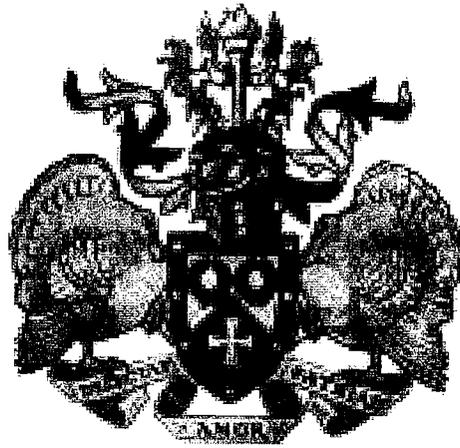


COUNTY OF CHARLES CITY,
VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2005

COUNTY OF CHARLES CITY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

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COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Timothy W. Cotman, Sr., Chairperson

Gilbert A. Smith

Michael L. Holmes

Board of Social Services

Patricia W. Stewart, Chairperson

Fred D. Adkins
Michael L. Holmes

Beatrice M. Cole
Brenda J. Wade

COUNTY SCHOOL BOARD

Royce E. Paige, Chairperson

Sylvia B. Christian

Barbara C. Crawley
Dr. Henry O. Hollimon, Jr.

Other Officials

Chief Judge of the Circuit Court William H. Shaw, III
Judge of the Circuit Court..... Thomas B. Hoover
Clerk of the Circuit Court Thomas Randolph Williams
Commonwealth's Attorney B. Randolph Boyd
Commissioner of the Revenue Denise B. Smith
Treasurer Cecelia Bradby
Sheriff..... B. A. Washington
Superintendent of Schools Dr. Janet C. Crawley
Director of Social Services Byron M. Adkins
County Administrator Angelia Yancey
Chief Judge of the General District Court Merlin Renne
Judge of the General District Court J. R. Zepkin
Chief Judge of the Juvenile and Domestic Relations Court James H. Smith
County Attorney..... B. Randolph Boyd

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COUNTY OF CHARLES CITY, VIRGINIA
FINANCIAL REPORT
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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Charles City, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Charles City, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

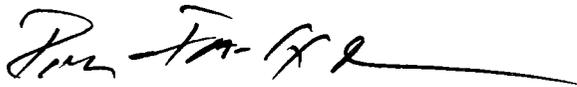
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Charles City, Virginia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2005, on our consideration of the County of Charles City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison 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 Charles City, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 Charles City, Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Richmond, Virginia
November 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Charles City, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- ▶ The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$13,972,236 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other uses of \$3,973,411 (Exhibit 5) after making contributions totaling \$5,577,032 to the School Board.

- ▶ As of the close of the current fiscal year; the County's funds reported ending fund balances of \$7,136,115 a decrease of \$3,973,411 in comparison with the prior year.
- ▶ At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,954,256 or 17% of total general fund expenditures and other uses.
- ▶ The combined long-term obligations decreased \$803,592 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$13,972,236 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Charles City, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 8,101,829	\$ 12,136,846	\$ 44,730	\$ 39,819	\$ 8,146,559	\$ 12,176,665
Capital assets	12,959,201	10,971,393	2,090,984	2,176,913	15,050,185	13,148,306
Total assets	\$ 21,061,030	\$ 23,108,239	\$ 2,135,714	\$ 2,216,732	\$ 23,196,744	\$ 25,324,971
Current liabilities	\$ 231,556	\$ 156,581	\$ -	\$ -	\$ 231,556	\$ 156,581
Long-term liabilities outstanding	8,866,370	9,664,978	126,582	131,565	8,992,952	9,796,543
Total liabilities	\$ 9,097,926	\$ 9,821,559	\$ 126,582	\$ 131,565	\$ 9,224,508	\$ 9,953,124
Net assets:						
Invested in capital assets, net of related debt	\$ 4,467,283	\$ 1,683,108	\$ 1,964,402	\$ 2,045,348	\$ 6,431,685	\$ 3,728,456
Restricted for:						
Debt service	356,503	-	20,934	20,934	377,437	20,934
Unrestricted	7,139,318	11,603,572	23,796	18,885	7,163,114	11,622,457
Total net assets	\$ 11,963,104	\$ 13,286,680	\$ 2,009,132	\$ 2,085,167	\$ 13,972,236	\$ 15,371,847

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets decreased by \$1,399,611. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 3,113,888	\$ 3,308,109	\$ 127,510	\$ 109,950	\$ 3,241,398	\$ 3,418,059
Operating grants and contributions	2,245,149	2,406,970	-	-	2,245,149	2,406,970
General revenues:						
General property taxes	5,107,477	4,792,362	-	-	5,107,477	4,792,362
Other local taxes	1,008,952	821,513	-	-	1,008,952	821,513
Grants and other contributions not restricted	768,807	686,784	-	-	768,807	686,784
Other general revenues	409,068	416,845	-	-	409,068	416,845
Transfers	(158,823)	(131,435)	158,823	131,435	-	-
Total revenues	\$ 12,494,518	\$ 12,301,148	\$ 286,333	\$ 241,385	\$ 12,780,851	\$ 12,542,533
Expenses:						
General government administration						
General government administration	\$ 1,640,312	\$ 1,401,119	\$ -	\$ -	\$ 1,640,312	\$ 1,401,119
Judicial administration	690,019	570,278	-	-	690,019	570,278
Public safety	1,437,013	1,348,489	-	-	1,437,013	1,348,489
Public works	920,261	910,300	355,903	311,592	1,276,164	1,221,892
Health and welfare	1,222,107	1,527,490	-	-	1,222,107	1,527,490
Education	6,119,134	6,041,220	-	-	6,119,134	6,041,220
Parks, recreation, and cultural	532,155	459,389	-	-	532,155	459,389
Community development	819,989	884,606	-	-	819,989	884,606
Interest and other fiscal charges	437,104	478,919	6,465	6,708	443,569	485,627
Total expenses	\$ 13,818,094	\$ 13,621,810	\$ 362,368	\$ 318,300	\$ 14,180,462	\$ 13,940,110
Change in net assets	\$ (1,323,576)	\$ (1,320,662)	\$ (76,035)	\$ (76,915)	\$ (1,399,611)	\$ (1,397,577)
Beginning of year	13,286,680	14,607,342	2,085,167	2,162,082	15,371,847	16,769,424
End of year	<u>\$ 11,963,104</u>	<u>\$ 13,286,680</u>	<u>\$ 2,009,132</u>	<u>\$ 2,085,167</u>	<u>\$ 13,972,236</u>	<u>\$ 15,371,847</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$7,136,115 a decrease of \$3,973,411 in comparison with the prior year. Approximately 95% of this total amount constitutes unreserved General Fund balance, which is available for spending at the County's discretion.

The County Capital Projects Fund accounts for all major general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the fiscal year, the fund balance was \$356,503, all of which was designated for current or future capital projects.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$23,796. Net assets decreased \$76,035. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were decreases of \$602,330 and can be briefly summarized as follows:

- ▶ \$123,249 decrease in community development
- ▶ \$236,676 decrease in nondepartmental
- ▶ \$196,400 decrease in capital projects
- ▶ \$46,005 decrease spread throughout other general fund departments

The decrease in budgeted General Fund expenditures resulted in a decrease in the budgeted beginning General Fund balance. During the year, budgetary estimates exceeded revenues and other financing sources by \$238,034. Expenditures and other uses were less than budgetary estimates by \$2,115,352, thus increasing the need to draw upon budgeted existing fund balance of \$3,418,802 and actually decreasing the fund balance by \$1,541,484, resulting in a positive variance of \$1,877,318.

Capital Asset and Debt Administration

- ▶ Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2005 amounts to \$12,959,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration (Continued)

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$8,618,500. Of this amount, \$3,768,061 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, and revenue bonds).

During the current fiscal year, the County's total debt decreased by \$801,351.

Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- ▶ The unemployment rate for the County compares favorably to the state's average unemployment rate of 3.7 percent and compares favorably to the national average rate of 5.0 percent.
- ▶ Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2005 fiscal year.

The fiscal year 2006 budget decreased by approximately 41%, including approximately \$10 million for capital projects completed in prior year. The tax rates remained the same as in fiscal year 2005, except for the real estate tax rate which decreased by \$0.12 due to a reassessment.

Requests for Information

This financial report is designed to provide a general overview of the County of Charles City, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 10900 Courthouse Road, Charles City, Virginia 23030.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Charles City, Virginia
Statement of Net Assets
June 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 6,184,548	\$ -	\$ 6,184,548	\$ -	\$ -
Investments	-	-	-	-	854,863
Receivables (net of allowance for uncollectibles):					
Taxes receivable	527,245	-	527,245	-	-
Accounts receivable	47,636	23,796	71,432	-	-
Leases receivable	435,545	-	435,545	-	123,768
Due from other governmental units	550,352	-	550,352	320,015	-
Temporarily restricted:					
Cash and cash equivalents restricted for debt reserve	-	20,934	20,934	-	-
Investments (in custody of others)	356,503	-	356,503	-	-
Capital assets (net of accumulated depreciation):					
Land	1,569,169	7,819	1,576,988	123,786	-
Buildings and improvements	5,803,554	2,083,165	7,886,719	8,195,481	-
Machinery and equipment	436,334	-	436,334	682,792	-
Construction in progress	5,150,144	-	5,150,144	-	-
Total assets	<u>\$ 21,061,030</u>	<u>\$ 2,135,714</u>	<u>\$ 23,196,744</u>	<u>\$ 9,322,074</u>	<u>\$ 978,631</u>
LIABILITIES					
Accounts payable	\$ 2,905	-	\$ 2,905	\$ 24,825	-
Accrued interest payable	114,120	-	114,120	-	-
Due to other governmental units	-	-	-	295,190	-
Deferred revenue	85,481	-	85,481	-	-
Deposits held in escrow	29,050	-	29,050	-	-
Long-term liabilities:					
Due within one year	794,150	5,238	799,388	29,119	-
Due in more than one year	8,072,220	121,344	8,193,564	186,708	-
Total liabilities	<u>\$ 9,097,926</u>	<u>\$ 126,582</u>	<u>\$ 9,224,508</u>	<u>\$ 535,842</u>	<u>\$ -</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 4,467,283	\$ 1,964,402	\$ 6,431,685	\$ 9,002,059	\$ -
Restricted for:					
Debt service and bond covenants	356,503	20,934	377,437	-	-
Unrestricted (deficit)	7,139,318	23,796	7,163,114	(215,827)	978,631
Total net assets	<u>\$ 11,963,104</u>	<u>\$ 2,009,132</u>	<u>\$ 13,972,236</u>	<u>\$ 8,786,232</u>	<u>\$ 978,631</u>
Total Liabilities and Net Assets	<u>\$ 21,061,030</u>	<u>\$ 2,135,714</u>	<u>\$ 23,196,744</u>	<u>\$ 9,322,074</u>	<u>\$ 978,631</u>

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

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County of Charles City, Virginia
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Total	School Board	IDA
				Governmental Activities	Business-type Activities				
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,640,312	\$ -	\$ 159,770	\$ (1,480,542)	\$ -	\$ (1,480,542)	\$ -	\$ -	\$ -
Judicial administration	690,019	54,453	192,773	(442,793)	-	(442,793)	-	-	-
Public safety	1,437,013	97,535	486,904	(852,574)	-	(852,574)	-	-	-
Public works	920,261	2,941,688	-	2,021,427	-	2,021,427	-	-	-
Health and welfare	1,222,107	-	815,490	(406,617)	-	(406,617)	-	-	-
Education	6,119,134	-	-	(6,119,134)	-	(6,119,134)	-	-	-
Parks, recreation, and cultural	532,155	20,212	154,092	(357,851)	-	(357,851)	-	-	-
Community development	819,989	-	436,120	(383,869)	-	(383,869)	-	-	-
Interest on long-term debt	437,104	-	-	(437,104)	-	(437,104)	-	-	-
Total government activities	\$ 13,818,094	\$ 3,113,888	\$ 2,245,149	\$ (8,459,057)	\$ -	\$ (8,459,057)	\$ -	\$ -	\$ -
Business-type activities:									
Sanitary District	\$ 362,368	\$ 127,510	\$ -	\$ -	\$ (234,858)	\$ (234,858)	\$ -	\$ -	\$ -
Total primary government	\$ 14,180,462	\$ 3,241,398	\$ 2,245,149	\$ (8,459,057)	\$ (234,858)	\$ (8,693,915)	\$ -	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 11,969,354	\$ 211,570	\$ 5,565,200	\$ -	\$ -	\$ (6,192,584)	\$ -	\$ -	\$ -
Industrial Development Authority	650	92,017	-	-	-	-	-	-	91,367
Total component units	\$ 11,970,004	\$ 303,587	\$ 5,565,200	\$ -	\$ -	\$ (6,192,584)	\$ -	\$ -	\$ 91,367
General revenues:									
General property taxes	\$ 5,107,477	\$ -	\$ -	\$ 5,107,477	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	1,008,952	-	-	1,008,952	-	-	-	-	-
Unrestricted revenues from use of money and property	223,172	-	-	223,172	-	-	-	-	21,401
Miscellaneous	155,966	-	-	155,966	-	-	20,588	-	-
Grants and contributions not restricted to specific programs	768,807	-	-	768,807	-	-	768,807	-	-
Gain on disposal of capital assets	29,930	-	-	29,930	-	-	29,930	-	-
Payment from Charles City County	-	-	-	-	-	-	6,142,110	-	-
Transfers	(158,823)	-	-	(158,823)	158,823	-	-	-	-
Total general revenues	\$ 7,135,481	\$ 158,823	\$ 7,294,304	\$ 7,294,304	\$ 7,294,304	\$ 6,162,698	\$ 21,401	\$ -	\$ -
Change in net assets	(1,323,576)	(76,035)	(1,399,611)	(1,399,611)	(29,886)	(29,886)	112,768	-	-
Net assets - beginning	13,286,680	2,085,167	15,371,847	15,371,847	8,816,118	8,816,118	865,863	-	-
Net assets - ending	\$ 11,963,104	\$ 2,009,132	\$ 13,972,236	\$ 13,972,236	\$ 8,786,232	\$ 8,786,232	\$ 978,631	\$ -	\$ -

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

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FUND FINANCIAL STATEMENTS

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County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,184,548	\$ -	\$ 6,184,548
Receivables (net of allowance for uncollectibles):			
Taxes receivable	527,245	-	527,245
Accounts receivable	47,636	-	47,636
Leases receivable	435,545	-	435,545
Due from other governmental units	550,352	-	550,352
Restricted assets:			
Temporarily restricted:			
Investments	-	356,503	356,503
Total assets	<u>\$ 7,745,326</u>	<u>\$ 356,503</u>	<u>\$ 8,101,829</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,905	\$ -	\$ 2,905
Deferred revenue	933,759	-	933,759
Deposits held in escrow	29,050	-	29,050
Total liabilities	<u>\$ 965,714</u>	<u>\$ -</u>	<u>\$ 965,714</u>
Fund balances:			
Reserved for:			
Debt service and bond covenants	\$ -	356,503	356,503
Unreserved, designated for:			
Utility construction	3,135,179	-	3,135,179
Other capital projects	168,358	-	168,358
Indoor plumbing rehab.	25,360	-	25,360
Performance bonds payable	50,410	-	50,410
Employee health insurance	12,000	-	12,000
Landfill closure	253,178	-	253,178
E-911 system	180,871	-	180,871
Unreserved, reported in:			
General fund	2,954,256	-	2,954,256
Total fund balances	<u>\$ 6,779,612</u>	<u>\$ 356,503</u>	<u>\$ 7,136,115</u>
Total liabilities and fund balances	<u>\$ 7,745,326</u>	<u>\$ 356,503</u>	<u>\$ 8,101,829</u>

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

County of Charles City, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2005

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,136,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,959,201
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	848,278
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,980,490)
Net assets of governmental activities	<u>\$ 11,963,104</u>

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

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 5,167,309	\$ -	\$ 5,167,309
Other local taxes	1,008,952	-	1,008,952
Permits, privilege fees, and regulatory licenses	3,036,178	-	3,036,178
Fines and forfeitures	40,005	-	40,005
Revenue from the use of money and property	294,807	18,525	313,332
Charges for services	37,705	-	37,705
Miscellaneous	155,966	-	155,966
Recovered costs	168,259	-	168,259
Intergovernmental revenues:			
Commonwealth	2,036,368	-	2,036,368
Federal	977,588	-	977,588
Total revenues	<u>\$ 12,923,137</u>	<u>\$ 18,525</u>	<u>\$ 12,941,662</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,556,015	\$ -	\$ 1,556,015
Judicial administration	470,843	-	470,843
Public safety	1,409,671	-	1,409,671
Public works	833,135	-	833,135
Health and welfare	1,240,503	-	1,240,503
Education	5,578,056	-	5,578,056
Parks, recreation, and cultural	406,200	-	406,200
Community development	819,884	-	819,884
Nondepartmental	134,600	-	134,600
Capital projects	3,093,661	-	3,093,661
Debt service:			
Principal retirement	796,367	-	796,367
Interest and other fiscal charges	450,515	-	450,515
Total expenditures	<u>\$ 16,789,450</u>	<u>\$ -</u>	<u>\$ 16,789,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,866,313)</u>	<u>\$ 18,525</u>	<u>\$ (3,847,788)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 2,450,452	\$ -	\$ 2,450,452
Transfers out	(158,823)	(2,450,452)	(2,609,275)
Sale of capital assets	33,200	-	33,200
Total other financing sources (uses)	<u>\$ 2,324,829</u>	<u>\$ (2,450,452)</u>	<u>\$ (125,623)</u>
Net change in fund balances	\$ (1,541,484)	\$ (2,431,927)	\$ (3,973,411)
Fund balances - beginning	8,321,096	2,788,430	11,109,526
Fund balances - ending	<u>\$ 6,779,612</u>	<u>\$ 356,503</u>	<u>\$ 7,136,115</u>

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

County of Charles City, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds	\$ (3,973,411)
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.	1,991,078
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(3,270)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(149,992)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	796,367
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.	15,652
Change in net assets of governmental activities	<u>\$ (1,323,576)</u>

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

County of Charles City, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Fund Sanitary District
ASSETS	
Current assets:	
Accounts receivables, net of allowances for uncollectibles	\$ 23,796
Total current assets	\$ 23,796
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents restricted for debt reserve	\$ 20,934
Total restricted current assets	\$ 20,934
Capital assets:	
Utility plant in service	\$ 3,437,144
Less accumulated depreciation	(1,378,379)
Machinery and equipment	24,400
Land	7,819
Total capital assets	\$ 2,090,984
Total noncurrent assets	\$ 2,111,918
Total assets	\$ 2,135,714
LIABILITIES	
Current liabilities:	
Bonds payable - current portion	\$ 5,238
Total current liabilities	\$ 5,238
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 121,344
Total noncurrent liabilities	\$ 121,344
Total liabilities	\$ 126,582
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,964,402
Restricted for debt service and bond covenants	20,934
Unrestricted	23,796
Total net assets	\$ 2,009,132

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Fund Sanitary District
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 30,172
Sewer revenues	15,234
Connection fees	38,240
Other revenues	43,864
Total operating revenues	\$ 127,510
OPERATING EXPENSES	
Water	\$ 35,851
Wastewater	50,786
Industrial center	94,370
Government utility	88,967
Depreciation	85,929
Total operating expenses	\$ 355,903
Operating income (loss)	\$ (228,393)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (6,465)
Total nonoperating revenues (expenses)	\$ (6,465)
Income before contributions and transfers	(234,858)
Transfers in	\$ 158,823
Change in net assets	\$ (76,035)
Total net assets - beginning	2,085,167
Total net assets - ending	\$ 2,009,132

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

County of Charles City, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Fund
	Sanitary District
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 122,599
Payments to suppliers	(97,093)
Payments to employees	(172,881)
Net cash provided (used by) operating activities	\$ (147,375)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 158,823
Net cash provided (used) by noncapital financing activities	\$ 158,823
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (4,983)
Interest payments	(6,465)
Net cash provided (used) by capital and related financing activities	(11,448)
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents - beginning - including restricted	20,934
Cash and cash equivalents - ending - including restricted	\$ 20,934
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (228,393)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	85,929
(Increase) decrease in accounts receivable	(4,911)
Total adjustments	81,018
Net cash provided (used) by operating activities	\$ (147,375)

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

**County of Charles City, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ <u>33,931</u>
LIABILITIES	
Amounts held for social services clients	\$ <u>33,931</u>

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

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

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2005.

Discretely Presented Component Units. The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2005.

The Industrial Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2005.

C. Other Related Organizations

Included in the County's Financial Report

Excluded from the County's Comprehensive Annual Financial Report

Riverside Regional Jail Authority

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

Heritage Regional Library

The Heritage Regional Library is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions provide the financial support for the Library and appoint its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. During the fiscal year ended June 30, 2005, the County contributed \$60,572 to the operations of the Library.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

C. Other Related Organizations (Continued)

Included in the County's Financial Report (Continued)

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

Middle Peninsula Detention Center

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

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

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

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

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

The government-wide statement of activities 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

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

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

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

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

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

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (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 County reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's 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.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's Major Enterprise Fund consists of the Sanitary District.

The County reports the following non-major governmental funds:

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

E. Cash and Cash Equivalents

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

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

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

F. Investments

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “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 \$60,925 at June 30, 2005 and is composed solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Building improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

L. Fund Equity

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

M. Net Assets

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

N. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 15th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The Board of Supervisors is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2005.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

NOTE 3 - 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 amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2005 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

	Fair Quality Ratings					
	AAA	AA	AA+	AA-	A+	A1
Local Government Investment Pool	\$ 1,545,860	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Fund	1,509,701	-	-	-	-	-
Corporate Debt	-	353,335	-	203,922	-	-
Commercial Paper	198,980	-	-	-	-	795,917
Municipal/Public Bonds	1,798,959	110,775	249,533	-	99,804	-
Total	\$ 5,053,500	\$ 464,110	\$ 249,533	\$ 203,922	\$ 99,804	\$ 795,917

Interest Rate Risk

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1 Year
Municipal/Public Bonds	\$ 2,259,071	\$ 2,259,071
Corporate Debt	557,257	557,257
Commercial Paper	994,897	994,897
Total	\$ 3,811,225	\$ 3,811,225

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2005, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
County of Charles City School Board	\$ 295,190	\$ -
Commonwealth of Virginia:		
Local sales tax	94,840	-
Shared expenses	69,430	-
Recordation tax	3,188	-
Rolling stock tax	5,559	-
VPA funds	14,514	-
ABC profits	4,060	-
Wine tax	4,256	-
Fringe Benefits	-	18,198
State Sales Tax	-	141,701
Mobile home titling tax	1,719	-
Comprehensive services act	19,110	-
Emergency services	2,400	-
Federal Government:		
School fund grants	-	160,116
VPA funds	36,086	-
Total due from other governments	\$ <u>550,352</u>	\$ <u>320,015</u>

At June 30, 2005 amounts due to other local governments are as follows:

Other Local Governments:		
County of Charles City	\$ <u>-</u>	\$ <u>295,190</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Primary Government:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,572,439	\$ -	\$ 3,270	\$ 1,569,169
Construction in Progress	<u>2,442,053</u>	<u>2,708,091</u>	<u>-</u>	<u>5,150,144</u>
Total capital assets not subject to depreciation	<u>\$ 4,014,492</u>	<u>\$ 2,708,091</u>	<u>\$ 3,270</u>	<u>\$ 6,719,313</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,579,297	\$ -	\$ -	\$ 4,579,297
Equipment	1,767,948	76,853	103,647	1,741,154
Jointly owned assets	<u>6,160,725</u>	<u>24,000</u>	<u>602,257</u>	<u>5,582,468</u>
Total capital assets being depreciated	<u>\$ 14,950,023</u>	<u>\$ 100,853</u>	<u>\$ 705,904</u>	<u>\$ 11,902,919</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,447,135	\$ 96,669	\$ -	\$ 2,543,804
Equipment	1,252,348	156,119	103,647	1,304,820
Jointly owned assets	<u>1,851,586</u>	<u>138,886</u>	<u>176,065</u>	<u>1,814,407</u>
Total accumulated depreciation	<u>\$ 5,551,069</u>	<u>\$ 391,674</u>	<u>\$ 279,712</u>	<u>\$ 5,663,031</u>
Total capital assets subject to depreciation, net	<u>\$ 9,398,954</u>	<u>\$ (290,821)</u>	<u>\$ 426,192</u>	<u>\$ 6,239,888</u>
Net capital assets primary government	<u>\$ 10,971,393</u>	<u>\$ 2,417,270</u>	<u>\$ 429,462</u>	<u>\$ 12,959,201</u>
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Total capital assets not subject to depreciation	<u>\$ 7,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,819</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,437,144	\$ -	\$ -	\$ 3,437,144
Equipment	<u>24,400</u>	<u>-</u>	<u>-</u>	<u>24,400</u>
Total capital assets being depreciated	<u>\$ 3,461,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,461,544</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,268,050	\$ 85,929	\$ -	\$ 1,353,979
Equipment	<u>24,400</u>	<u>-</u>	<u>-</u>	<u>24,400</u>
Total accumulated depreciation	<u>\$ 1,292,450</u>	<u>\$ 85,929</u>	<u>\$ -</u>	<u>\$ 1,378,379</u>
Total capital assets subject to depreciation, net	<u>\$ 2,169,094</u>	<u>\$ (85,929)</u>	<u>\$ -</u>	<u>\$ 2,083,165</u>
Net capital assets enterprise fund	<u>\$ 2,176,913</u>	<u>\$ (85,929)</u>	<u>\$ -</u>	<u>\$ 2,090,984</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)

Component Unit-School Board:	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets not subject to depreciation:				
Land and land improvements	\$ 123,786	\$ -	\$ -	\$ 123,786
Capital assets subject to depreciation:				
Equipment	\$ 2,009,729	\$ 117,616	\$ 21,995	\$ 2,105,350
Jointly owned assets	11,539,534	602,257	-	12,141,791
Total capital assets being depreciated	<u>\$ 13,549,263</u>	<u>\$ 719,873</u>	<u>\$ 21,995</u>	<u>\$ 14,247,141</u>
Less accumulated depreciation for:				
Equipment	\$ 1,254,752	\$ 189,801	\$ 21,995	\$ 1,422,558
Jointly owned assets	3,468,170	478,140	-	3,946,310
Total accumulated depreciation	<u>\$ 4,722,922</u>	<u>\$ 667,941</u>	<u>\$ 21,995</u>	<u>\$ 5,368,868</u>
Total capital assets subject to depreciation, net	<u>\$ 8,826,341</u>	<u>\$ 51,932</u>	<u>\$ -</u>	<u>\$ 8,878,273</u>
Net capital assets Component Unit-School Board	<u>\$ 8,950,127</u>	<u>\$ 51,932</u>	<u>\$ -</u>	<u>\$ 9,002,059</u>

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

Governmental activities:

General government	\$ 78,410
Public safety	75,619
Public works	45,225
Health and welfare	15,923
Education	138,886
Parks, recreation and cultural	37,311
Community development	300
Total Governmental activities	<u>\$ 391,674</u>

Component Unit School Board	<u>\$ 491,876</u>
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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General fund	\$ 2,450,452	\$ 158,823
Capital projects fund	-	2,450,452
Sanitary District	158,823	-
Total	<u>\$ 2,609,275</u>	<u>\$ 2,609,275</u>

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

Note 7—Long Term Obligations:

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

	<u>Amounts Payable at July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County					
Claims, judgments and compensated absences payable	\$ 376,693	\$ -	\$ 2,241	\$ 374,452	\$ 37,445
Lease revenue bond payable	4,979,146	-	255,289	4,723,857	264,853
Total incurred by County	<u>\$ 5,355,839</u>	<u>\$ -</u>	<u>\$ 257,530</u>	<u>\$ 5,098,309</u>	<u>\$ 302,298</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 30,407	\$ -	\$ 6,000	\$ 24,407	\$ 6,000
General obligation bonds payable	4,215,889	-	472,235	3,743,654	485,852
Capital lease obligations	62,843	-	62,843	-	-
Total incurred by School Board	<u>\$ 4,309,139</u>	<u>\$ -</u>	<u>\$ 541,078</u>	<u>\$ 3,768,061</u>	<u>\$ 491,852</u>
Total Governmental Obligations	<u>\$ 9,664,978</u>	<u>\$ -</u>	<u>\$ 798,608</u>	<u>\$ 8,866,370</u>	<u>\$ 794,150</u>
Enterprise Obligations:					
Revenue bonds payable	\$ 131,566	\$ -	\$ 4,984	\$ 126,582	\$ 5,238
Total Enterprise Obligations	<u>\$ 131,566</u>	<u>\$ -</u>	<u>\$ 4,984</u>	<u>\$ 126,582</u>	<u>\$ 5,238</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Year Ending June 30	County Obligations	
	Lease Revenue Bond Payable	
	Principal	Interest
2006	\$ 264,853	\$ 169,400
2007	274,765	159,487
2008	285,049	149,203
2009	295,718	138,535
2010	306,785	127,467
2011	318,268	115,985
2012	330,179	104,076
2013	342,537	91,715
2014	355,357	78,896
2015	368,657	65,595
2016	382,455	51,798
2017	396,769	37,484
2018	411,619	22,634
2019	390,846	7,228
Total	\$ <u>4,723,857</u>	\$ <u>1,319,503</u>

Year Ending June 30	School Obligations			
	Literary Fund Loans		Bonds Payable	
	Principal	Interest	Principal	Interest
2006	\$ 6,000	\$ 732	\$ 485,852	\$ 231,048
2007	6,000	552	500,398	198,502
2008	6,000	372	515,937	164,963
2009	6,000	193	532,537	130,363
2010	407	12	550,270	94,630
2011	-	-	569,212	57,688
2012	-	-	589,448	19,452
Total	\$ <u>24,407</u>	\$ <u>1,861</u>	\$ <u>3,743,654</u>	\$ <u>896,646</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30	Enterprise Fund	
	Revenue Bonds Payable	
	Principal	Interest
2006	\$ 5,238	\$ 6,210
2007	5,506	5,942
2008	5,788	5,660
2009	6,084	5,364
2010	6,395	5,053
2011	6,722	4,726
2012	7,066	4,382
2013	7,427	4,021
2014	7,807	3,641
2015	8,207	3,241
2016	8,627	2,821
2017	9,068	2,380
2018	9,532	1,916
2019	10,020	1,428
2020	10,532	916
2021	11,071	377
2022	1,492	6
Total	\$ <u>126,582</u>	\$ <u>58,084</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Obligations:

Incurred by County:

Lease Revenue Bond Payable:

\$5,000,000 lease revenue bond payable issued through the Industrial Development Authority of Charles City County issued May 15, 2003, payable in monthly installments of principal and interest totaling \$36,188 through May 1, 2019, interest payable annually at 3.68%.

\$ 4,723,857

Compensated absences

\$ 374,452

Total Incurred by County

\$ 5,098,309

Incurred by School Board:

State Literary Fund Loans:

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

\$ 24,407

General Obligation Bonds Payable:

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

\$ 3,743,654

Total Incurred by School Board

\$ 3,768,061

Total Governmental Obligations

\$ 8,866,370

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Enterprise Fund:

Revenue Bond Payable:

\$194,200 Water System Revenue Bonds Series 1982 issued April 14, 1982 payable in monthly principal and interest installments of \$954 through 2022, interest at 5.00% \$ 126,582

	Amounts Payable at July 1, 2004	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Component Unit-School Board:					
Claims, judgments and compensated absences payable	\$ 134,009	\$ 24,879	\$ -	\$ 158,888	\$ 15,889
Capital lease obligations	-	56,939	-	56,939	13,230
Total Component Unit-School Board	\$ 134,009	\$ 81,818	\$ -	\$ 215,827	\$ 29,119

Year Ending June 30	Capital Leases Payable	
	Principal	Interest
2006	\$ 13,230	\$ 2,790
2007	13,878	2,142
2008	14,559	1,469
2009	15,272	748
Total	\$ 56,939	\$ 7,149

Capital Leases Payable:

\$56,939 School Bus lease issued on June 24, 2005, due in annual installments of \$16,020 on each June 15 through 2009; interest rate 4.90%	\$ <u>56,939</u>
Total Capital Leases Payable	\$ <u>56,939</u>
Compensated absences	\$ <u>158,888</u>
Total Component Unit-School Board	\$ <u><u>215,827</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Landfill Closure and Post-closure Costs:

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

Note 9—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$933,759 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$412,733 at June 30, 2005.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$85,481 at June 30, 2005.

Lease Purchase Receivable - Deferred revenue representing uncollected lease/purchase payments not available for funding of current expenditures totaled \$435,545.

Note 10—Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2005, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 12 –Risk Management:

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

Note 13 –Lease-Purchase Receivable:

On November 1, 1995, the County entered into a lease-purchase agreement with Timothy A. Carroll to sell a lot and building at the Roxbury Industrial Center. The agreement included a \$15,000 down payment and monthly installments of principal and interest of \$2,697.50 for 15 years to be received by the County. The interest rate is 7%, and the total amount financed was \$300,000. At June 30, 2005, the balance of the lease purchase receivable was \$145,524.

On February 16, 1994, the County entered into a lease-purchase agreement with Facelifters Home Systems, Inc. to sell a lot and building at the Roxbury Industrial Center. The agreement called for monthly installments of principal and interest of \$7,156.40 for 15 years to be received by the County. The interest rate is 7%, and the total amount financed was \$796,192. At June 30, 2005, the balance of the lease-purchase receivable was \$290,021.

The Industrial Development Authority entered into a lease-purchase agreement with Blue Water, LLC to purchase property. The agreement called for monthly installments of principal and interest of \$822.18 for 20 years to be received by the Industrial Development Authority. The interest rate is 7.77% and the total amount financed was \$100,000. At June 30, 2005, the balance of the lease-purchase receivable was \$75,537.

The Industrial Development Authority entered into a lease-purchase agreement with Chesapeake Engineering. The agreement called for monthly installments of principal and interest of \$792.08 for seven years to be received by the Industrial Development Authority. The interest rate is 8.50% and the total amount finance was \$50,000. At June 30, 2005, the balance of the lease receivable was \$48,231.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 14 – 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 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. 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 downloading from their website at <http://www.varetire.org/pdf/2004AnnuRept.pdf> or writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2005 were 4.0% and 0% of annual covered payroll, respectively.

The School Board's professional employees contributed 282,153, \$169,524, and \$163,235 to the teacher cost-sharing pool for the fiscal years ended June 30, 2005, 2004, and 2003 respectively. The County's current rate is 6.03%, 3.77%, and 3.77% of annual covered payroll respectively.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 14 – Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost

For fiscal 2005, the County’s annual pension cost of \$99,259 was equal to the County’s required and actuarial contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2005, the County School Board’s annual pension cost for the Board’s non-professional employees was \$-0- which was equal to the Board’s required and actuarial contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board Employees</u>
Valuation date	June 30, 2003	June 30, 2003
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	7 years	0 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases: ¹		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

¹ Includes inflation at 3%

<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, 2005	\$ 99,259	100%	\$ -
June 30, 2004	24,992	100%	-
June 30, 2003	24,761	100%	-
School Board:			
Non-Professional:			
June 30, 2005	\$ -	100%	\$ -
June 30, 2004	-	100%	-
June 30, 2003	-	100%	-

(1) Employer portion only

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 15 – Surety Bonds:

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

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**County of Charles City, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 4,982,200	\$ 4,982,200	\$ 5,167,309	\$ 185,109
Other local taxes	757,500	757,500	1,008,952	251,452
Permits, privilege fees, and regulatory licenses	3,241,645	3,241,646	3,036,178	(205,468)
Fines and forfeitures	42,884	42,884	40,005	(2,879)
Revenue from the use of money and property	264,515	264,515	294,807	30,292
Charges for services	11,180	11,181	37,705	26,524
Miscellaneous	97,640	97,640	155,966	58,326
Recovered costs	44,102	44,102	168,259	124,157
Intergovernmental revenues:				
Commonwealth	2,234,760	2,216,954	2,036,368	(180,586)
Federal	1,920,078	1,851,457	977,588	(873,869)
Total revenues	<u>\$ 13,596,504</u>	<u>\$ 13,510,079</u>	<u>\$ 12,923,137</u>	<u>\$ (586,942)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,413,270	\$ 1,412,220	\$ 1,556,015	\$ (143,795)
Judicial administration	518,971	512,416	470,843	41,573
Public safety	1,529,061	1,489,614	1,409,671	79,943
Public works	883,379	884,424	833,135	51,289
Health and welfare	2,127,570	2,127,571	1,240,503	887,068
Education	6,088,913	6,088,913	5,578,056	510,857
Parks, recreation, and cultural	418,875	418,875	406,200	12,675
Community development	1,474,278	1,351,029	819,884	531,145
Nondepartmental	286,951	50,275	134,600	(84,325)
Capital projects	3,425,701	3,229,301	3,093,661	135,640
Debt service:				
Principal retirement	797,159	797,159	796,367	792
Interest and other fiscal charges	447,455	447,456	450,515	(3,059)
Total expenditures	<u>\$ 19,411,583</u>	<u>\$ 18,809,253</u>	<u>\$ 16,789,450</u>	<u>\$ 2,019,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,815,079)</u>	<u>\$ (5,299,174)</u>	<u>\$ (3,866,313)</u>	<u>\$ 1,432,861</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,759,789	\$ 2,114,744	\$ 2,450,452	\$ 335,708
Transfers out	(185,914)	(185,914)	(158,823)	27,091
Sale of capital assets	20,000	20,000	33,200	13,200
Total other financing sources and uses	<u>\$ 2,593,875</u>	<u>\$ 1,948,830</u>	<u>\$ 2,324,829</u>	<u>\$ 375,999</u>
Net change in fund balances	<u>\$ (3,221,204)</u>	<u>\$ (3,350,344)</u>	<u>\$ (1,541,484)</u>	<u>\$ 1,808,860</u>
Fund balances - beginning	3,221,204	3,350,344	8,321,096	4,970,752
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,779,612</u>	<u>\$ 6,779,612</u>

County of Charles City, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 18,525	\$ 18,525
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,525</u>	<u>\$ 18,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,525</u>	<u>\$ 18,525</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,759,789)	\$ (2,114,744)	\$ (2,450,452)	\$ (335,708)
Total other financing sources and uses	<u>\$ (2,759,789)</u>	<u>\$ (2,114,744)</u>	<u>\$ (2,450,452)</u>	<u>\$ (335,708)</u>
Net change in fund balances	\$ (2,759,789)	\$ (2,114,744)	\$ (2,431,927)	\$ (317,183)
Fund balances - beginning	2,759,789	2,114,744	2,788,430	673,686
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,503</u>	<u>\$ 356,503</u>

County of Charles City, Virginia

Schedule of Funding Progress-Virginia Retirement System

For The Year Ended June 30, 2005

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
County:						
6/30/2004	\$ 7,637,723	\$ 7,677,418	\$ 39,695	99.48%	\$ 2,471,727	1.61%
6/30/2003	7,447,850	7,195,264	(252,586)	103.51%	2,306,694	-10.95%
6/30/2002	7,277,551	6,431,341	(846,210)	113.16%	2,455,937	-34.46%
6/30/2001	6,957,701	5,865,105	(1,092,596)	118.63%	2,377,182	-45.96%
6/30/2000	6,213,465	5,095,119	(1,118,346)	121.95%	2,154,499	-51.91%
6/30/1999	5,303,635	5,102,638	(200,997)	103.94%	2,099,632	-9.57%
6/30/1998	4,533,403	4,212,813	(320,590)	107.61%	1,846,223	-17.36%
6/30/1996	3,180,867	3,168,443	(12,424)	100.39%	1,690,572	-0.73%
6/30/1994	2,311,352	2,221,402	(89,950)	104.05%	1,625,432	-5.53%
School Board Non-Professionals:						
6/30/2004	\$ 1,342,583	\$ 1,042,674	\$ (299,909)	128.76%	\$ 255,206	-117.52%
6/30/2003	1,342,739	968,902	(373,837)	138.58%	265,077	-141.03%
6/30/2002	1,354,254	975,214	(379,040)	138.87%	270,971	-139.88%
6/30/2001	1,333,683	905,710	(427,973)	147.25%	247,851	-172.67%
6/30/2000	1,232,733	846,040	(386,693)	145.71%	256,108	-150.99%
6/30/1999	1,082,042	947,045	(134,997)	114.25%	244,027	-55.32%
6/30/1998	959,497	891,724	(67,773)	107.60%	237,577	-28.53%
6/30/1996	750,906	734,875	(16,031)	102.18%	213,485	-7.51%
6/30/1994	601,286	599,263	(2,023)	100.34%	241,735	-0.84%

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OTHER SUPPLEMENTARY INFORMATION

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INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

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County of Charles City, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	<u>Special Welfare</u>
ADDITIONS	
Contributions:	
Contributions	\$ 16,498
Total contributions	<u>\$ 16,498</u>
DEDUCTIONS	
Benefits	\$ 16,983
Total deductions	<u>\$ 16,983</u>
Change in net assets	\$ (485)
Net assets - beginning	34,416
Net assets - ending	<u><u>\$ 33,931</u></u>

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

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***DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD***

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**County of Charles City, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2005**

	School Operating Fund
ASSETS	
Due from other governmental units	\$ 320,015
Total assets	\$ 320,015
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 24,825
Due to other governmental units	295,190
Total liabilities	\$ 320,015
Fund balances:	
Unreserved:	
Undesignated	\$ -
Total fund balances	\$ -
Total liabilities and fund balances	\$ 320,015
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,002,059
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(215,827)
Net assets of governmental activities	\$ 8,786,232

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Operating Fund
REVENUES	
Charges for services	\$ 211,570
Miscellaneous	20,588
Recovered costs	5,734
Intergovernmental revenues:	
Local government	5,577,032
Commonwealth	4,606,599
Federal	958,601
Total revenues	\$ 11,380,124
EXPENDITURES	
Current:	
Education	\$ 11,437,063
Total expenditures	\$ 11,437,063
Excess (deficiency) of revenues over (under) expenditures	\$ (56,939)
OTHER FINANCING SOURCES (USES)	
Proceeds from capital leases	\$ 56,939
Total other financing sources and uses	\$ 56,939
Net change in fund balances	\$ -
Fund balances - beginning	-
Fund balances - ending	\$ -
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ -
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	51,932
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(56,939)
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.	(24,879)
Change in net assets of governmental activities	\$ (29,886)

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 171,253	\$ 171,253	\$ 211,570	\$ 40,317
Miscellaneous	6,500	6,500	20,588	14,088
Recovered costs	16,113	4,000	5,734	1,734
Intergovernmental revenues:				
Local government	6,087,889	6,087,889	5,577,032	(510,857)
Commonwealth	4,515,353	4,338,911	4,606,599	267,688
Federal	1,008,399	1,018,398	958,601	(59,797)
Total revenues	<u>\$ 11,805,507</u>	<u>\$ 11,626,951</u>	<u>\$ 11,380,124</u>	<u>\$ (246,827)</u>
EXPENDITURES				
Current:				
Education	\$ 11,805,507	\$ 11,957,232	\$ 11,437,063	\$ 520,169
Total expenditures	<u>\$ 11,805,507</u>	<u>\$ 11,957,232</u>	<u>\$ 11,437,063</u>	<u>\$ 520,169</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (330,281)	\$ (56,939)	\$ 273,342
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	\$ -	\$ -	\$ 56,939	\$ 56,939
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,939</u>	<u>\$ 56,939</u>
Net change in fund balances	\$ -	\$ (330,281)	\$ -	\$ 330,281
Fund balances - beginning	-	330,281	-	(330,281)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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***DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY***

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County of Charles City, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2005

ASSETS

Current assets:

Investments	854,863
Leases receivable	123,768
Total current assets	<u>\$ 978,631</u>
Total assets	<u>\$ 978,631</u>

NET ASSETS

Unrestricted	\$ 978,631
Total net assets	<u><u>\$ 978,631</u></u>

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2005

OPERATING REVENUES

Charges for services:

Application fees	\$	26,229
Other revenues		65,788
Total operating revenues	\$	<u>92,017</u>

OPERATING EXPENSES

Personal services

Personal services	\$	650
Total operating expenses	\$	<u>650</u>

Operating income (loss)	\$	<u>91,367</u>
-------------------------	----	---------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings

Investment earnings	\$	21,401
Total nonoperating revenues (expenses)	\$	<u>21,401</u>

Change in net assets	\$	112,768
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Total net assets - beginning		865,863
Total net assets - ending	\$	<u><u>978,631</u></u>

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

County of Charles City, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 97,002
Payments for operating activities	(50,650)
Net cash provided (used by) operating activities	<u>\$ 46,352</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 21,401
Net cash provided (used) by investing activities	<u>\$ 21,401</u>

Net increase (decrease) in cash and cash equivalents \$ 67,753

Cash and cash equivalents - beginning - including restricted	787,110
Cash and cash equivalents - ending - including restricted	<u>\$ 854,863</u>

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

Operating income (loss)	\$ 91,367
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in leases receivable	(45,015)
Total adjustments	<u>\$ (45,015)</u>

Net cash provided (used) by operating activities \$ 46,352

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

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SUPPORTING SCHEDULES

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County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,585,000	\$ 3,585,000	\$ 3,776,239	\$ 191,239
Real and personal public service corporation taxes	280,000	280,000	202,160	(77,840)
Personal property taxes	735,000	735,000	781,782	46,782
Mobile home taxes	10,200	10,200	9,156	(1,044)
Machinery and tools taxes	229,000	229,000	250,739	21,739
Merchant's capital taxes	33,000	33,000	21,910	(11,090)
Penalties	75,000	75,000	85,511	10,511
Interest	35,000	35,000	39,812	4,812
Total general property taxes	<u>\$ 4,982,200</u>	<u>\$ 4,982,200</u>	<u>\$ 5,167,309</u>	<u>\$ 185,109</u>
Other local taxes:				
Local sales and use taxes	\$ 255,000	\$ 255,000	\$ 406,928	\$ 151,928
Consumers' utility taxes	205,500	205,500	211,555	6,055
Consumption tax	-	-	23,558	23,558
Cable television franchise license tax	18,000	18,000	14,479	(3,521)
E911	51,000	51,000	99,241	48,241
Gross Receipts	33,000	33,000	10,016	(22,984)
Motor vehicle licenses	170,000	170,000	177,240	7,240
Bank stock tax	-	-	9,220	9,220
Taxes on recordation and wills	25,000	25,000	56,715	31,715
Total other local taxes	<u>\$ 757,500</u>	<u>\$ 757,500</u>	<u>\$ 1,008,952</u>	<u>\$ 251,452</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,500	\$ 11,500	\$ 10,477	\$ (1,023)
Transfer fees	237	238	302	64
Permits and other licenses	3,229,908	3,229,908	3,025,399	(204,509)
Total permits, privilege fees, and regulatory licenses	<u>\$ 3,241,645</u>	<u>\$ 3,241,646</u>	<u>\$ 3,036,178</u>	<u>\$ (205,468)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 42,884	\$ 42,884	\$ 40,005	\$ (2,879)
Total fines and forfeitures	<u>\$ 42,884</u>	<u>\$ 42,884</u>	<u>\$ 40,005</u>	<u>\$ (2,879)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 116,000	\$ 116,000	\$ 139,545	\$ 23,545
Revenue from use of property	148,515	148,515	155,262	6,747
Total revenue from use of money and property	<u>\$ 264,515</u>	<u>\$ 264,515</u>	<u>\$ 294,807</u>	<u>\$ 30,292</u>
Charges for services:				
Clerk's interest fees	\$ 780	\$ 780	\$ 1,657	\$ 877
Sheriff's fees	-	-	396	396
Courthouse fees	2,400	2,400	3,125	725
Court fees	300	300	7,600	7,300
Commonwealth's attorney fees	-	-	295	295
Charges for parks and recreation	2,700	2,700	20,212	17,512
Charges for other protection	2,300	2,300	966	(1,334)
Document reproduction fees	1,000	1,001	1,771	770
Jail admission fees	1,700	1,700	1,683	(17)
Total charges for services	<u>\$ 11,180</u>	<u>\$ 11,181</u>	<u>\$ 37,705</u>	<u>\$ 26,524</u>
Miscellaneous revenue:				
Miscellaneous	\$ 97,640	\$ 97,640	\$ 155,966	\$ 58,326
Total miscellaneous revenue	<u>\$ 97,640</u>	<u>\$ 97,640</u>	<u>\$ 155,966</u>	<u>\$ 58,326</u>

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Schedule 1
 Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Riverside Regional Jail	\$ -	\$ -	\$ 48,693	\$ 48,693
Central gas	-	-	116,386	116,386
Jurors	8,800	8,800	3,180	(5,620)
Sheriff support -- IDA	35,302	35,302	-	(35,302)
Total recovered costs	<u>\$ 44,102</u>	<u>\$ 44,102</u>	<u>\$ 168,259</u>	<u>\$ 124,157</u>
 Total revenue from local sources	 <u>\$ 9,441,666</u>	 <u>\$ 9,441,668</u>	 <u>\$ 9,909,181</u>	 <u>\$ 467,513</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 4,060	\$ 4,060	\$ 8,120	\$ 4,060
Wine taxes	4,256	4,256	8,512	4,256
Mobile home titling tax	16,000	16,000	12,809	(3,191)
Rolling stock tax	5,500	5,500	5,559	59
State recordation tax	30,568	30,568	26,696	(3,872)
Personal property tax relief funds	633,150	633,150	703,986	70,836
Total noncategorical aid	<u>\$ 693,534</u>	<u>\$ 693,534</u>	<u>\$ 765,682</u>	<u>\$ 72,148</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 75,863	\$ 73,681	\$ 76,893	\$ 3,212
Sheriff	461,033	461,033	445,407	(15,626)
Commissioner of revenue	61,786	61,786	61,789	3
Treasurer	63,300	63,300	63,306	6
Medical examiner	90	90	60	(30)
Registrar/electoral board	32,300	29,100	34,675	5,575
Clerk of the Circuit Court	117,733	117,733	115,880	(1,853)
Total shared expenses	<u>\$ 812,105</u>	<u>\$ 806,723</u>	<u>\$ 798,010</u>	<u>\$ (8,713)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 223,317	\$ 223,317	\$ 178,390	\$ (44,927)
Comprehensive services act program	435,655	435,655	115,803	(319,852)
Emergency medical services	4,051	3,800	4,051	251
Emergency services	-	-	3,038	3,038
Litter control	4,375	4,375	4,375	-
Wireless grant	30,050	30,050	-	(30,050)
Arts grant	-	-	153,379	153,379
Fire programs fund	12,000	12,000	13,640	1,640
Other state funds	19,673	7,500	-	(7,500)
Total other categorical aid	<u>\$ 729,121</u>	<u>\$ 716,697</u>	<u>\$ 472,676</u>	<u>\$ (244,021)</u>
 Total categorical aid	 <u>\$ 1,541,226</u>	 <u>\$ 1,523,420</u>	 <u>\$ 1,270,686</u>	 <u>\$ (252,734)</u>
 Total revenue from the Commonwealth	 <u>\$ 2,234,760</u>	 <u>\$ 2,216,954</u>	 <u>\$ 2,036,368</u>	 <u>\$ (180,586)</u>

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 3,450	\$ 3,450	\$ 3,125	\$ (325)
Categorical aid:				
Public assistance and welfare administration	\$ 652,586	\$ 652,586	\$ 521,297	\$ (131,289)
Emergency preparedness	34,000	34,000	9,017	(24,983)
Bulletproof vest grant	3,273	-	-	-
Law enforcement block grant	1,184	-	-	-
Transportation safety	-	-	6,691	6,691
Community development block grant	1,122,814	1,058,650	369,964	(688,686)
Cops grant	88,771	88,771	-	(88,771)
EPA grant	-	-	61,781	61,781
Homeland security	5,000	5,000	5,000	-
USDA summer food	9,000	9,000	713	(8,287)
Total categorical aid	<u>\$ 1,916,628</u>	<u>\$ 1,848,007</u>	<u>\$ 974,463</u>	<u>\$ (873,544)</u>
Total revenue from the federal government	<u>\$ 1,920,078</u>	<u>\$ 1,851,457</u>	<u>\$ 977,588</u>	<u>\$ (873,869)</u>
Total General Fund	<u>\$ 13,596,504</u>	<u>\$ 13,510,079</u>	<u>\$ 12,923,137</u>	<u>\$ (586,942)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 18,525	\$ 18,525
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,525</u>	<u>\$ 18,525</u>
Total Primary Government	<u>\$ 13,596,504</u>	<u>\$ 13,510,079</u>	<u>\$ 12,941,662</u>	<u>\$ (568,417)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
School food service	\$ 165,000	\$ 165,000	\$ 209,570	\$ 44,570
Tuition and payments from other divisions	6,253	6,253	2,000	(4,253)
Total charges for services	<u>\$ 171,253</u>	<u>\$ 171,253</u>	<u>\$ 211,570</u>	<u>\$ 40,317</u>
Miscellaneous revenue:				
Miscellaneous	\$ 6,500	\$ 6,500	\$ 20,588	\$ 14,088
Recovered costs:				
Tuition and payments from other localities	\$ 16,113	\$ 4,000	\$ 5,734	\$ 1,734
Total recovered costs	<u>\$ 16,113</u>	<u>\$ 4,000</u>	<u>\$ 5,734</u>	<u>\$ 1,734</u>
Total revenue from local sources	<u>\$ 193,866</u>	<u>\$ 181,753</u>	<u>\$ 237,892</u>	<u>\$ 56,139</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 6,087,889	\$ 6,087,889	\$ 5,577,032	\$ (510,857)
Total revenues from local governments	<u>\$ 6,087,889</u>	<u>\$ 6,087,889</u>	<u>\$ 5,577,032</u>	<u>\$ (510,857)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 778,215	\$ 691,050	\$ 792,064	\$ 101,014
Basic school aid	2,197,480	1,988,863	2,126,674	137,811
Regular foster care	10,238	10,238	10,711	473

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
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 For the Year Ended June 30, 2005

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Gifted and talented	\$ 20,420	\$ 20,536	\$ 19,897	\$ (639)
Remedial education	91,888	93,468	89,535	(3,933)
Enrollment loss	14,607	8,089	42,851	34,762
Special education	416,048	420,094	419,316	(778)
Textbook payment	32,222	32,405	31,397	(1,008)
GED funding	7,859	7,859	7,859	-
Vocational education	83,245	64,690	61,866	(2,824)
School fringes	218,375	243,072	218,367	(24,705)
Technology grant	128,000	256,000	255,670	(330)
Early reading intervention	13,561	13,561	9,041	(4,520)
Remedial Ed-Summer School	21,151	21,151	26,673	5,522
School food program	5,391	5,391	4,917	(474)
School construction	110,855	110,855	110,931	76
Lottery proceeds	111,639	112,052	117,863	5,811
At risk payments	162,625	89,220	158,947	69,727
Primary class size	78,425	79,922	71,434	(8,488)
Mentor teacher program	-	5,416	5,416	-
Standards of Learning algebra readiness	9,294	9,294	9,294	-
Regional governor's school-summer program	-	-	11,498	11,498
Remediation	-	22,068	-	(22,068)
Student achievement grant	-	29,802	-	(29,802)
Homebound	3,815	3,815	4,378	563
Total categorical aid	<u>\$ 4,515,353</u>	<u>\$ 4,338,911</u>	<u>\$ 4,606,599</u>	<u>\$ 267,688</u>
Total revenue from the Commonwealth	<u>4,515,353</u>	<u>4,338,911</u>	<u>4,606,599</u>	<u>267,688</u>
Categorical aid:				
School food program	\$ 170,000	\$ 170,000	\$ 156,944	\$ (13,056)
Summer food	21,526	21,526	23,604	2,078
Title I	183,423	183,423	173,046	(10,377)
AP Courses	-	-	52	52
Vocational education	-	-	18,933	18,933
Indian education	19,259	19,259	-	(19,259)
Drug free schools	7,075	7,075	10,080	3,005
Title VI	9,700	9,700	5,994	(3,706)
Title VIB	190,968	200,967	216,755	15,788
Preschool grant	8,183	8,183	11,572	3,389
Title II -- part a	83,233	83,233	70,553	(12,680)
21st Century learning	263,000	263,000	201,171	(61,829)
State assessments	-	-	2,985	2,985
JROTC grant	52,032	52,032	61,237	9,205
Literacy Challenge	-	-	5,675	5,675
Total categorical aid	<u>\$ 1,008,399</u>	<u>\$ 1,018,398</u>	<u>\$ 958,601</u>	<u>\$ (59,797)</u>
Total revenue from the federal government	<u>1,008,399</u>	<u>1,018,398</u>	<u>958,601</u>	<u>(59,797)</u>
Total School Operating Fund	<u>\$ 11,805,507</u>	<u>\$ 11,626,951</u>	<u>\$ 11,380,124</u>	<u>\$ (246,827)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,805,507</u>	<u>\$ 11,626,951</u>	<u>\$ 11,380,124</u>	<u>\$ (246,827)</u>

County of Charles City, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 58,490	\$ 58,490	\$ 69,899	\$ (11,409)
General and financial administration:				
County administrator	\$ 242,431	\$ 242,427	\$ 240,757	\$ 1,670
Personnel	145,420	145,420	140,651	4,769
Legal services	56,273	56,273	56,642	(369)
Commissioner of revenue	236,367	236,367	238,610	(2,243)
Independent Auditor	28,262	28,262	25,475	2,787
Treasurer	151,998	151,998	152,604	(606)
Motor pool	139,375	138,329	142,903	(4,574)
Central gas	6,903	6,903	150,367	(143,464)
Memberships	1,778	1,778	1,778	-
Management services	271,173	271,173	272,507	(1,334)
Total general and financial administration	<u>\$ 1,279,980</u>	<u>\$ 1,278,930</u>	<u>\$ 1,422,294</u>	<u>\$ (143,364)</u>
Board of elections:				
Electoral board and officials	\$ 30,195	\$ 30,195	\$ 20,093	\$ 10,102
Registrar	44,605	44,605	43,729	876
Total board of elections	<u>\$ 74,800</u>	<u>\$ 74,800</u>	<u>\$ 63,822</u>	<u>\$ 10,978</u>
Total general government administration	<u>\$ 1,413,270</u>	<u>\$ 1,412,220</u>	<u>\$ 1,556,015</u>	<u>\$ (143,795)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 39,456	\$ 32,926	\$ 14,591	\$ 18,335
General district court	22,700	22,700	14,073	8,627
9th district court services	10,350	10,350	9,938	412
Special Magistrates	3,300	3,300	3,867	(567)
Sheriff	166,868	166,868	170,641	(3,773)
Crater Criminal Justice	3,363	3,363	3,363	-
Clerk of the circuit court	177,578	177,578	159,859	17,719
Total courts	<u>\$ 423,615</u>	<u>\$ 417,085</u>	<u>\$ 376,332</u>	<u>\$ 40,753</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 95,356	\$ 95,331	\$ 94,511	\$ 820
Total commonwealth's attorney	<u>\$ 95,356</u>	<u>\$ 95,331</u>	<u>\$ 94,511</u>	<u>\$ 820</u>
Total judicial administration	<u>\$ 518,971</u>	<u>\$ 512,416</u>	<u>\$ 470,843</u>	<u>\$ 41,573</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 546,354	\$ 545,267	\$ 561,766	\$ (16,499)
Highway safety grant	21,868	21,868	19,314	2,554
E-911	83,650	80,650	78,361	2,289
Total law enforcement and traffic control	<u>\$ 651,872</u>	<u>\$ 647,785</u>	<u>\$ 659,441</u>	<u>\$ (11,656)</u>
Fire and rescue services:				
Fire department	\$ 81,116	\$ 81,116	\$ 70,184	\$ 10,932
Ambulance and rescue services	62,151	62,151	63,221	(1,070)
Total fire and rescue services	<u>\$ 143,267</u>	<u>\$ 143,267</u>	<u>\$ 133,405</u>	<u>\$ 9,862</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Sheriff	\$ 358,002	\$ 343,002	\$ 280,159	\$ 62,843
Probation office	2,909	2,909	2,909	-
Total correction and detention	<u>\$ 360,911</u>	<u>\$ 345,911</u>	<u>\$ 283,068</u>	<u>\$ 62,843</u>
Other protection:				
Animal control	\$ 93,712	\$ 90,976	\$ 96,243	\$ (5,267)
Codes enforcement	111,061	111,030	113,096	(2,066)
Emergency services	156,447	144,995	124,368	20,627
Emergency service-FEMA	10,991	5,000	-	5,000
Dare	500	500	-	500
Medical examiner	300	150	50	100
Total other protection	<u>\$ 373,011</u>	<u>\$ 352,651</u>	<u>\$ 333,757</u>	<u>\$ 18,894</u>
Total public safety	<u>\$ 1,529,061</u>	<u>\$ 1,489,614</u>	<u>\$ 1,409,671</u>	<u>\$ 79,943</u>
Sanitation and waste removal:				
Landfill monitoring	<u>\$ 272,381</u>	<u>\$ 272,380</u>	<u>\$ 232,949</u>	<u>\$ 39,431</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 610,998</u>	<u>\$ 612,044</u>	<u>\$ 600,186</u>	<u>\$ 11,858</u>
Total public works	<u>\$ 883,379</u>	<u>\$ 884,424</u>	<u>\$ 833,135</u>	<u>\$ 51,289</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 76,593</u>	<u>\$ 76,593</u>	<u>\$ 76,593</u>	<u>\$ -</u>
Mental health and mental retardation:				
Henrico area community services	<u>\$ 96,012</u>	<u>\$ 96,012</u>	<u>\$ 96,012</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,218,765	\$ 1,218,766	\$ 833,983	\$ 384,783
Comprehensive services act	634,720	634,720	148,336	486,384
Office on youth	49,673	49,673	45,408	4,265
Contributions	39,307	39,307	40,171	(864)
Virginia child care and development	12,500	12,500	-	12,500
Total welfare	<u>\$ 1,954,965</u>	<u>\$ 1,954,966</u>	<u>\$ 1,067,898</u>	<u>\$ 887,068</u>
Total health and welfare	<u>\$ 2,127,570</u>	<u>\$ 2,127,571</u>	<u>\$ 1,240,503</u>	<u>\$ 887,068</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,024	\$ 1,024	\$ 1,024	\$ -
Contribution to County School Board	6,087,889	6,087,889	5,577,032	510,857
Total education	<u>\$ 6,088,913</u>	<u>\$ 6,088,913</u>	<u>\$ 5,578,056</u>	<u>\$ 510,857</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	<u>\$ 325,916</u>	<u>\$ 325,916</u>	<u>\$ 322,565</u>	<u>\$ 3,351</u>
Total parks and recreation	<u>\$ 325,916</u>	<u>\$ 325,916</u>	<u>\$ 322,565</u>	<u>\$ 3,351</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
USDA summer food	\$ 10,615	\$ 10,615	\$ (1,081)	\$ 11,696
Center for local history	22,272	22,272	24,144	(1,872)
Total cultural enrichment	<u>\$ 32,887</u>	<u>\$ 32,887</u>	<u>\$ 23,063</u>	<u>\$ 9,824</u>
Library:				
Library	\$ 60,072	\$ 60,072	\$ 60,572	\$ (500)
Total library	<u>\$ 60,072</u>	<u>\$ 60,072</u>	<u>\$ 60,572</u>	<u>\$ (500)</u>
Total parks, recreation, and cultural	<u>\$ 418,875</u>	<u>\$ 418,875</u>	<u>\$ 406,200</u>	<u>\$ 12,675</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 8,478	\$ 8,478	\$ -	\$ 8,478
Community development block grant	1,122,814	999,564	487,894	\$ 511,670
Planning commission	5,100	5,100	3,000	2,100
Department of development	251,308	251,309	246,509	4,800
Community development contribution	35,370	35,370	35,370	-
Total planning and community development	<u>\$ 1,423,070</u>	<u>\$ 1,299,821</u>	<u>\$ 772,773</u>	<u>\$ 527,048</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 5,250	\$ 5,250	\$ 5,250	\$ -
Litter control program	2,708	2,708	2,241	467
Total environmental management	<u>\$ 7,958</u>	<u>\$ 7,958</u>	<u>\$ 7,491</u>	<u>\$ 467</u>
Cooperative extension program:				
Extension office	\$ 43,250	\$ 43,250	\$ 39,620	\$ 3,630
Total cooperative extension program	<u>\$ 43,250</u>	<u>\$ 43,250</u>	<u>\$ 39,620</u>	<u>\$ 3,630</u>
Total community development	<u>\$ 1,474,278</u>	<u>\$ 1,351,029</u>	<u>\$ 819,884</u>	<u>\$ 531,145</u>
Nondepartmental:				
Recreation revolving accounts	\$ -	\$ 11,648	\$ 10,950	\$ 698
Contingency	247,324	-	-	-
Revenue refunds	39,627	38,627	123,650	(85,023)
Total nondepartmental	<u>\$ 286,951</u>	<u>\$ 50,275</u>	<u>\$ 134,600</u>	<u>\$ (84,325)</u>
Capital projects:				
County capital improvements	\$ 3,425,701	\$ 3,229,301	\$ 3,093,661	\$ 135,640
Total capital projects	<u>\$ 3,425,701</u>	<u>\$ 3,229,301</u>	<u>\$ 3,093,661</u>	<u>\$ 135,640</u>
Debt service:				
Principal retirement	\$ 797,159	\$ 797,159	\$ 796,367	\$ 792
Interest and other fiscal charges	447,455	447,456	450,515	(3,059)
Total debt service	<u>\$ 1,244,614</u>	<u>\$ 1,244,615</u>	<u>\$ 1,246,882</u>	<u>\$ (2,267)</u>
Total General Fund	<u>\$ 19,411,583</u>	<u>\$ 18,809,253</u>	<u>\$ 16,789,450</u>	<u>\$ 2,019,803</u>
Total Primary Government	<u>\$ 19,411,583</u>	<u>\$ 18,809,253</u>	<u>\$ 16,789,450</u>	<u>\$ 2,019,803</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 744,897	\$ 744,897	\$ 670,667	\$ 74,230
Instruction costs	8,241,343	8,265,068	7,938,483	326,585
Pupil transportation	813,246	813,246	832,675	(19,429)
Operation and maintenance of school plant	1,502,016	1,630,016	1,500,522	129,494
School food	504,005	504,005	494,716	9,289
Total education	<u>\$ 11,805,507</u>	<u>\$ 11,957,232</u>	<u>\$ 11,437,063</u>	<u>\$ 520,169</u>
Total School Fund	<u>\$ 11,805,507</u>	<u>\$ 11,957,232</u>	<u>\$ 11,437,063</u>	<u>\$ 520,169</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,805,507</u>	<u>\$ 11,957,232</u>	<u>\$ 11,437,063</u>	<u>\$ 520,169</u>

STATISTICAL TABLES

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2002-03	\$ 1,280,313	\$ 281,621	\$ 1,538,497	\$ 748,877	\$ 1,480,090	\$ 5,436,649	\$ 439,485	\$ 602,701	\$ 334,896	\$ 324,644	\$ 12,467,773
2003-04	1,401,119	570,278	1,348,489	910,300	1,527,490	6,041,220	459,389	884,606	478,919	318,300	13,940,110
2004-05	1,640,312	690,019	1,437,013	920,261	1,222,107	6,119,134	532,155	819,989	437,104	362,368	14,180,462

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Disposal of Capital Assets		
2002-03	\$ 3,517,174	\$ 1,851,347	\$ -	\$ 4,798,814	\$ 950,453	\$ 318,651	\$ 130,441	\$ 694,491	\$ 27,457	\$ 12,288,828	
2003-04	3,418,059	2,406,970	-	4,792,362	821,513	275,457	171,516	686,784	53,953	12,626,614	
2004-05	3,241,398	2,245,149	-	5,107,477	1,008,952	223,172	155,966	768,807	29,930	12,780,851	

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
1995-96	\$ 824,641	\$ 395,254	\$ 776,776	\$ 569,167	\$ 1,366,888	\$ 7,467,089	\$ 258,110	\$ 259,627	\$ 85,014	\$ 1,169,550	\$ 13,172,116
1996-97	864,612	351,320	953,844	607,222	1,322,410	8,419,847	282,282	278,721	116,900	1,084,203	14,281,361
1997-98	815,938	435,607	967,818	658,856	1,215,142	8,510,990	283,296	317,029	41,646	1,186,707	14,433,029
1998-99	943,262	397,967	1,237,733	654,437	1,387,324	8,588,435	296,267	327,783	11,736	1,190,462	15,035,406
1999-00	1,014,076	420,913	989,422	668,239	1,412,468	9,346,605	321,566	330,399	15,693	1,191,817	15,711,198
2000-01	1,202,117	457,381	1,100,160	719,160	1,293,372	8,918,510	334,519	343,138	9,078	1,122,382	15,499,817
2001-02	1,124,642	438,414	1,162,355	717,850	1,407,783	8,829,191	348,555	485,553	78,828	1,074,506	15,667,677
2002-03	1,203,309	455,102	1,360,216	744,647	1,466,635	9,339,730	386,709	589,958	107,365	1,014,218	16,667,889
2003-04	1,255,577	482,952	1,410,583	825,381	1,517,094	10,133,017	374,170	872,143	124,424	1,083,992	18,079,333
2004-05	1,556,015	470,843	1,409,671	833,135	1,240,503	11,438,087	406,200	819,884	134,600	1,246,882	19,555,820

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
1995-96	\$ 3,066,441	\$ 538,030	\$ 4,186,528	\$ 3,859	\$ 679,114	\$ 168,282	\$ 391,456	\$ -	\$ 5,520,973	\$ 14,554,683
1996-97	3,309,847	561,286	3,908,978	12,854	388,670	202,711	506,258	-	5,990,855	14,881,459
1997-98	3,705,463	551,777	3,977,182	21,119	420,694	177,274	383,722	230,960	6,396,181	15,864,372
1998-99	3,976,067	607,665	4,124,791	38,480	466,699	176,983	184,198	130,189	6,799,836	16,504,908
1999-00	3,918,650	625,202	3,826,270	31,562	539,893	183,362	112,590	250,908	7,061,257	16,549,694
2000-01	4,184,818	652,425	4,245,117	31,360	581,768	184,520	183,766	407,595	7,282,653	17,754,022
2001-02	4,495,302	709,944	2,808,673	21,721	392,496	182,471	156,507	299,489	7,779,010	16,845,613
2002-03	4,706,990	950,453	3,378,183	28,067	316,768	175,864	163,409	233,251	6,810,536	16,763,521
2003-04	4,923,306	821,513	3,233,298	36,221	248,699	211,921	191,245	209,087	7,429,072	17,304,362
2004-05	5,167,309	1,008,952	3,036,178	40,005	294,807	249,275	176,554	173,993	8,579,156	18,726,229

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units.

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)		Current Tax Collections (1,3)		Percent of Levy Collected	Delinquent Tax Collections (1)		Total Tax Collections		Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1,2)		Percent of Outstanding Delinquent Taxes to Tax Levy	
	\$		\$				\$		\$		%		\$		%
1995-96	\$ 3,041,724		\$ 2,816,994		92.61%	\$ 160,164		\$ 2,977,158		97.88%	\$ 386,572		12.71%		
1996-97	3,429,991		3,026,959		88.25%	173,063		3,200,022		93.30%	388,369		11.32%		
1997-98	3,694,208		3,358,602		90.92%	215,194		3,573,796		96.74%	388,263		10.51%		
1998-99	4,065,095		3,696,248		90.93%	186,132		3,882,380		95.51%	376,913		9.27%		
1999-00	4,236,172		3,861,853		91.16%	165,450		4,027,303		95.07%	337,896		7.98%		
2000-01	4,699,889		4,266,185		90.77%	189,139		4,455,324		94.80%	421,100		8.96%		
2001-02	5,210,316		4,917,850		94.39%	72,839		4,990,689		95.78%	490,446		9.41%		
2002-03	5,276,832		5,017,588		95.09%	174,178		5,191,766		98.39%	535,289		10.14%		
2003-04	5,560,796		5,311,106		95.51%	99,071		5,410,177		97.29%	505,133		9.08%		
2004-05	5,838,182		5,571,395		95.43%	174,577		5,745,972		98.42%	531,295		9.10%		

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years and first half of current tax year.

(3) Does not include land redemptions.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility		Total
1995-96	\$ 256,205,094	\$ 31,539,936	\$ 1,093,676	\$ 215,400	\$ 28,716,023	\$	317,770,129
1996-97	308,900,895	30,844,274	1,375,189	264,800	25,312,212		366,697,370
1997-98	315,662,076	33,526,140	1,820,100	364,300	33,909,647		385,282,263
1998-99	323,217,125	35,940,490	3,269,538	356,000	30,976,718		393,759,871
1999-00	323,784,498	38,796,916	3,490,444	318,300	30,373,484		396,763,642
2000-01	411,757,195	40,345,197	2,818,874	285,600	28,647,668		483,854,534
2001-02	417,849,376	41,913,629	2,590,708	748,200	33,928,613		497,030,526
2002-03	424,989,997	41,275,581	3,738,552	885,190	34,180,396		505,069,716
2003-04	436,941,423	41,324,933	8,881,002	1,243,293	32,713,140		521,103,791
2004-05	515,887,069	41,790,354	10,264,697	1,236,805	29,914,950		599,093,875

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
1995-96	\$ 0.70	\$ 0.70	\$ 3.40	\$ 2.80	\$ 2.50
1996-97	0.70	0.70	3.40	2.80	2.50
1997-98	0.72	0.72	3.40	2.80	2.50
1998-99	0.72	0.72	3.40	2.80	2.50
1999-00	0.78	0.78	3.40	2.80	2.50
2000-01	0.82	0.82	3.40	2.80	2.50
2001-02	0.76	0.76	3.40	2.80	2.50
2002-03	0.82	0.82	3.40	2.80	2.50
2003-04	0.82	0.82	3.40	2.80	2.50
2004-05	0.70	0.82	3.40	2.80	2.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
1995-96	6,300	\$ 317,770,129	\$ 8,343,837	\$ -	\$ -	\$ 8,343,837	2.63%	\$ 1,324
1996-97	6,300	366,697,370	7,787,402	-	-	7,787,402	2.12%	1,236
1997-98	6,300	385,282,263	7,250,573	-	-	7,250,573	1.88%	1,151
1998-99	6,300	393,759,871	6,953,470	-	-	6,953,470	1.77%	1,104
1999-00	6,300	396,763,642	6,177,549	-	-	6,177,549	1.56%	981
2000-01	6,926	483,854,534	5,678,786	-	-	5,678,786	1.17%	820
2001-02	6,926	497,030,526	5,165,557	-	-	5,165,557	1.04%	746
2002-03	6,926	505,069,716	4,711,784	-	-	4,711,784	0.93%	680
2003-04	6,926	521,103,791	4,246,296	-	-	4,246,296	0.81%	613
2004-05	6,926	599,093,875	3,768,061	-	-	3,768,061	0.63%	544

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

(2) From Table 6.

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

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Charles City, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated November 8, 2005. 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 Charles City, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Charles City, Virginia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

Compliance and Other Matters

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

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.

A handwritten signature in black ink, appearing to read "R. J. Cox", with a long horizontal flourish extending to the right.

Richmond, Virginia
November 8, 2005

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

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

Compliance

We have audited the compliance of the County of Charles City, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. The County of Charles City, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Charles City, Virginia's management. Our responsibility is to express an opinion on the County of Charles City, Virginia's compliance based on our audit.

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

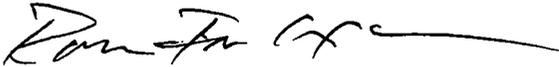
In our opinion, the County of Charles City, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

The management of the County of Charles City, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Charles City, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Richmond, Virginia
November 8, 2005

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 10,191
Temporary Assist to Needy Families (TANF)	93.558	42,654
Refugee and Entrant Assistance - Discretionary Grants	93.566	131
Low Income Home Energy Assistance	93.568	3,229
Payments to States for Child Care Assistance	93.575	74,764
Child Care and Development Fund	93.596	46,859
Foster Care - Title IV-E	93.658	63,956
Social Services Block Grant	93.667	81,633
Independent Living	93.674	435
Statewide fraud	93.xxx	610
Medical Assistance Program (Title XIX)	93.778	<u>85,792</u>
Total Department Health and Human Services		<u>\$ 410,254</u>
U. S. Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Management:		
Homeland security grant	97.004	\$ 5,000
Emergency management preparedness grant	97.042	<u>9,017</u>
Total U. S. Department of Homeland Security		<u>\$ 14,017</u>
Department of Agriculture:		
Direct Payments:		
Summer Food Program	10.559	<u>\$ 24,317</u>
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 31,171
Department of Education:		
National school lunch program	10.555	156,944
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>111,043</u>
Total Department of Agriculture - pass-through payments		<u>\$ 299,158</u>
Total Department of Agriculture		<u>\$ 323,475</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: State and community highway safety program	20.600	\$ <u>6,691</u>
Department of the Interior: Direct payments: Payment in lieu of Taxes	12.112	\$ <u>3,125</u>
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community Development Block Grant	14.228	\$ <u>369,964</u>
Department of Education: Pass Through Payments: Department of Education: Title I: Educationally deprived children Title VI-B: Handicapped state grants Vocational Education: Basic grants to states Title VI-B: Handicapped preschool incentive grant Drug free schools and communities Title II, Part A Technology literacy challenge 21st Century learning Title VI: Improving school programs state block grant State assessments Advanced placement classes	84.010 84.027 84.048 84.173 84.186 84.367 84.318 84.287 84.298 84.369 84.330	\$ 173,046 216,755 18,933 11,572 10,080 70,553 5,675 201,171 5,994 2,985 <u>52</u>
Total Department of Education		\$ <u>716,816</u>
Department of Defense: Direct payments: Junior ROTC	12.xxx	\$ <u>61,237</u>
Environmental Protection Agency: Pass Through Payments: Department of Health: EPA grant	66.xxx	\$ <u>61,781</u>
Total Expenditures of Federal Awards		<u>\$ 1,967,360</u>

County of Charles City, Virginia

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 977,588
Total primary government	\$ 977,588
Component Unit-School Board:	
School Operating Fund	\$ 958,601
Total component unit public schools	\$ 958,601
Total federal expenditures per basic financial statements	\$ 1,936,189
Non-cash expenditures - value of donated commodities	\$ 31,171
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,967,360

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**County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2005**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

a. Material weaknesses identified? ___ yes X no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs

A. Material weaknesses identified? ___ yes X no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Title VI-B Cluster
14.228	Community Development Block Grant

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

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

Section II—Financial Statement Findings

The County made thirteen monthly payments on the court facility debt for the fiscal year ended June 30, 2005, with one of the payments being refunded. Only eleven of the payments were posted to the general ledger. Additionally, property tax collections were under-reported in the general ledger by approximately the same amount. Both situations would have been resolved prior to closing if differences in the operating account's bank reconciliation had been investigated by the Treasurer's office.

Section III—Federal Award Findings and Questioned Costs

None

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