance	1,670	1,670	586	1,084
Total Inspections	\$ 300,940	\$ 300,940	\$ 269,792	\$ 31,148
Other protection:				
Animal control	\$ 157,720	\$ 158,220	\$ 115,622	\$ 42,598
Medical examiner	400	400	140	260
Emergency services coordinator	87,310	93,210	93,208	2
Total other protection	\$ 245,430	\$ 251,830	\$ 208,970	\$ 42,860
Total public safety	\$ 3,581,070	\$ 3,607,805	\$ 3,288,323	\$ 319,482
Public works:				
Sanitation and waste removal:				
Central garage utilities system	\$ 7,000	\$ 155,184	\$ 155,184	\$ -
Refuse collection	435,130	435,130	435,126	4
Refuse disposal	324,370	381,788	381,788	-
Litter control	23,240	23,240	19,335	3,905
Total sanitation and waste removal	\$ 789,740	\$ 995,342	\$ 991,433	\$ 3,909
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 524,590	\$ 535,828	\$ 528,398	\$ 7,430
Total public works	\$ 1,314,330	\$ 1,531,170	\$ 1,519,831	\$ 11,339
Health and welfare:				
Health:				
Local health department and other health	\$ 149,790	\$ 155,449	\$ 151,949	\$ 3,500
Mental health and mental retardation:				
Community services board	\$ 46,980	\$ 46,980	\$ 46,980	\$ -

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 948,330	\$ 948,330	\$ 946,160	\$ 2,170
Comprehensive services	480,000	543,865	496,100	47,765
Total welfare	\$ 1,428,330	\$ 1,492,195	\$ 1,442,260	\$ 49,935
Total health and welfare	\$ 1,625,100	\$ 1,694,624	\$ 1,641,189	\$ 53,435
Education:				
Contributions to community colleges	\$ 6,190	\$ 6,190	\$ 6,182	\$ 8
Contribution to School Board Component Unit	5,816,920	5,683,462	5,696,586	(13,124)
Total education	\$ 5,823,110	\$ 5,689,652	\$ 5,702,768	\$ (13,116)
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	\$ 331,310	\$ 331,310	\$ 318,515	\$ 12,795
Recreation programs and events	73,090	73,090	60,371	12,719
Museums and spring fest celebration	32,200	37,200	37,199	1
Total parks and recreation	\$ 436,600	\$ 441,600	\$ 416,085	\$ 25,515
Library:				
Regional library	\$ 371,230	\$ 371,230	\$ 367,480	\$ 3,750
Total parks, recreation and cultural	\$ 807,830	\$ 812,830	\$ 783,565	\$ 29,265
Community development:				
Planning and community development:				
Planning	\$ 332,250	\$ 332,250	\$ 280,410	\$ 51,840
Community development	23,000	23,000	23,000	-
Redevelopment and housing	4,630	4,701	4,701	-
Board of zoning appeals	4,700	4,913	4,913	-
Mt. Olive improvement project	436,220	525,411	639,155	(113,744)
Economic development	66,400	66,400	56,888	9,512
Sewer improvement project	129,000	-	-	-
Total planning and community development	\$ 996,200	\$ 956,675	\$ 1,009,067	\$ (52,392)

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Primary Government: (Continued)				
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Soil and water conservation district	\$ 10,100	\$ 10,100	\$ 10,100	\$ -
Total environmental management	\$ 10,100	\$ 10,100	\$ 10,100	\$ -
Cooperative extension program:				
VPI extension program	\$ 35,520	\$ 35,520	\$ 32,470	\$ 3,050
Total community development	\$ 1,041,820	\$ 1,002,295	\$ 1,051,637	\$ (49,342)
Debt service:				
Principal retirement	\$ 1,952,140	\$ 2,107,338	\$ 2,107,408	\$ (70)
Interest and fiscal charges	1,648,120	1,744,276	1,734,307	9,969
Total debt service	\$ 3,600,260	\$ 3,851,614	\$ 3,841,715	\$ 9,899
Total expenditures	\$ 19,694,700	\$ 20,262,966	\$ 19,855,618	\$ 407,348
Excess (deficiency) of revenues over expenditures	\$ (706,010)	\$ (1,030,328)	\$ (206,350)	\$ 823,978
Changes in fund balances	\$ (706,010)	\$ (1,030,328)	\$ (206,350)	\$ 823,978
Fund balances at beginning of year	706,010	1,030,328	(1,367,048)	(2,397,376)
Fund balances at end of year	\$ -	\$ -	\$ (1,573,398)	\$ (1,573,398)

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

COUNTY:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability (3) - (2)</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 6,803,308	\$ 7,599,394	796,086	89.52%	\$ 3,225,327	24.68%
6/30/2005	6,345,311	7,156,791	811,480	88.66%	2,808,407	28.89%
6/30/2004	6,096,919	5,737,903	(359,016)	106.26%	2,650,466	-13.55%

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

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Liability (3) - (2)</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 795,456	\$ 766,986	(28,470)	103.71%	\$ 490,286	-5.81%
6/30/2005	727,322	737,922	10,600	98.56%	493,707	2.15%
6/30/2004	689,984	636,742	(53,242)	108.36%	459,439	-11.59%

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank

Combining and Individual Fund Statements and Schedules

This page intentionally left blank

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

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Permits, privilege fees and regulatory licenses	\$ 193,200	\$ 193,200	\$ 198,822	\$ 5,622
Revenue from use of money and property	10,500	10,500	47,472	36,972
Recovered costs	-	-	278,600	278,600
Intergovernmental:				
Commonwealth	500	500	364	(136)
Total revenues	<u>\$ 204,200</u>	<u>\$ 204,200</u>	<u>\$ 525,258</u>	<u>\$ 321,058</u>
Expenditures:				
Capital projects:				
Courthouse construction	\$ 660,140	\$ 660,140	\$ 60,641	\$ 599,499
CG water and sewer project	100,000	100,000	46,161	53,839
Administration building renovations	275,560	275,560	85,999	189,561
Regional animal shelter	115,500	115,500	675,064	(559,564)
Total capital projects	<u>\$ 1,151,200</u>	<u>\$ 1,151,200</u>	<u>\$ 867,865</u>	<u>\$ 283,335</u>
Debt service:				
Interest and fiscal charges	\$ 1,660	\$ 1,660	\$ 143	\$ 1,517
Total debt service	<u>\$ 1,660</u>	<u>\$ 1,660</u>	<u>\$ 143</u>	<u>\$ 1,517</u>
Total expenditures	<u>\$ 1,152,860</u>	<u>\$ 1,152,860</u>	<u>\$ 868,008</u>	<u>\$ 284,852</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (948,660)</u>	<u>\$ (948,660)</u>	<u>\$ (342,750)</u>	<u>\$ 605,910</u>
Other financing sources (uses):				
Long-term debt issued	\$ 550,000	\$ 550,000	\$ 1,460,000	\$ 910,000
Premium on bonds issued	-	-	85,346	85,346
Payment to refunded bond escrow agent	-	-	(1,511,962)	(1,511,962)
Total other financing sources	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 33,384</u>	<u>\$ (516,616)</u>
Changes in fund balances	<u>\$ (398,660)</u>	<u>\$ (398,660)</u>	<u>\$ (309,366)</u>	<u>\$ 89,294</u>
Fund balances at beginning of the year	<u>398,660</u>	<u>398,660</u>	<u>1,793,405</u>	<u>1,394,745</u>
Fund balances at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,039</u>	<u>\$ 1,484,039</u>

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

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ 10,000	\$ 10,000	\$ 76,688	\$ 66,688
Intergovernmental:				
Commonwealth	<u>127,990</u>	<u>127,990</u>	<u>171,793</u>	<u>43,803</u>
Total revenues	<u>\$ 137,990</u>	<u>\$ 137,990</u>	<u>\$ 248,481</u>	<u>\$ 110,491</u>
Expenditures:				
Contribution to Component Unit School Board	<u>\$ 127,990</u>	<u>\$ 127,990</u>	<u>\$ 127,990</u>	<u>\$ -</u>
Capital projects:				
Capital projects - high school renovations	\$ 876,210	\$ 876,210	\$ 9,475	\$ 866,735
Capital projects - high school athletic fields	<u>1,494,060</u>	<u>1,494,060</u>	<u>1,396,099</u>	<u>97,961</u>
Total capital projects	<u>\$ 2,370,270</u>	<u>\$ 2,370,270</u>	<u>\$ 1,405,574</u>	<u>\$ 964,696</u>
Debt service:				
Interest and fiscal charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,671</u>	<u>\$ (37,671)</u>
Total expenditures	<u>\$ 2,498,260</u>	<u>\$ 2,498,260</u>	<u>\$ 1,571,235</u>	<u>\$ 927,025</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,360,270)</u>	<u>\$ (2,360,270)</u>	<u>\$ (1,322,754)</u>	<u>\$ 1,037,516</u>
Other financing sources (uses):				
Long-term debt issued	<u>\$ 1,415,370</u>	<u>\$ 1,415,370</u>	<u>\$ 1,490,000</u>	<u>\$ 74,630</u>
Changes in fund balances	\$ (944,900)	\$ (944,900)	\$ 167,246	\$ 1,112,146
Fund balances at beginning of year	<u>944,900</u>	<u>944,900</u>	<u>195,912</u>	<u>(748,988)</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 363,158</u></u>	<u><u>\$ 363,158</u></u>

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

	Special Welfare Fund	Undistributed Sales Tax Fund	VJCCCA Fund	Totals
Assets:				
Cash and cash equivalents	\$ 330	\$ -	\$ 32,183	\$ 32,513
Due from other governments	-	538,054	-	538,054
Total assets	\$ 330	\$ 538,054	\$ 32,183	\$ 570,567
Liabilities:				
Reconciled overdraft	\$ -	\$ 369,735	\$ -	\$ 369,735
Accounts payable	-	-	32,183	32,183
Due to other localities	-	168,319	-	168,319
Amounts held for social services clients	330	-	-	330
Total liabilities	\$ 330	\$ 538,054	\$ 32,183	\$ 570,567

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 581	\$ -	\$ 251	\$ 330
Liabilities:				
Amounts held for social services clients	\$ 581	\$ -	\$ 251	\$ 330
Undistributed Sales Tax Fund:				
Assets:				
Due from other governmental units	\$ 562,334	\$ 538,054	\$ 562,334	\$ 538,054
Total assets	<u>\$ 562,334</u>	<u>\$ 538,054</u>	<u>\$ 562,334</u>	<u>\$ 538,054</u>
Liabilities:				
Due to other localities	\$ 145,902	\$ 168,319	\$ 145,902	\$ 168,319
Reconciled overdraft	416,432	369,735	416,432	369,735
Total liabilities	<u>\$ 562,334</u>	<u>\$ 538,054</u>	<u>\$ 562,334</u>	<u>\$ 538,054</u>
VJCCCA Fund:				
Assets:				
Cash and cash equivalents	\$ 8,360	\$ 146,276	\$ 122,453	\$ 32,183
Accounts receivable	6,586	-	6,586	-
Total assets	<u>\$ 14,946</u>	<u>\$ 146,276</u>	<u>\$ 129,039</u>	<u>\$ 32,183</u>
Liabilities:				
Accounts payable	\$ 14,946	\$ 146,276	\$ 129,039	\$ 32,183
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 8,941	\$ 146,276	\$ 122,704	\$ 32,513
Accounts receivable	6,586	-	6,586	-
Due from other governmental units	562,334	538,054	562,334	538,054
Total assets	<u>\$ 577,861</u>	<u>\$ 684,330</u>	<u>\$ 691,624</u>	<u>\$ 570,567</u>
Liabilities:				
Accounts payable	\$ 14,946	\$ 146,276	\$ 129,039	\$ 32,183
Reconciled overdraft	416,432	369,735	416,432	369,735
Amounts held for social services clients	581	-	251	330
Due to other localities	145,902	168,319	145,902	168,319
Total liabilities	<u>\$ 577,861</u>	<u>\$ 684,330</u>	<u>\$ 691,624</u>	<u>\$ 570,567</u>

Discretely Presented Component Unit-School Board

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 820,423	\$ 233,640	\$ 1,054,063
Accounts receivable	7,035	3,836	10,871
Due from other funds	-	3,474	3,474
Due from primary government	733,063	-	733,063
Due from other governmental units	<u>454,142</u>	<u>-</u>	<u>454,142</u>
Total assets	<u>\$ 2,014,663</u>	<u>\$ 240,950</u>	<u>\$ 2,255,613</u>
LIABILITIES			
Accounts payable	\$ 226,092	\$ -	\$ 226,092
Accrued liabilities	1,990,933	-	1,990,933
Due to other funds	<u>3,474</u>	<u>-</u>	<u>3,474</u>
Total liabilities	<u>\$ 2,220,499</u>	<u>\$ -</u>	<u>\$ 2,220,499</u>
FUND BALANCES			
Reserved for:			
Alternative education	\$ 11,335	\$ -	\$ 11,335
Textbooks	87,343	-	87,343
Regional CTE	24,154	-	24,154
Unreserved:			
Designated for subsequent expenditures	-	240,950	240,950
Unreserved, undesignated	<u>(328,668)</u>	<u>-</u>	<u>(328,668)</u>
Total fund balances	<u>\$ (205,836)</u>	<u>\$ 240,950</u>	<u>\$ 35,114</u>
Total liabilities and fund balances	<u>\$ 2,014,663</u>	<u>\$ 240,950</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. Details of this item consist of net capital assets. 10,645,034

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. Details of this item consist of accrued leave. (142,567)

Net assets of General Government Activities \$ 10,537,581

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Other local taxes	\$ 644,635	\$ -	\$ 644,635
Revenue from use of money and property	6,789	6,146	12,935
Charges for services	44,475	499,876	544,351
Miscellaneous	16,366	28,431	44,797
Recovered costs	56,325	-	56,325
Intergovernmental:			
County contribution to School Board	5,696,586	-	5,696,586
County capital contribution to School Board	127,990	-	127,990
Commonwealth	11,826,966	19,261	11,846,227
Federal	769,412	296,835	1,066,247
 Total revenues	 <u>\$ 19,189,544</u>	 <u>\$ 850,549</u>	 <u>\$ 20,040,093</u>
Expenditures:			
Current:			
Education	\$ 18,834,160	\$ 845,953	\$ 19,680,113
 Total expenditures	 <u>\$ 18,834,160</u>	 <u>\$ 845,953</u>	 <u>\$ 19,680,113</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 355,384</u>	 <u>\$ 4,596</u>	 <u>\$ 359,980</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 62,460	\$ 62,460
Transfers (out)	<u>(62,460)</u>	<u>-</u>	<u>(62,460)</u>
 Total other financing sources (uses)	 <u>\$ (62,460)</u>	 <u>\$ 62,460</u>	 <u>\$ -</u>
 Changes in fund balances	 \$ 292,924	 \$ 67,056	 \$ 359,980
 Fund balances at beginning of year	 <u>(498,760)</u>	 <u>173,894</u>	 <u>(324,866)</u>
 Fund balances at end of year	 <u><u>\$ (205,836)</u></u>	 <u><u>\$ 240,950</u></u>	 <u><u>\$ 35,114</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Other local taxes	\$ 647,700	\$ 647,700	\$ 644,635	\$ (3,065)
Revenue from use of money and property	34,900	34,897	6,789	(28,108)
Charges for services	45,000	45,000	44,475	(525)
Miscellaneous	104,920	109,419	16,366	(93,053)
Recovered costs	-	40,000	56,325	16,325
Intergovernmental:				
County contribution to School Board	5,816,920	5,683,462	5,696,586	13,124
County capital contribution to School Board	127,990	127,990	127,990	-
Commonwealth	11,657,330	12,308,115	11,826,966	(481,149)
Federal	757,800	757,799	769,412	11,613
Total revenues	\$ 19,192,560	\$ 19,754,382	\$ 19,189,544	\$ (564,838)
Expenditures:				
Current:				
Education:				
Instruction	\$ 14,533,373	\$ 15,031,263	\$ 14,564,826	\$ 466,437
Administration, attendance and health	1,252,520	1,297,022	1,179,665	117,357
Pupil transportation	1,409,900	1,351,899	1,327,019	24,880
Operation and maintenance	1,906,750	1,906,750	1,671,089	235,661
School food service costs	19,610	19,609	14,129	5,480
Technology	-	77,432	77,432	-
Total education	\$ 19,122,153	\$ 19,683,975	\$ 18,834,160	\$ 849,815
Total expenditures	\$ 19,122,153	\$ 19,683,975	\$ 18,834,160	\$ 849,815
Excess (deficiency) of revenues over expenditures	\$ 70,407	\$ 70,407	\$ 355,384	\$ 284,977
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers (out)	(70,407)	(70,407)	(62,460)	7,947
Total other financing sources (uses)	\$ (70,407)	\$ (70,407)	\$ (62,460)	\$ 7,947
Changes in fund balances	\$ -	\$ -	\$ 292,924	\$ 292,924
Fund balances at beginning of year	-	-	(498,760)	(498,760)
Fund balances at end of year	\$ -	\$ -	\$ (205,836)	\$ (205,836)

Exhibit 15

School Cafeteria Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
480	480	6,146	5,666
452,220	460,813	499,876	39,063
9,000	9,000	28,431	19,431
-	-	-	-
-	-	-	-
15,930	15,930	19,261	3,331
<u>289,330</u>	<u>289,330</u>	<u>296,835</u>	<u>7,505</u>
\$ <u>766,960</u>	\$ <u>775,553</u>	\$ <u>850,549</u>	\$ <u>74,996</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
837,360	845,953	845,953	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>837,360</u>	\$ <u>845,953</u>	\$ <u>845,953</u>	\$ <u>-</u>
\$ <u>837,360</u>	\$ <u>845,953</u>	\$ <u>845,953</u>	\$ <u>-</u>
\$ <u>(70,400)</u>	\$ <u>(70,400)</u>	\$ <u>4,596</u>	\$ <u>74,996</u>
\$ <u>70,400</u>	\$ <u>70,400</u>	\$ <u>62,460</u>	\$ <u>(7,940)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>70,400</u>	\$ <u>70,400</u>	\$ <u>62,460</u>	\$ <u>(7,940)</u>
\$ -	\$ -	\$ 67,056	\$ 67,056
<u>-</u>	<u>-</u>	<u>173,894</u>	<u>173,894</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>240,950</u>	\$ <u>240,950</u>

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

Component
Unit
School
Board

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

Net change in fund balances - total governmental funds \$ 359,980

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

Capital additions	\$	168,867	
Depreciation expense		<u>(487,597)</u>	(318,730)

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.

18,449

Transfer of joint tenancy assets from Primary Government to the Component Unit

1,511,181

Change in net assets of governmental activities

\$ 1,570,880

Supporting Schedule

This page intentionally left blank

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,563,650	\$ 8,563,650	\$ 9,052,801	\$ 489,151
Real and personal public service corporation taxes	274,750	274,750	232,189	(42,561)
Personal property taxes	2,377,460	2,377,460	1,683,456	(694,004)
Machinery and tools taxes	1,191,400	1,191,400	1,184,661	(6,739)
Penalties	110,000	110,000	106,162	(3,838)
Interest	61,600	61,600	75,931	14,331
Total general property taxes	\$ 12,578,860	\$ 12,578,860	\$ 12,335,200	\$ (243,660)
Other local taxes:				
Consumer utility taxes	\$ 400,000	\$ 400,000	\$ 316,991	\$ (83,009)
Communication taxes	-	-	176,376	176,376
Business license taxes	258,000	258,000	307,841	49,841
Franchise license taxes - cable television	4,200	4,200	4,539	339
Motor vehicle licenses	278,170	278,170	268,331	(9,839)
Bank stock taxes	60,000	60,000	65,568	5,568
Taxes on recordation and wills	350,000	350,000	368,069	18,069
Emergency telephone service	165,380	165,380	94,613	(70,767)
Total other local taxes	\$ 1,515,750	\$ 1,515,750	\$ 1,602,328	\$ 86,578
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,300	\$ 7,300	\$ 6,440	\$ (860)
Building permits	135,000	135,000	134,995	(5)
Other permits and licenses	116,400	130,693	167,230	36,537
Total permits, privilege fees and regulatory licenses	\$ 258,700	\$ 272,993	\$ 308,665	\$ 35,672
Fines and forfeitures:				
Court and other fines and forfeitures	\$ 87,520	\$ 87,520	\$ 61,357	\$ (26,163)
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 127,897	\$ 94,806	\$ (33,091)
Revenue from use of property	55,790	55,790	52,413	(3,377)
Total revenue from use of money and property	\$ 65,790	\$ 183,687	\$ 147,219	\$ (36,468)

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Court costs	\$ 8,770	\$ 8,770	\$ 8,119	\$ (651)
Commonwealth Attorney Fees	730	730	592	(138)
Law enforcement and traffic	510	510	147	(363)
Sanitation and waste removal	144,390	144,390	242,938	98,548
Parks and recreation	73,230	73,230	62,935	(10,295)
Planning and community development	150	150	393	243
Total charges for services	<u>\$ 227,780</u>	<u>\$ 227,780</u>	<u>\$ 315,124</u>	<u>\$ 87,344</u>
Miscellaneous revenue:				
Miscellaneous	\$ 112,460	\$ 125,230	\$ 391,816	\$ 266,586
Total miscellaneous revenue	<u>\$ 112,460</u>	<u>\$ 125,230</u>	<u>\$ 391,816</u>	<u>\$ 266,586</u>
Recovered costs:				
JDRC recovery	\$ 7,480	\$ 7,480	\$ 4,360	\$ (3,120)
High school resource officer	106,670	106,670	83,802	(22,868)
Emergency services coordinator	33,650	33,650	32,455	(1,195)
Other recovered costs	3,720	3,720	661	(3,059)
Total recovered costs	<u>\$ 151,520</u>	<u>\$ 151,520</u>	<u>\$ 121,278</u>	<u>\$ (30,242)</u>
Total revenue from local sources	<u>\$ 14,998,380</u>	<u>\$ 15,143,340</u>	<u>\$ 15,282,987</u>	<u>\$ 139,647</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 6,030	\$ 6,030	\$ 6,027	\$ (3)
Wine taxes	6,320	6,320	6,317	(3)
Rolling stock tax	13,700	13,700	12,812	(888)
Mobile home titling taxes	12,430	12,430	14,575	2,145
Zoar/Sandy Pt State Forest Income	12,220	12,220	2,050	(10,170)
Recordation tax	45,260	68,824	68,824	-
Vehicle rental tax	1,000	1,000	1,431	431
PPTRA	1,204,130	1,204,130	1,218,982	14,852
Total noncategorical aid	<u>\$ 1,301,090</u>	<u>\$ 1,324,654</u>	<u>\$ 1,331,018</u>	<u>\$ 6,364</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 139,700	\$ 146,180	\$ 154,186	\$ 8,006
Sheriff	656,120	656,120	660,298	4,178
Commissioner of the Revenue	74,940	74,940	88,604	13,664
Treasurer	83,820	83,820	91,979	8,159
Medical examiner	200	200	-	(200)
Registrar/electoral board	46,040	46,040	47,470	1,430
Clerk of the Circuit Court	159,210	188,138	218,912	30,774
Total shared expenses	<u>\$ 1,160,030</u>	<u>\$ 1,195,438</u>	<u>\$ 1,261,449</u>	<u>\$ 66,011</u>
Other categorical aid:				
Welfare administration assistance	\$ 293,890	\$ 293,890	\$ 221,099	\$ (72,791)
Victim witness assistance grant	46,000	46,000	49,632	3,632
Emergency services - four for life	11,990	11,990	13,020	1,030
Litter control	8,320	8,320	6,886	(1,434)
Fire programs	10,000	14,684	24,935	10,251
Radiological emergency preparedness	10,000	10,000	10,000	-
Wireless e-911 grant	30,000	30,000	53,675	23,675
Miscellaneous public safety grants	1,500	1,500	1,968	468
Comprehensive services	303,000	303,000	269,735	(33,265)
Miscellaneous	5,000	10,000	5,000	(5,000)
Total other categorical aid	<u>\$ 719,700</u>	<u>\$ 729,384</u>	<u>\$ 655,950</u>	<u>\$ (73,434)</u>
Total categorical aid	<u>\$ 1,879,730</u>	<u>\$ 1,924,822</u>	<u>\$ 1,917,399</u>	<u>\$ (7,423)</u>
Total revenue from the Commonwealth	<u>\$ 3,180,820</u>	<u>\$ 3,249,476</u>	<u>\$ 3,248,417</u>	<u>\$ (1,059)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare and administration assistance	\$ 450,000	\$ 450,000	\$ 578,034	\$ 128,034
CDBG grant - Mt. Olive	338,720	369,052	497,796	128,744
Local law enforcement block grant	-	-	546	546
DMV grants	10,630	10,630	9,724	(906)
Terrorist prevention grant	-	-	31,764	31,764
State homeland security grant program	10,140	10,140	-	(10,140)
Total revenue from the federal government	<u>\$ 809,490</u>	<u>\$ 839,822</u>	<u>\$ 1,117,864</u>	<u>\$ 278,042</u>
Total General Fund	<u>\$ 18,988,690</u>	<u>\$ 19,232,638</u>	<u>\$ 19,649,268</u>	<u>\$ 416,630</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Developer proffers	\$ 193,200	\$ 193,200	\$ 198,822	\$ 5,622
Total permits, privilege fees and regulatory licenses	\$ 193,200	\$ 193,200	\$ 198,822	\$ 5,622
Revenue from use of money and property:				
Revenue from use of money	\$ 10,500	\$ 10,500	\$ 47,472	\$ 36,972
Total revenue from use of money and property	\$ 10,500	\$ 10,500	\$ 47,472	\$ 36,972
Recovered costs:				
King and Queen share - regional animal shelter	\$ -	\$ -	\$ 278,600	\$ 278,600
Total recovered costs	\$ -	\$ -	\$ 278,600	\$ 278,600
Revenue from the Commonwealth:				
Noncategorical aid:				
Animal friendly license plates	\$ 500	\$ 500	\$ 364	\$ (136)
Total revenue from the Commonwealth	\$ 500	\$ 500	\$ 364	\$ (136)
Total Capital Projects Fund	<u>\$ 204,200</u>	<u>\$ 204,200</u>	<u>\$ 525,258</u>	<u>\$ 321,058</u>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 76,688	\$ 66,688
Revenue from the Commonwealth:				
Categorical aid:				
Construction funds	\$ 127,990	\$ 127,990	\$ 128,093	\$ 103
Other state funds	-	-	43,700	43,700
Total revenue from the Commonwealth	\$ 127,990	\$ 127,990	\$ 171,793	\$ 43,803
Total School Capital Projects Fund	<u>\$ 137,990</u>	<u>\$ 137,990</u>	<u>\$ 248,481</u>	<u>\$ 110,491</u>
Grand Total Revenues -- Primary Government	<u>\$ 19,330,880</u>	<u>\$ 19,574,828</u>	<u>\$ 20,423,007</u>	<u>\$ 848,179</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Other local taxes:				
Local sales and use taxes	\$ 647,700	\$ 647,700	\$ 644,635	\$ (3,065)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,900	\$ 1,897	\$ 1,214	\$ (683)
Revenue from use of property	33,000	33,000	5,575	(27,425)
Total revenue from use of money and property	\$ 34,900	\$ 34,897	\$ 6,789	\$ (28,108)
Charges for services:				
Charges for education	\$ 45,000	\$ 45,000	\$ 44,475	\$ (525)
Total charges for services	\$ 45,000	\$ 45,000	\$ 44,475	\$ (525)
Miscellaneous revenue:				
Miscellaneous	\$ 104,920	\$ 109,419	\$ 16,366	\$ (93,053)
Total miscellaneous revenue	\$ 104,920	\$ 109,419	\$ 16,366	\$ (93,053)
Recovered costs:				
E-rate	\$ -	\$ -	\$ 16,325	\$ 16,325
Other recovered costs	-	40,000	40,000	-
Total recovered costs	\$ -	\$ 40,000	\$ 56,325	\$ 16,325
Total revenue from local sources	\$ 832,520	\$ 877,016	\$ 768,590	\$ (108,426)
Intergovernmental revenue:				
County contribution to School Board	\$ 5,816,920	\$ 5,683,462	\$ 5,696,586	\$ 13,124
County capital contribution to School Board	127,990	127,990	127,990	-
Total intergovernmental revenue	\$ 5,944,910	\$ 5,811,452	\$ 5,824,576	\$ 13,124
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,026,410	\$ 2,026,410	\$ 1,813,604	\$ (212,806)
Basic school aid	6,144,830	6,359,755	6,231,167	(128,588)
Special education - SOQ	1,011,120	1,011,119	1,009,269	(1,850)
Fringe benefits	782,270	782,271	778,064	(4,207)
Lottery	322,940	322,940	307,779	(15,161)
K-3 initiative	157,650	157,650	158,261	611
Alternative education	-	342,055	342,055	-
Textbook payments	141,210	141,210	138,833	(2,377)
VPSA technology grant	180,000	180,000	143,634	(36,366)
Other state funds	890,900	984,705	904,300	(80,405)
Total categorical aid	\$ 11,657,330	\$ 12,308,115	\$ 11,826,966	\$ (481,149)
Total revenue from the Commonwealth	\$ 11,657,330	\$ 12,308,115	\$ 11,826,966	\$ (481,149)

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 188,400	\$ 188,400	\$ 176,805	\$ (11,595)
Title V	3,920	3,919	-	(3,919)
Special education - preschool	14,320	14,319	14,445	126
Title VI-B flow through	384,500	384,500	419,899	35,399
Title XI - Indian education	9,660	9,660	2,404	(7,256)
Vocational education	-	-	19,320	19,320
Title II - Eisenhower	66,870	66,869	19,198	(47,671)
Title II - Technology	5,910	5,910	1,477	(4,433)
Drug free	8,130	8,131	5,909	(2,222)
Miscellaneous grants	22,230	22,231	-	(22,231)
Advanced placement grant	-	-	156	156
School improvement grant	-	-	72,701	72,701
Air force - ROTC	53,860	53,860	37,098	(16,762)
Total revenue from the federal government	<u>\$ 757,800</u>	<u>\$ 757,799</u>	<u>\$ 769,412</u>	<u>\$ 11,613</u>
Total School Operating Fund	<u>\$ 19,192,560</u>	<u>\$ 19,754,382</u>	<u>\$ 19,189,544</u>	<u>\$ (564,838)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 480	\$ 480	\$ 6,146	\$ 5,666
Charges for services:				
Cafeteria sales	452,220	460,813	499,876	39,063
Miscellaneous revenue:				
Miscellaneous	9,000	9,000	28,431	19,431
Total revenue from local sources	<u>\$ 461,700</u>	<u>\$ 470,293</u>	<u>\$ 534,453</u>	<u>\$ 64,160</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,930	\$ 15,930	\$ 19,261	\$ 3,331
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 289,330	\$ 289,330	\$ 296,835	\$ 7,505
Total School Cafeteria Fund	<u>\$ 766,960</u>	<u>\$ 775,553</u>	<u>\$ 850,549</u>	<u>\$ 74,996</u>
Grand Total Revenues--Component Unit--School Board	<u>\$ 19,959,520</u>	<u>\$ 20,529,935</u>	<u>\$ 20,040,093</u>	<u>\$ (489,842)</u>

COUNTY OF KING WILLIAM, VIRGINIA

Statistical Tables

<u>Description of Section / Tables</u>	<u>Section / Table #</u>
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Assets by Component	1
Changes in Net Assets	2
Fund Balances of Governmental Funds	3
Changes in Fund Balances of Governmental Funds	4
Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	5
Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed and Estimated Value of Property	6
Property Tax Rates	7
Principal Taxpayers	8
Property Tax Levies and Collections	9
Debt Capacity	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Obligation Debt by Type	10
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	11
Computation of Direct and Overlapping Bonded Debt	12
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	13
Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Principal Employers	14
Full-time Equivalent County Government Employees by Function	15
Operating Indicators by Function	16
Capital Asset Statistics by Function	17

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets by Component
Last Five Fiscal Years

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General fund					
Unreserved, designated	\$ 1,630,490	\$ 886,276	\$ -	\$ 585,645	\$ 427,839
Unreserved, undesignated	<u>9,557</u>	<u>46,683</u>	<u>319,813</u>	<u>354,114</u>	<u>2,032,599</u>
Total general fund	<u>\$ 1,640,047</u>	<u>\$ 932,959</u>	<u>\$ 319,813</u>	<u>\$ 939,759</u>	<u>\$ 2,460,438</u>
All other governmental funds					
Reserved:					
General capital projects	\$ 825,831	\$ 238,764	\$ 134,101	\$ 864,795	\$ 402,796
School capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 825,831</u>	<u>\$ 238,764</u>	<u>\$ 134,101</u>	<u>\$ 864,795</u>	<u>\$ 402,796</u>
Total fund balances	<u>\$ 2,465,878</u>	<u>\$ 1,171,723</u>	<u>\$ 453,914</u>	<u>\$ 1,804,554</u>	<u>\$ 2,863,234</u>

Table 3

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ -	\$ 755,670	\$ -	\$ 43,036	\$ -
<u>2,487,016</u>	<u>677,017</u>	<u>102,245</u>	<u>(1,410,084)</u>	<u>(1,573,398)</u>
<u><u>\$ 2,487,016</u></u>	<u><u>\$ 1,432,687</u></u>	<u><u>\$ 102,245</u></u>	<u><u>\$ (1,367,048)</u></u>	<u><u>\$ (1,573,398)</u></u>
\$ 5,440,537	\$ 1,874,124	\$ 1,128,317	\$ 1,793,405	\$ 1,484,039
<u>4,532,599</u>	<u>46,915</u>	<u>314,144</u>	<u>195,912</u>	<u>363,158</u>
<u><u>\$ 9,973,136</u></u>	<u><u>\$ 1,921,039</u></u>	<u><u>\$ 1,442,461</u></u>	<u><u>\$ 1,989,317</u></u>	<u><u>\$ 1,847,197</u></u>
<u><u>\$ 12,460,152</u></u>	<u><u>\$ 3,353,726</u></u>	<u><u>\$ 1,544,706</u></u>	<u><u>\$ 622,269</u></u>	<u><u>\$ 273,799</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:					
General property taxes	\$ 6,756,399	\$ 7,110,726	\$ 7,385,712	\$ 7,725,226	\$ 10,714,845
Other local taxes	703,649	741,120	789,787	902,199	910,499
Permits, privilege fees and regulatory licenses	82,761	108,032	105,860	109,685	116,444
Fines and forfeitures	30,117	48,640	48,493	84,261	59,489
Revenue from use of money and property	218,622	186,142	171,164	188,952	99,912
Charges for services	45,403	42,557	99,583	350,268	139,745
Miscellaneous	17,279	15,077	30,510	62,695	45,185
Recovered costs	259,004	1,034,601	239,990	20,167	21,187
Intergovernmental:					
Commonwealth	1,031,103	1,228,627	1,220,666	1,966,212	2,511,857
Federal	388,864	423,479	486,141	554,245	509,840
Total revenues	<u>\$ 9,533,201</u>	<u>\$ 10,939,001</u>	<u>\$ 10,577,906</u>	<u>\$ 11,963,910</u>	<u>\$ 15,129,003</u>
Expenditures:					
General government administration	\$ 771,875	\$ 875,014	\$ 940,817	\$ 1,052,260	\$ 1,041,859
Judicial administration	153,988	178,348	172,448	258,429	334,282
Public safety	1,719,249	1,871,427	2,034,532	2,336,567	2,907,125
Public works	937,878	958,578	1,029,645	1,023,845	1,062,332
Health and welfare	742,193	828,187	798,923	802,517	848,669
Education	4,070,260	4,832,607	4,924,736	4,622,591	4,579,180
Parks, recreation, and cultural	353,307	378,374	442,840	527,430	534,576
Community development	552,476	1,267,246	484,953	357,924	398,712
Capital outlays and projects	181,176	1,322,440	228,178	132,631	388,948
Debt service:					
Principal retirement	20,000	40,000	82,662	84,164	928,029
Interest and other fiscal charges	78,465	126,197	122,130	158,483	584,612
Total expenditures	<u>\$ 9,580,867</u>	<u>\$ 12,678,418</u>	<u>\$ 11,261,864</u>	<u>\$ 11,356,841</u>	<u>\$ 13,608,324</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (47,666)</u>	<u>\$ (1,739,417)</u>	<u>\$ (683,958)</u>	<u>\$ 607,069</u>	<u>\$ 1,520,679</u>
Other financing sources (uses):					
Transfers in	\$ 343,013	\$ 989,877	\$ 70,822	\$ 12,877	-
Transfers (out)	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Total other financing sources (uses)	<u>\$ 343,013</u>	<u>\$ 989,877</u>	<u>\$ 70,822</u>	<u>\$ 12,877</u>	<u>\$ -</u>
Net changes in fund balances	<u>\$ 295,347</u>	<u>\$ (749,540)</u>	<u>\$ (613,136)</u>	<u>\$ 619,946</u>	<u>\$ 1,520,679</u>
Debt service as a percentage of noncapital expenditures	<u>1.05%</u>	<u>1.46%</u>	<u>1.86%</u>	<u>2.16%</u>	<u>11.44%</u>

Table 4

	2003	2004	2005	2006	2007
\$	8,770,382	9,215,984	10,080,458	11,046,031	12,335,200
	1,167,782	1,197,927	1,373,043	1,600,994	1,602,328
	227,223	273,876	493,216	429,832	507,487
	82,355	66,670	105,668	68,228	61,357
	308,874	118,920	91,029	105,636	271,379
	104,992	150,106	204,071	217,410	315,124
	2,247	18,133	13,271	83,197	391,816
	260,187	11,951	69,702	391,314	399,878
	3,679,339	2,849,923	3,012,019	3,351,886	3,420,574
	592,390	809,337	912,630	1,009,266	1,117,864
\$	15,195,771	14,712,827	16,355,107	18,303,794	20,423,007
\$	1,074,787	1,213,050	1,213,608	1,355,995	1,481,314
	345,525	357,920	379,921	483,269	545,276
	2,534,857	2,861,292	3,499,385	4,077,047	3,288,323
	1,308,179	1,152,167	1,218,343	1,258,884	1,519,831
	1,201,238	1,303,245	1,518,078	1,632,905	1,641,189
	5,007,907	5,820,776	5,013,809	5,748,257	5,830,758
	569,447	625,579	666,640	755,898	783,565
	517,106	480,815	509,256	584,745	1,051,637
	11,957,118	6,890,404	983,746	574,226	2,273,439
	8,403,762	1,526,077	2,050,590	2,103,893	2,107,408
	1,012,106	1,594,867	1,761,426	1,701,112	1,772,121
\$	33,932,032	23,826,192	18,814,802	20,276,231	22,294,861
\$	(18,736,261)	(9,113,365)	(2,459,695)	(1,972,437)	(1,871,854)
\$	26,268	200,000	163,832	375,001	-
	(26,268)	(200,000)	(163,832)	(375,001)	-
	-	(7,517,961)	-	-	(1,511,962)
	25,258,732	7,055,000	605,000	1,050,000	2,950,000
	525,107	469,900	45,675	-	85,346
\$	25,783,839	6,939	650,675	1,050,000	1,523,384
\$	7,047,578	(9,106,426)	(1,809,020)	(922,437)	(348,470)
	42.85%	18.43%	21.38%	19.31%	19.84%

This page intentionally left blank

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

Fiscal Year	General Property Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Taxes on Recordation & Wills	Emergency Telephone Taxes	Communica-tions Taxes	Other Local Taxes	Total
1998	\$ 6,756,399	\$ 295,020	-	\$ 169,517	\$ 61,142	\$ 137,229	-	\$ 40,741	\$ 7,460,048
1999	7,110,726	317,278	-	177,440	54,471	154,633	-	37,298	7,851,846
2000	7,385,712	317,804	-	187,624	61,621	150,942	-	71,796	8,175,499
2001	7,725,226	341,468	-	238,713	70,687	157,747	-	93,584	8,627,425
2002	10,714,845	354,614	27,145	250,095	70,762	145,258	-	62,625	11,625,344
2003	8,770,382	367,865	217,014	249,281	105,570	177,369	-	50,683	9,938,164
2004	9,215,984	353,768	236,897	254,397	122,868	173,796	-	56,201	10,413,911
2005	10,080,458	367,020	243,080	264,436	268,045	171,262	-	59,200	11,453,501
2006	11,046,031	392,552	343,348	274,860	333,505	191,211	-	65,518	12,647,025
2007	12,335,200	316,991	307,841	268,331	368,069	94,613	176,376	70,107	13,937,528

Assessed and Estimated Value of Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate (1)</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Merchants' Capital</u>	<u>Public Service (2)</u>	<u>Total</u>
1997-98	\$ 576,260,264	\$ 62,450,399	\$ 118,720,529	\$ 2,127,117	\$ 33,879,625	\$ 793,437,934
1998-99	592,737,989	70,496,937	107,008,827	2,357,783	33,544,233	806,145,769
1999-00	606,311,601	71,922,864	98,783,558	2,330,988	33,313,997	812,663,008
2000-01	627,556,801	79,681,800	86,319,136	2,492,495	34,122,852	830,173,084
2001-02	718,618,250	82,662,496	87,071,707	2,890,646	37,389,664	928,632,763
2002-03	742,579,474	84,222,914	153,862,093	-	34,503,520	1,015,168,001
2003-04	765,744,726	83,436,554	148,076,370	-	33,431,805	1,030,689,455
2004-05	909,258,951	84,621,184	148,254,803	-	30,502,008	1,172,636,946
2005-06	1,066,913,767	95,011,903	135,948,296	-	39,061,299	1,336,935,265
2006-07	1,123,439,437	106,536,465	134,853,787	-	30,792,861	1,395,622,550

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital	Public Service	
					Real Estate	Personal Property
1997-98	\$.80/.15	\$ 3.45/0.24	\$ 2.40/0.90	\$ 3.90/1.10	\$.80/.15	\$ 3.45/0.24
1998-99	.80/.15	3.45/0.24	2.40/0.90	3.90/1.10	.80/.15	3.45/0.24
1999-00	.82/.17	3.55/0.34	2.45/0.95	3.90/1.10	.82/.17	3.55/0.34
2000-01	.82/.17	3.55/0.34	2.45/0.95	3.90/1.10	.82/.17	3.55/0.34
2001-02	.94/.23	3.55/0.34	3.00/1.50	3.90/1.10	.99/.23	3.55/0.34
2002-03	.94/.23	3.55/0.34	2.30/0.80	-	.94/.23	3.55/0.34
2003-04	1.08/.23	3.55/0.34	2.30/0.80	-	1.08/.23	3.30/0.34
2004-05	.87/.23	3.65/0.34	2.30/0.80	-	.87/.23	3.65/0.34
2005-06	.92/.23	3.65/0.34	2.30/0.80	-	.87/.23	3.65/0.34
2006-07	.92/.25	3.65/0.34	2.30/0.80	-	.92/.25	3.65/0.34

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

Principal Taxpayers

Taxpayer	Type Business	2006 Assessed Valuation*	Percentage of Total Assessed Valuation
Smurfit - Stone Container Corp.	Paper Mill	\$ 83,164,000	5.96%
Nestle Purina Pet Care	Cat Litter	15,302,600	1.10%
Central Garage Partnership	Developer	7,835,000	0.56%
Charles S. Hunter, III	Land-Owner	4,726,200	0.34%
John N. Mills & Sons	Grain farm	4,499,800	0.32%
The Lafferty Foundation	Grain farm	3,991,400	0.29%
Queenfield Farm	Dairy Farm, Golf Course	3,950,936	0.28%
Bailey and Bailey, Inc.	Developer	3,121,600	0.22%
Old Town, LLC	Land-Owner	2,991,200	0.21%
Kennington Place	Developer	<u>2,987,000</u>	<u>0.21%</u>
Totals		<u>\$ 132,569,736</u>	<u>12.86%</u>

* Excludes land use values

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1)(3) Tax Levy	Current Tax (1)(3) Collections	Percent of Levy Collected	Delinquent Tax (1) (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1997-98	\$ 6,477,476	\$ 6,101,748	94.20%	\$ 463,005	\$ 6,564,753	101.35%	\$ 735,326	11.35%
1998-99	6,683,565	6,555,537	98.08%	366,990	6,922,527	103.58%	632,307	9.46%
1999-00	7,223,698	6,915,714	95.74%	311,873	7,227,587	100.05%	501,258	6.94%
2000-01	8,368,306	8,017,864	95.81%	248,882	8,266,746	98.79%	462,536	5.53%
2001-02	11,911,979	11,419,975	95.87%	250,706	11,670,681	97.97%	701,051	5.89%
2002-03	9,639,712	9,371,946	97.22%	258,054	9,630,000	99.90%	714,184	7.41%
2003-04	10,103,620	9,932,651	98.31%	259,241	10,191,892	100.87%	701,441	6.94%
2004-05	11,102,130	10,736,144	96.70%	316,868	11,053,012	99.56%	779,445	7.02%
2005-06	12,167,928	11,906,086	97.85%	230,056	12,136,142	99.74%	847,685	6.97%
2006-07	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%	970,125	7.22%

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

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Capital Leases	Revenue Bonds	Early Retirement Incentive			
1998	\$ 1,520,000	\$ 1,746,341	\$ 6,538,575	\$ -	\$ 83,364	\$ 9,888,280	3.10%	630
1999	2,100,000	9,690,368	1,436,943	1,100,000	72,000	14,399,311	4.36%	929
2000	1,935,000	9,253,163	1,325,898	1,062,338	59,727	13,636,126	3.80%	880
2001	1,760,000	8,659,598	10,245,000	2,722,963	46,472	23,434,033	6.03%	1,520
2002	1,585,000	8,066,033	10,200,000	2,681,796	32,157	22,564,986	5.76%	1,456
2003	14,678,732	7,472,468	8,667,961	8,603,756	16,697	39,439,614	9.73%	2,558
2004	20,914,869	6,895,253	1,095,000	8,528,757	-	37,433,879	n/a	2,496
2005	20,316,893	6,329,688	1,040,000	8,301,711	-	35,988,292	n/a	n/a
2006	19,077,720	5,764,123	980,000	9,112,556	-	34,934,399	7.67%	2,371
2007	17,852,301	5,198,558	920,000	10,381,132	-	34,351,991	6.89%	2,233

(1) See demographic statistics on Table 13.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Debt Payable From Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
1997-98	12,900	\$ 793,437,934	\$ 6,366,341	\$ -	\$ 6,366,341	0.80%	\$ 494
1998-99	13,100	806,145,769	13,990,368	1,100,000	12,890,368	1.60%	984
1999-00	13,146	812,663,008	13,312,839	1,062,338	12,250,501	1.51%	932
2000-01	13,600	830,173,084	15,865,524	2,722,963	13,142,561	1.58%	966
2001-02	13,700	928,632,863	15,014,625	2,681,796	12,332,829	1.33%	900
2002-03	13,900	1,015,168,001	30,754,956	8,603,756	22,151,200	2.18%	1,594
2003-04	14,334	1,030,689,455	36,338,879	8,528,757	27,810,122	2.70%	1,940
2004-05	*	1,172,636,946	34,948,292	8,301,711	26,646,581	2.27%	*
2005-06	14,732	1,336,935,265	33,954,399	9,112,556	24,841,843	1.86%	1,686
2006-07	15,381	1,395,622,550	33,431,991	10,381,132	23,050,859	1.65%	1,499

*Not available at time of publication.

(1) www.fedstats.gov

(2) From Table 6

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

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

Direct:

County of King William	\$	33,431,991	100%	\$	33,431,991
------------------------	----	------------	------	----	------------

The County of King William has no overlapping debt.

Demographic and Economic Statistics
Last Ten Years

Fiscal Year	(1) Population	(1) Per Capita Income	(2) School Enrollment	(3) Unemployment Rate %
1997-98	12,900	\$ 24,689	1,688	3.90
1998-99	13,100	25,214	1,757	2.80
1999-00	13,146	27,293	1,768	3.10
2000-01	13,600	28,554	1,784	3.30
2001-02	13,700	28,594	1,800	4.10
2002-03	13,900	29,147	1,870	3.80
2003-04	14,334	*	1,859	4.20
2004-05	*	*	1,909	3.50
2005-06	14,732	30,916	2,021	2.60
2006-07	15,381	32,417	2,055	2.80

*Not available at time of publication.

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

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2007		Fiscal Year 1998	
	Employees	Rank	Employees	Rank
Stone Container Corporation	500 to 999	1	-	-
King William County Schools	250 to 499	2	250 to 499	2
Town of West Point School Board	100 to 249	3	100 to 249	4
Nestle Purina Petcare Company	100 to 249	4	-	-
Virginia Log Company	100 to 249	5	-	-
County of King William	100 to 249	6	50 to 99	5
Food Lion	100 to 249	7	50 to 99	8
Tidewater Skanska Inc.	50 to 99	8	-	-
J. Sanders Construction Company	50 to 99	9	-	-
Riverside Regional Medical Center	50 to 99	10	-	-
St. Laurent Paper Products Corporation	-	-	500 to 999	1
On Site Resource	-	-	100 to 249	3
Citizen's & Farmers Bank	-	-	50 to 99	6
Chesapeake Wood Treating	-	-	50 to 99	7
Southern Erectors, Inc.	-	-	50 to 99	9
Riverside Regional Convalescent Center	-	-	50 to 99	10

Source: Virginia Employment Commission

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	11.7	11.7	13.7	13.7	15.2	15.2	15.2	17.3	18.9	17.5
Judicial administration	3.2	3.2	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0
Public safety										
Sheriffs department	19.0	19.0	22.0	22.0	27.0	28.0	29.0	30.4	30.3	31.0
Emergency services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Community connection program	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.6	2.5
Building inspections	2.0	2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	5.0
Animal control	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works										
General maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	7.0	6.5	7.0
Litter control	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.7	0.6
Health and welfare										
Department of social services	11.5	11.5	11.5	11.5	11.5	11.5	11.5	12.0	12.0	12.0
Culture and recreation										
Parks and recreation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0
Community development										
Planning	2.5	2.5	4.0	4.0	4.0	5.0	5.0	5.0	5.0	4.0
Totals	<u>59.3</u>	<u>59.3</u>	<u>68.6</u>	<u>68.6</u>	<u>76.1</u>	<u>78.1</u>	<u>80.1</u>	<u>85.9</u>	<u>94.0</u>	<u>91.6</u>

Source: Payroll records

COUNTY OF KING WILLIAM, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

		<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Sheriff	Physical arrests	426	303	303	320
	Traffic violations	1,104	1,063	1,238	1,300
Fire Protection	Number of stations	4	4	4	3
	Number of calls answered	306	231	231	331
	Number of inspections conducted	10	23	23	39
Community Development	Residential building permits	374	379	359	236
Parks and Recreation	Program participants	2,198	3,639	3,915	4,945
Water	Service connections	1	1	1	1
	Average Daily Consumption in Gallons	2,000	3,000	3,000	3,000
Sewer	Service connections	-	2	2	2
	Average Daily Consumption in Gallons	-	9,000	9,000	9,000

Table 16

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
395	383	511	701	809	744
872	794	844	998	750	683
4	4	4	4	3	3
235	235	235	235	235	496
25	25	25	25	25	25
964	1,134	1,441	1,943	1,734	1,713
8,445	4,203	4,397	8,562	8,287	9,460
12	13	13	73	109	127
11,661	8,400	13,800	35,700	52,860	146,883
11	12	12	14	15	30
9,699	6,100	9,822	10,600	13,658	74,812

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
General government administration:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	20	21	20	23	24	23	25	25	27
Building inspections:										
Vehicles	1	1	2	3	4	4	5	4	4	4
Animal control:										
Vehicles	1	1	1	1	1	1	1	2	2	2
Emergency services:										
Vehicles	-	-	-	-	-	-	-	-	-	3
Public works										
General maintenance:										
Trucks/vehicles	6	6	6	6	6	6	6	7	8	8
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Sites (Including transfer sites)	4	4	4	4	4	4	4	4	4	4
Health and welfare										
Department of Social Services:										
Vehicles	-	-	-	-	-	-	1	2	2	3
Culture and recreation										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	1	1	1	1	1	1
Park Acreage	51	51	51	51	51	51	51	51	51	51
Baseball Fields	4	4	4	4	4	4	4	4	4	4
T-Ball Fields	2	2	2	2	2	2	3	3	3	3
Soccer Fields	2	2	2	2	2	2	2	2	2	2
Basketball Courts	2	2	2	2	2	2	2	2	2	2
Water system:										
Miles of water mains	-	-	-	-	1	1	1	1	1	10
Number of fire hydrants	1	1	1	1	8	8	8	8	8	55
Sewer system:										
Miles of sewer mains	-	4	4	4	4	4	4	4	4	13
Component Unit - School Board										
Education:										
Number of Elementary Schools	1	1	1	1	1	2	2	2	2	2
Number of Middle Schools	-	-	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	36	37	39	39	39	39	40	40	40	42

Source: Individual county departments

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. 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 William, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of King William, Virginia's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the County of King William, Virginia in a separate letter dated December 21, 2007.

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

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 21, 2007

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 21, 2007

COUNTY OF KING WILLIAM, VIRGINIA

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

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT:		
<u>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:</u>		
<u>Pass through payments:</u>		
Community development block grants/state's programs	14.228	\$ <u>497,796</u>
<u>DEPARTMENT OF CRIMINAL JUSTICE SERVICES:</u>		
<u>Direct payments:</u>		
Local law enforcement block grants program	16.592	\$ <u>546</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Occupant protection	20.602	\$ 823
State and community highway safety	20.607	<u>8,901</u>
Total Department of Transportation		\$ <u>9,724</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Pass through payments:</u>		
Law enforcement terrorism prevention program	97.074	\$ <u>31,764</u>
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561	\$ <u>94,409</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Pass Through Payments:</u>		
Department of Social Services:		
Family preservation and support	93.556	\$ 18,586
Temporary assistance to needy families	93.558	66,480
Refugee and entrant assistance	93.566	102
Low-income energy assistance	93.568	4,233
Payments to states for child care assistance	93.575	80,167
Child care and development fund	93.596	35,345
Foster care-title IV-E	93.658	115,563
Adoption assistance	93.659	14,292
Social services block grant	93.667	69,625
Chafee foster care independent living	93.674	325
State childrens insurance program	93.737	138
Medical assistance program	93.778	<u>78,769</u>
Total Department of Health and Human Services		\$ <u>483,625</u>
Total Primary Government		\$ <u><u>1,117,864</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
COMPONENT UNIT-SCHOOL BOARD:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Agriculture and Consumer Services:		
Food distribution	10.555	\$ 42,943
Department of Education:		
National school breakfast program	10.553	79,230
National school lunch program	10.555	<u>217,605</u>
Total Department of Agriculture		\$ <u>339,778</u>
<u>DEPARTMENT OF LABOR:</u>		
<u>Direct payments:</u>		
ROTC Instruction	17.000	\$ <u>37,098</u>
<u>DEPARTMENT OF EDUCATION:</u>		
<u>Direct payments:</u>		
Title XII - indian education formula grant program	84.060	\$ 2,404
<u>Pass through payments:</u>		
Title 1:		
Financial assistance to meet special educational needs of disadvantaged children - program operated by local education agencies (2E004500, 2E004511, 3E005820)	84.010	249,506
Title VI-B:		
Assistance to states for education of handicapped children - preschool and school programs (1E002570, 3E001110)	84.027	419,899
Vocational Education:		
Basic grants to states (3E001311)	84.048	19,320
Special education - preschool grants	84.173	14,445
Drug-free schools and communities (2E004617)	84.186	5,909
Education technology state grants	84.318	1,477
Advance placement	84.330	156
Improving teacher quality state grants - Title II Part A	84.367	<u>19,198</u>
Total Department of Education		\$ <u>732,314</u>
Total Component Unit School Board		\$ <u><u>1,109,190</u></u>
Total Reporting Entity		\$ <u><u>2,227,054</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	1,117,864
Total primary government	\$	<u>1,117,864</u>

Component Unit Public Schools:

School Operating Fund	\$	769,412
School Cafeteria Fund		296,835
Total component unit public schools	\$	<u>1,066,247</u>

Total federal expenditures per basic financial statements	\$	<u>2,184,111</u>
---	----	------------------

Non-cash expenditures - value of donated commodities	\$	<u>42,943</u>
--	----	---------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>2,227,054</u></u>
---	----	-------------------------

COUNTY OF KING WILLIAM, VIRGINIA

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community development block grants/state's programs
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.