

**COUNTY OF
PRINCE GEORGE, VIRGINIA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2005

COUNTY OF PRINCE GEORGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

Prepared By:

Prince George County Finance Department

COUNTY OF PRINCE GEORGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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COUNTY OF PRINCE GEORGE, VIRGINIA

PRINCIPAL OFFICIALS ON JUNE 30, 2005

Board of Supervisors

Joseph A. Leming, M.D., Chairperson
William A. Robertson, Jr., Vice-Chairperson

Robert E. Forehand, Jr.

Henry D. Parker, Jr.

Jerry J. Skalsky

County School Board

Robert E. Cox, Jr., Chairperson
Kenneth W. Parr, Vice-Chairperson

Cynthia L. Blanks

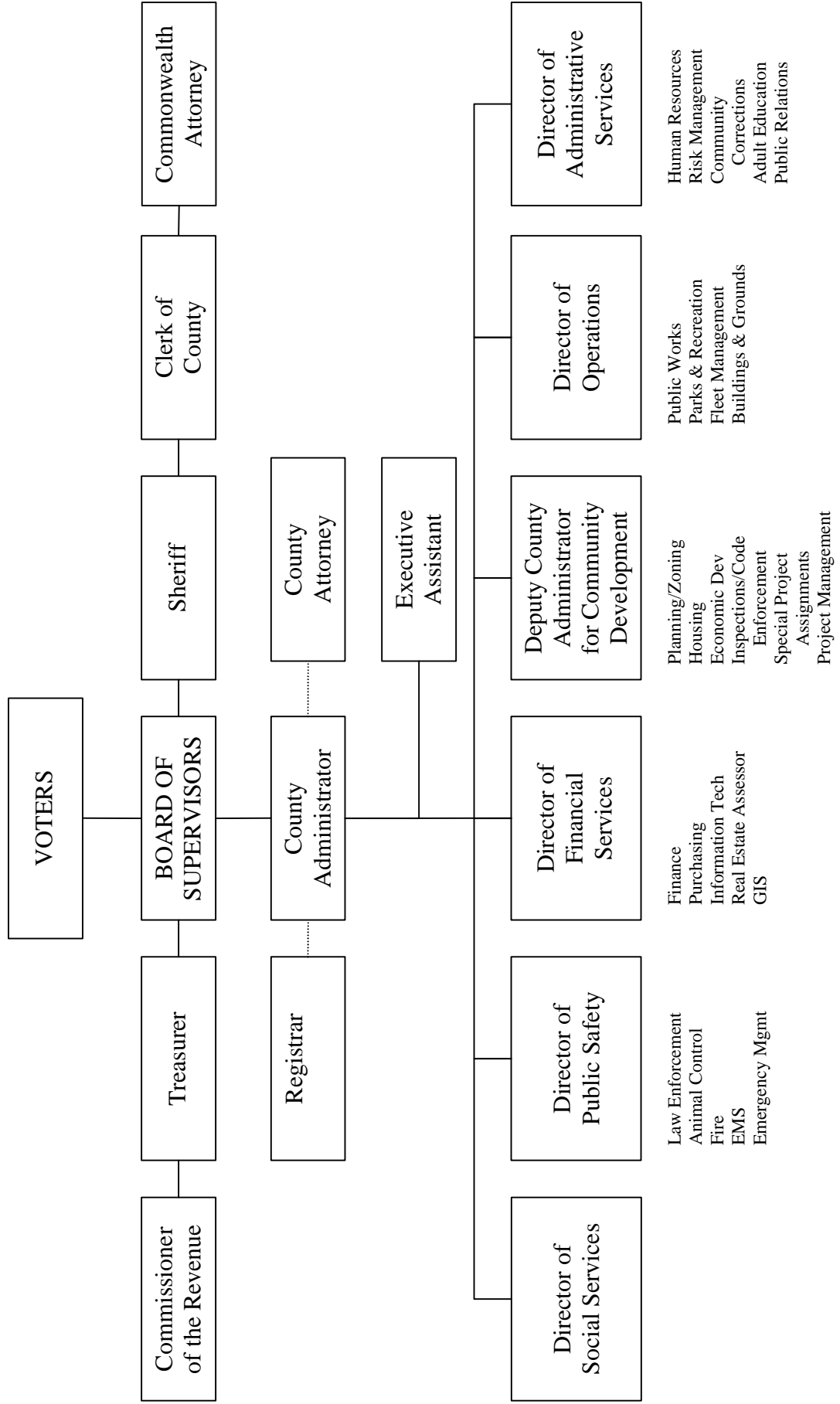
Hugh G. Mumford

Peter V. Iaricci, Sr.

Other Officials

Judge of the Circuit Court..... Samuel E. Campbell
Judge of the Circuit Court..... W. Allan Sharrett
Clerk of the Circuit Court C. Bishop Knott, Jr.
Judge of the General District Court J. Larry Palmer
Judge of the General District Court Gammie G. Poindexter
Judge of the Juvenile and Domestic Relations Court Jacqueline R. Waymack
Clerk of the Combined Court Ellen T. Chiasson
Commonwealth's Attorney..... Jay C. Paul
Commissioner of the Revenue Virginia T. Duncan
Treasurer..... Jean N. Barker
Sheriff..... H.E. Allin, III
County Administrator Brenda G. Garton
Superintendent of Schools Dorothea M. Shannon
Director of Social Services William F. Gandel

**Prince George County, Virginia
Table of Organization**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Prince George,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

COUNTY OF PRINCE GEORGE, VIRGINIA

Brenda G. Garton
County Administrator

Phone: (804) 722-8600
Facsimile: (804) 732-3604



BOARD OF SUPERVISORS
Robert E. Forehand, Jr.
Joseph A. Leming, M.D.
Henry D. Parker, Jr.
William A. Robertson, Jr.
Jerry J. Skalsky

February 9, 2006

The Honorable Members of the Board of Supervisors
County of Prince George, Virginia

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Prince George County (the "County") for the fiscal year ended June 30, 2005. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County, as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

Section 15.2-2511 of the Code of Virginia requires that local governments have their financial records audited annually as of the end of the fiscal year by an independent certified public accountant. The County has engaged the independent accounting firm of Robinson, Farmer, Cox Associates (RFCA) to perform the audit and prepare the accompanying financial statements.

The Reporting Entity and its Services

The County of Prince George's Comprehensive Annual Financial Report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include police protection, social services, recreation and cultural activities and community development. Additionally, the County operates a water and wastewater utility system. Fire protection and emergency medical services are largely provided by volunteers who receive financial and administrative support from the County.

For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Riverside Regional Jail, the Appomattox Regional Library System, and Rowanty Vocational Technical School are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Local Economy

Prince George County is located 25 miles southeast of Richmond, the capital city of Virginia, and 75 miles northeast of the Greater Hampton Roads area. The County's 276 square mile area has a population of 36,700 people (2004 Weldon Cooper Center Provisional Population estimate). The greater proportion of the County's land area remains rural, although areas of the County are experiencing rapid residential, commercial and industrial growth. Prince George is an independent political subdivision of the Commonwealth of Virginia, and has no subordinate political entities within its borders. A five-member Board of Supervisors governs the County. Other elected officials in the County government include the Clerk of Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff, and Treasurer. All elected officials are elected on a four-year cycle.

Major industries located in Prince George County include: warehousing and distribution centers, hotels and tourism, manufacturing, packaging, and logistics automation. Prince George's strategic location on or near several east coast transportation arteries also contributes to the proliferation of distribution centers located in the County. Interstates 95 and 295 run through Prince George, as well as Route 460, a primary arterial from the Virginia Beach area.

Local Economy: (Continued)

Fort Lee Army Base is the County's largest employer and has a huge impact on the local economy. Fort Lee contributes over \$860 million a year to Prince George County and the Tri-Cities area economies, with a direct tax impact of \$57 million. Currently, 7,800 people are assigned to the base, and that number is expected to nearly double between 2008 and 2011 with the recent actions endorsed by the Base Realignment and Closure Process (BRAC). According to the BRAC report, Fort Lee will gain 6,531 military assignments, 1,151 civilian positions and 56 contractors. These realignments will result in Fort Lee experiencing the largest military personnel gain of any installation in the Commonwealth of Virginia. Additionally, this expansion is expected to result in an additional 4,425 indirect non-governmental base support and service industry jobs in the surrounding region, bringing the net gain to approximately 12,000 jobs.

Based on available economic data, the local economy has remained strong. The local unemployment rate was 4.6% for June 2005, as compared to 4.7% for June 2004. The state and national unemployment rates for the same period were 3.8% and 5.0% respectively.

The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed in Prince George County has increased from 16,171 in 1999 to 18,304 in 2004.

Major Initiatives in Fiscal Year 2005

Following the vision and strategic priorities of the Prince George County Board of Supervisors, and with the assistance and guidance of the County Administrator, County staff and departments have implemented and continued a number of specific programs and projects designed to enhance the levels of service provided to County residents while maintaining an effective and efficient government. A brief description of selected initiatives during Fiscal Year 2005 is as follows:

Initiation of the Radio Communications System Project

The County began a project to completely replace the current Emergency 911 system, including the purchase of new radio equipment, installation and enhancement of emergency communications towers and equipment, and construction of a new Emergency Communications and Emergency Operations Center. This \$7.7 million project, financed through a bank-qualified general obligation note issued in January 2004, will replace the current radio communications system that can not provide radio coverage in all parts of the County. The new Emergency Communications Center will provide adequate space for Emergency-911 operations, which are currently housed in the Bland Police Building.

Management Restructuring

In 2003, the County contracted with Springsted Inc. to provide a review of the current County operations in all County departments and make recommendations for improvements. The most significant recommendation of that study was a reorganization of the County's management, which included three major changes: 1) County departments were grouped into functional divisions, 2) existing department directors were selected, through a competitive process, to function as division directors, reporting directly to the County Administrator, and 3) the creation of a Deputy County Administrator position to head the Community Development Division. In Fiscal Year 2005, the County fully implemented the management reorganization as recommended by Springsted with the hiring of a Deputy County Administrator and the appointment of five Division Directors.

Major Initiatives in Fiscal Year 2005: (Continued)

Biannual Real Estate Collections and Prepayment of Outstanding Debt

The Fiscal Year 2005 budget included calendar year 2005 implementation of biannual real estate tax collections due June 5 and December 5, 2005. Previously, all real estate taxes had been due December 5, and this change resulted in an extra one-half year's real estate tax collection in Fiscal Year 2005. With these one-time revenues, the Board of Supervisors budgeted the pre-payment of just over \$5.1 million of outstanding general obligation debt in an effort to improve the County's outstanding debt ratios and provide debt capacity for future capital needs.

Capital Improvements Plan/ Long Term Financial Planning

The Prince George County Board of Supervisors continued to sharpen their focus on long term financial planning and future capital needs in the Fiscal Year 2005 budget process by establishing a capital projects fund and a debt service fund on the County's records. The establishment of these funds places the payment of general obligation debt service in one place, and establishes a clear record of capital appropriations that can be traced to the County's Capital Improvement Plan. The Capital Improvement Plan is generated by a CIP Committee comprised of members of the Board of Supervisors, School Board, County Planning Commission and citizen representatives. This Committee not only reviews requests for capital infrastructure projects, but they also review the County's current and projected debt and financial ratios and make recommendations to the Board of Supervisors for changes in fiscal policies. Fiscal Year 2005 was the second year of the CIP Committee.

Other Information

Fiscal year 2005 was the third year in which the County was required to present financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34. GASB 34 dramatically changed the structure of financial statements, as well as required changes in the composition of the amounts reported. This limits the comparability of statements from prior fiscal years to the statements produced after implementation of GASB 34.

Compliance with GASB 34 also requires a written analysis of the County's financial performance for the year to be included in the financial statements. This analysis, referred to as management's discussion and analysis (MD&A), is included immediately following the auditor's letter. Prince George County's audited basic financial statements immediately follow the management's discussion and analysis. The notes to financial statements are an integral part of these basic financial statements. In accordance with GASB 34 and the opinion of the Auditor of Public Accounts, financed school plant and equipment, as well as the related debt, are reported with the primary government instead of the component unit school board.

The supplementary information, supporting schedules, and statistical tables provided after the basic financial statements contain more detailed information in support of the basic financial statements and are unaudited.

For federal programs and related funding, the County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Information related to compliance with these regulations is located in the *Compliance* section of this report.

Other Information: (Continued)

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of Prince George, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgments

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

In conclusion, we would like to express our appreciation to the Board for their continued support and to the independent accounting firm of Robinson, Farmer, Cox Associates for their assistance in the preparation of this report.

Respectfully submitted,



Brenda G. Garton
County Administrator



Sheila S. Minor, CPA
Director of Finance

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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 Prince George Prince George, 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 Prince George, 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 Prince George, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Prince George, 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 September 15, 2005, on our consideration of the County of Prince George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the County of Prince George's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2005. Please review it in conjunction with the transmittal letter in the beginning of this report and the County's financial statements, which begin after this analysis.

FINANCIAL HIGHLIGHTS

Government Wide Financial Statements (Full Accrual Basis)

- The County's total net assets from Governmental Activities were \$24,551,325 on June 30, 2005, compared to \$15,976,193 total net assets on June 30, 2004. Total net assets represent the amount by which the County's assets exceeded its liabilities. Net assets increased \$8,575,132 during FY2005.
- The total net assets from Business-type activities (Utilities Fund) were \$16,952,005 on June 30, 2005, compared to \$15,401,645 total net assets on June 30, 2004. Net assets increased \$1,550,360 during FY2005.
- The total net assets of the Component Unit School Board on June 30, 2005 were \$11,676,199, compared to \$11,449,191 on June 30, 2004. Net assets increased \$227,008 during FY2005.

The significant increase in net assets from governmental activities is largely attributable to a change in the collection dates for real property taxes and the use of those funds to pre-pay existing long-term obligations. For tax year 2005, the Prince George County Board of Supervisors elected to begin biannual collections of real property taxes, with collection dates of June 5 and December 5 each year. Previously, real property had been collected annually on December 5. This change resulted in a one-time additional collection of one-half of the County's real property tax in fiscal year 2005. The majority of these funds were utilized for the prepayment of outstanding general obligation debt.

The significant increase in net assets from business-type activities was the result of prepayment on two outstanding obligations and the reclassification of some outstanding debt as belonging to the General Fund rather than the Utilities Fund. Enterprise obligations in the amount of \$2.6 million were restated as of July 1, 2004 (See Note 8 and 15).

Fund Financial Statements- Governmental Funds (Modified Accrual Basis)

- The General Fund had an unreserved undesignated fund balance of \$9,890,093 at the conclusion of FY2005, compared to \$7,947,889 at the end of FY2004.
- Designations of \$110,593 represent fund balances in the Revenue Maximization Fund.
- The County Capital Projects fund had \$8,592,971 in fund balances reserved for construction at fiscal year end, representing amounts reserved for completion of the radio communication project, Fire & EMS apparatus replacement, and reserves for undesignated projects. Of this balance, \$1,486,567 were the remnants of the school construction fund, which was discontinued in FY2005. These funds were appropriated in FY2006 for the construction of the School Board Administration Building.

FINANCIAL HIGHLIGHTS: (CONTINUED)

Fund Financial Statements- Governmental Funds (Modified Accrual Basis): (Continued)

- The debt service fund had an ending balance of \$36,204 as of June 30, 2005, representing interest earned in construction escrow accounts set aside for the payment of debt service.
- Other governmental funds include the Meals Tax/Economic Development fund, the E911/Emergency Dispatch Fund, and the Asset Forfeiture Fund. Fund balances in each of these funds are \$925,055, \$73,831, and \$24,514, respectively.

Fund Financial Statements- Enterprise Funds (Full Accrual Basis)

- In the Utilities Fund, operating expenses exceeded operating revenues by \$42,328 in FY2005, compared to a \$72,329 surplus of revenues during FY2004.
- Operating revenues increased 7.5%, from \$2.9 million in FY2004 to \$3.1 million in FY2005. Operating expenses for the Utilities Fund increased 11.8% from \$2.8 million in FY2004 to \$3.2 million in FY2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report contains a variety of schedules and tables designed to provide a comprehensive look at the use of the County's financial resources throughout the 2005 fiscal year and at the status of those financial resources at June 30, 2005, the end of the fiscal year. The basic financial statements contained in this report are separated into three sections:

- **Government-wide financial statements** provide a broad overview of both the long and short-term financial status of the County. Government-wide financial statements, a new component of governmental financial reporting under GASB 34, provide financial information in a manner similar to private sector businesses. These statements include the value of capital assets (less accumulated depreciation) and the long-term liabilities of the County.
- **Fund financial statements** are similar in nature to financial statements issued by local governments prior to implementation of GASB 34. These are prepared on the modified accrual basis of accounting, and therefore do not include long-term liabilities, capital assets, or depreciation. Fund financial statements provide more detail on the operations of the County than the government-wide financial statements.
- **Notes to the financial statements** are an integral part of the previous two sections. These notes provide explanations of the amounts in the basic financial statements, and offer the reader information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include two basic statements: the statement of net assets and the statement of activities. Both of these statements include all assets and liabilities for all County funds (except fiduciary funds) using the full accrual basis of accounting. The accrual basis of accounting is the method used by private-sector businesses.

GOVERNMENT-WIDE FINANCIAL STATEMENTS: (CONTINUED)

The Statement of Net Assets

Net assets, when analyzed over time, may serve as a useful indicator of a county's financial position. The table below is a comparative summary of Prince George County's net assets as of June 30, 2005:

**Schedule of Assets, Liabilities and Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 22,370,435	\$ 20,954,333	\$ 1,091,601	\$ 1,365,152	\$ 23,462,036	\$ 22,319,485
Capital assets	<u>68,300,794</u>	<u>66,054,762</u>	<u>19,487,359</u>	<u>20,053,015</u>	<u>87,788,153</u>	<u>86,107,777</u>
Total assets	<u>\$ 90,671,229</u>	<u>\$ 87,009,095</u>	<u>\$ 20,578,960</u>	<u>\$ 21,418,167</u>	<u>\$ 111,250,189</u>	<u>\$ 108,427,262</u>
Long-term liabilities outstanding	\$ 60,297,650	\$ 66,312,894	\$ 2,904,077	\$ 4,273,626	\$ 63,201,727	\$ 70,586,520
Current liabilities	<u>5,822,254</u>	<u>4,720,008</u>	<u>722,878</u>	<u>1,742,896</u>	<u>6,545,132</u>	<u>6,462,904</u>
Total liabilities	<u>\$ 66,119,904</u>	<u>\$ 71,032,902</u>	<u>\$ 3,626,955</u>	<u>\$ 6,016,522</u>	<u>\$ 69,746,859</u>	<u>\$ 77,049,424</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 6,218,165	\$ 6,122,816	\$ 16,239,992	\$ 14,929,049	\$ 22,458,157	\$ 21,051,865
Unrestricted	<u>18,333,160</u>	<u>9,853,377</u>	<u>712,013</u>	<u>472,596</u>	<u>19,045,173</u>	<u>10,325,973</u>
Total net assets	<u>\$ 24,551,325</u>	<u>\$ 15,976,193</u>	<u>\$ 16,952,005</u>	<u>\$ 15,401,645</u>	<u>\$ 41,503,330</u>	<u>\$ 31,377,838</u>

Approximately 54% of the County's primary government net assets are invested in capital assets net of related debt. The County uses these capital assets, such as land, buildings and equipment, to provide services to citizens; consequently these assets are not available for future spending.

GOVERNMENT-WIDE FINANCIAL STATEMENTS: (CONTINUED)

The Statement of Activities

The statement of activities, which also uses the accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund governmental operations. A summary of the statement of activities for July 1, 2004 through June 30, 2005 is below:

**Changes in Net Assets
Governmental and Business-Type Activities
For the Years Ended June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,432,824	\$ 1,172,394	\$ 3,664,823	\$ 3,485,827	\$ 5,097,647	\$ 4,658,221
Operating grants and contributions	4,899,540	3,572,252	-	-	4,899,540	3,572,252
Capital grants and contributions	69,715	441,185	-	-	69,715	441,185
General revenues:						
General property taxes	26,560,949	17,774,738	-	-	26,560,949	17,774,738
Other local taxes	5,544,585	4,746,306	-	-	5,544,585	4,746,306
Use of money and property	614,725	348,833	31,067	34,458	645,792	383,291
C/VA non-categorical aid	3,482,409	5,478,376	-	-	3,482,409	5,478,376
Other general revenues	222,188	301,362	31,611	25,978	253,799	327,340
Total revenues	<u>\$ 42,826,935</u>	<u>\$ 33,835,446</u>	<u>\$ 3,727,501</u>	<u>\$ 3,546,263</u>	<u>\$ 46,554,436</u>	<u>\$ 37,381,709</u>
Expenses:						
General government administration	\$ 3,356,184	\$ 3,665,344	\$ -	\$ -	\$ 3,356,184	\$ 3,665,344
Judicial administration	1,559,938	1,724,752	-	-	1,559,938	1,724,752
Public safety	8,219,961	7,691,212	-	-	8,219,961	7,691,212
Public works	1,812,987	1,311,353	-	-	1,812,987	1,311,353
Health and welfare	2,579,140	2,558,779	-	-	2,579,140	2,558,779
Education	10,315,023	18,345,959	-	-	10,315,023	18,345,959
Parks, recreation, and cultural	854,883	766,038	-	-	854,883	766,038
Community development	851,895	852,970	-	-	851,895	852,970
Interest and other fiscal charges	3,219,339	2,734,163	-	-	3,219,339	2,734,163
Water and sewer	-	-	3,659,594	3,377,125	3,659,594	3,377,125
Total expenses	<u>\$ 32,769,350</u>	<u>\$ 39,650,570</u>	<u>\$ 3,659,594</u>	<u>\$ 3,377,125</u>	<u>\$ 36,428,944</u>	<u>\$ 43,027,695</u>
Increase in net assets before transfers	\$ 10,057,585	\$ (5,815,124)	\$ 67,907	\$ 169,138	\$ 10,125,492	\$ (5,645,986)
Transfers	<u>(1,482,453)</u>	<u>(648,561)</u>	<u>1,482,453</u>	<u>648,561</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 8,575,132	\$ (6,463,685)	\$ 1,550,360	\$ 817,699	\$ 10,125,492	\$ (5,645,986)
Net assets, beginning	<u>15,976,193</u>	<u>22,439,878</u>	<u>15,401,645</u>	<u>14,583,946</u>	<u>31,377,838</u>	<u>37,023,824</u>
Net assets, ending	<u>\$ 24,551,325</u>	<u>\$ 15,976,193</u>	<u>\$ 16,952,005</u>	<u>\$ 15,401,645</u>	<u>\$ 41,503,330</u>	<u>\$ 31,377,838</u>

FUND FINANCIAL STATEMENTS

The focus of the fund financial statements is to provide information on short-term revenues and expenditures and the balance of resources available for spending for governmental funds. Proprietary funds in this section are prepared with the same method of accounting as used in the Government-wide statements; however, exhibits in this section will provide more detail. The General Fund, a governmental fund, is the operating fund for most County activities. Governmental fund statements do not include capital assets or long term liabilities, in accordance with the modified accrual basis of accounting.

The unreserved general fund balance may serve as a useful measure of the County's net resources available for emergency spending or cash flow. The unreserved General Fund balance at June 30, 2005, was \$10,000,686. This amount represents 13.2% of General Fund and School Operating expenditures (including normal debt service, net of general fund transfer to schools). The Board of Supervisors has committed to maintaining an unreserved general fund balance of at least 10% of General Fund and School Operating expenditures (net of transfer), and has met that target for the fiscal year ending June 30, 2005.

General Fund Budgetary Highlights

Prince George County generally takes a conservative approach to financial management, staying well within budgetary limits for expenditures during the fiscal year. Fiscal year 2005 was no exception, with general fund expenditures \$3.76 million below the adopted budget and \$2.71 million below the budget as amended.

The County's budget was amended during FY2005 for unexpected revenue received. The County's School System received \$1.2 million in Federal Impact Aid from prior fiscal years, and the Board of Supervisors reduced the local appropriation to the school system and transferred those funds to the Capital Projects Fund for future capital needs.

During FY2005, Prince George County pre-paid \$4.8 million of outstanding principal on two general obligation bond issues. The County utilized one-time revenue from a change in the real property tax collection date for this purpose, thereby reducing future annual debt service payments. This prepayment is reflected in the County's debt service fund as both principal retirement and a transfer to the utilities fund (an enterprise fund) of \$1.5 million. The County believes that the development of the County's water and wastewater infrastructure is a significant growth management tool, and the reduction of the debt held by the utilities fund will allow for expansion of this infrastructure to meet anticipated demand.

On the revenue side, actual collections in the general fund for FY2005 were \$468,253 less than the final budget. Real property taxes came in \$216,247 higher than the final budget, despite a revised budget estimate and budget amendment during FY2006. Public service corporation taxes were above budget as well, as the adopted budget did not take into account the additional collection from the change in real property collection dates. Charges for sanitation and waste removal were 48% below budget, as FY2005 was the first year of implementation of a new fee structure at the County's convenience station. The anticipated revenues from this change were over estimated, and usage declined as a result of the higher fees. Emergency Medical Service transports were also below budget, as this revenue generating program commenced in FY2005 later than anticipated and the collection percentage has not leveled off.

Fiscal year 2005 saw the implementation of a new mobile phone utility tax (\$3.00 per month per number), increases in electric and gas utility taxes (to \$3.00 per month), as well as the new solid waste disposal fee schedule. These fees were adopted as part of the FY2005 budget in an effort to hold real and personal property tax rates at their current levels of \$0.90 and \$4.00 per \$100 of assessed value, respectively.

The County began twice a year billing for real property taxes in calendar year 2005. This change has resulted in a smoother cash flow, as the largest source of revenue to the County is now collected on a semi-annual basis. This change also resulted in the one-time additional revenue stream, equivalent to one-half of the real estate tax collections, was utilized to pre-pay outstanding debt during FY2005. This will significantly decrease the amount of future debt service expenditures.

FUND FINANCIAL STATEMENTS: (CONTINUED)

County Capital Projects Funds

The County had several active capital projects in FY2005. The Radio Communications System Project, budgeted at \$7.7 million, will completely replace the current emergency communications infrastructure. The project includes the construction of several communications towers, a new Emergency Communications Center/ Emergency Operations Center, and the related radio communications equipment to make the system operational. This project is expected to be completed in the fall of 2006.

The County Administration building was completed during FY2005, at a total cost of just over \$10 million. Smaller capital projects in FY2005 included the replacement of the fiber optic infrastructure on the County complex, renovations at the former Burrowsville Elementary school to make it a community center and library, and the ongoing project to replace or upgrade the County's enterprise resource planning system (financial system).

Proprietary Fund

The County's only proprietary fund is the Utilities Fund. Through this fund, the County provides water and wastewater services to approximately 3,600 customers. During FY2005, the utilities department continued their water main replacement program, repairing and replacing undersized or deteriorating facilities in various parts of the County. The Utilities fund collected \$572,281 in connection charges during FY2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Accounting Standards Board (GASB) Statement 34 requires the primary government (the County) to report debt and debt service incurred "on behalf" of component units (the School Board). In this report, capital assets such as school buildings that have related debt are reported with the primary government on the Statement of Net Assets. The portion of these capital assets free of related debt are reported as jointly owned assets under the component unit School Board (see Note 6).

The following table summarizes the County's capital assets, net of depreciation, as of June 30, 2005. The County's total investment in capital assets, such as land, buildings and improvements, utility plant, equipment, and construction in progress totaled \$87.8 million.

	Governmental Activities 2005	Business-type Activities 2005
	<u> </u>	<u> </u>
Land	\$ 5,899,198	\$ 101,371
Buildings and improvements	69,362,327	-
Utility plant	-	27,597,912
Equipment	7,382,545	196,189
Construction in progress	4,238,725	32,252
Total	<u>\$ 86,882,795</u>	<u>\$ 27,927,724</u>
Less accumulated depreciation	<u>18,582,001</u>	<u>8,440,365</u>
Net capital assets	<u><u>\$ 68,300,794</u></u>	<u><u>19,487,359</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

At the end of fiscal year 2005, the County had total outstanding debt of \$65.3 million. The impact of the County's debt prepayment decision is clearly shown when this figure is compared to the \$73.7 million of outstanding debt at the end of FY2004. Of the \$65.3 million of outstanding debt at June 30, 2005, \$24.2 million is for general government purposes. The County also had \$37.9 million in outstanding debt on behalf of the School Board. The Utilities Fund has outstanding debt of \$3.2 million. The County did not issue debt during FY2005 for any purpose.

Prince George County had \$9.9 million in outstanding bond anticipation notes as of June 30, 2005. The County had two projects listed on the state Literary Fund Loan waiting list at that time. South and Harrison Elementary Schools were ranked ninth and tenth in priority order on that list. The FY2006 state budget included sufficient funds to offer an interest rate subsidy program for projects on the Literary Fund Loan waiting list, and in November 2005, the County refinanced those bond anticipation notes with the Virginia Public School Authority. Under this program, the state provides a grant for a portion of the principal, thus reducing the annual debt service for local participants. The County's outstanding principal on this obligation as of December 2005 is \$7.8 million.

For more information regarding Prince George County's long term obligations, see Note 8 in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Prince George County's unemployment rate in December 2005 was 3.4%, which was slightly higher than the state unemployment rate of 3.0%, but well below the national rate of 4.6% for the same period. Generally, the County's unemployment rate has tracked fairly close to the state average.

Prince George County continues to develop a strong commercial and industrial base. In 2005, the Board of Supervisors approved a rezoning application for a new Norfolk Southern Intermodal transportation facility in Prince George County. This facility will greatly enhance the County's standing as a prime location for distribution and warehousing ventures. In April 2005, Service Center Metals, an aluminum extrusion plant currently located in Prince George, announced a \$28 million expansion that is expected to create 32 jobs. Goya Foods announced their plans to open a new distribution center in Prince George, a \$5.1 million investment, in October 2005.

The FY2006 budget begins to address some of the needs of the quickly growing population of Prince George County, however, there are still large demands upon the government for services to citizens. Major initiatives in the FY2006 budget include the construction of a new School Board Administration Building, additional resources for the County's Information Technology Department to modernize the County's technological infrastructure, a full time Geographic Information System (GIS) Coordinator to enhance the County's utilization of GIS data, the update of the County's Comprehensive Plan and Zoning Ordinances, and a Cash Proffer Study to recalculate and update the County's cash proffer program.

It is the continued mission of the County to provide the most cost-efficient services to the taxpayers of Prince George County, and to make Prince George "the best place to live, learn, work and raise a family".

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Supervisors, citizens, taxpayers, customers, and creditors of Prince George County, Virginia with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Prince George County, P.O. Box 68, Prince George, Virginia 23875.

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 19,476,704	\$ 1,299,606	\$ 20,776,310	\$ 3,411,800
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,438,165	-	1,438,165	-
Accounts receivable	473,312	237,792	711,104	199,424
Internal balances	445,797	(445,797)	-	-
Due from other governmental units	536,457	-	536,457	1,667,128
Total current assets	\$ 22,370,435	\$ 1,091,601	\$ 23,462,036	\$ 5,278,352
Noncurrent Assets				
Capital assets (net of accumulated depreciation)				
Land	\$ 5,899,198	\$ 101,371	\$ 6,000,569	\$ 592,009
Buildings	55,057,065	-	55,057,065	8,955,968
Machinery and equipment	3,105,806	136,611	3,242,417	2,163,001
Utility plant in service	-	19,217,125	19,217,125	-
Construction in progress	4,238,725	32,252	4,270,977	-
Total capital assets	\$ 68,300,794	\$ 19,487,359	\$ 87,788,153	\$ 11,710,978
Total assets	\$ 90,671,229	\$ 20,578,960	\$ 111,250,189	\$ 16,989,330
LIABILITIES				
Accounts payable	\$ 1,075,325	\$ 232,083	\$ 1,307,408	\$ 291,626
Accrued liabilities	-	-	-	4,724,206
Customers' deposits	-	58,287	58,287	-
Accrued interest payable	991,322	39,943	1,031,265	-
Unearned revenue	852,635	-	852,635	-
Long-term liabilities:				
Due within one year	2,902,972	392,565	3,295,537	48,000
Due in more than one year	60,297,650	2,904,077	63,201,727	249,299
Total liabilities	\$ 66,119,904	\$ 3,626,955	\$ 69,746,859	\$ 5,313,131
NET ASSETS				
Invested in capital assets, net of related debt	\$ 6,218,165	\$ 16,239,992	\$ 22,458,157	\$ 11,710,978
Unrestricted (deficit)	18,333,160	712,013	19,045,173	(34,779)
Total net assets	\$ 24,551,325	\$ 16,952,005	\$ 41,503,330	\$ 11,676,199
Total Liabilities and Net Assets	\$ 90,671,229	\$ 20,578,960	\$ 111,250,189	\$ 16,989,330

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

COUNTY OF PRINCE GEORGE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,356,184	\$ -	\$ 289,957	\$ -
Judicial administration	1,559,938	507,318	426,874	-
Public safety	8,219,961	554,902	2,339,152	-
Public works	1,812,987	309,048	7,890	-
Health and welfare	2,579,140	-	1,640,715	-
Education	10,315,023	-	194,952	-
Parks, recreation, and cultural	854,883	59,377	-	-
Community development	851,895	2,179	-	69,715
Interest on long-term debt	3,219,339	-	-	-
Total governmental activities	\$ <u>32,769,350</u>	\$ <u>1,432,824</u>	\$ <u>4,899,540</u>	\$ <u>69,715</u>
Business-type activities:				
Public Utilities	\$ 3,659,594	\$ 3,664,823	\$ -	\$ -
Total business-type activities	\$ <u>3,659,594</u>	\$ <u>3,664,823</u>	\$ <u>-</u>	\$ <u>-</u>
Total primary government	\$ <u><u>36,428,944</u></u>	\$ <u><u>5,097,647</u></u>	\$ <u><u>4,899,540</u></u>	\$ <u><u>69,715</u></u>
COMPONENT UNITS:				
School Board	\$ 47,676,870	\$ 1,468,119	\$ 37,244,260	\$ -
Total component units	\$ <u><u>47,676,870</u></u>	\$ <u><u>1,468,119</u></u>	\$ <u><u>37,244,260</u></u>	\$ <u><u>-</u></u>

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

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (3,066,227)	\$ -	\$ (3,066,227)	\$ -
(625,746)	-	(625,746)	-
(5,325,907)	-	(5,325,907)	-
(1,496,049)	-	(1,496,049)	-
(938,425)	-	(938,425)	-
(10,120,071)	-	(10,120,071)	-
(795,506)	-	(795,506)	-
(780,001)	-	(780,001)	-
(3,219,339)	-	(3,219,339)	-
<u>\$ (26,367,271)</u>	<u>\$ -</u>	<u>\$ (26,367,271)</u>	<u>\$ -</u>
\$ -	\$ 5,229	\$ 5,229	\$ -
\$ -	\$ 5,229	\$ 5,229	\$ -
<u>\$ (26,367,271)</u>	<u>\$ 5,229</u>	<u>\$ (26,362,042)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (8,964,491)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,964,491)</u>
\$ 26,560,949	\$ -	\$ 26,560,949	\$ -
1,462,557	-	1,462,557	-
1,091,419	-	1,091,419	-
681,175	-	681,175	-
633,172	-	633,172	-
1,676,262	-	1,676,262	-
614,725	31,067	645,792	40,235
222,188	31,611	253,799	41,386
-	-	-	9,109,878
3,482,409	-	3,482,409	-
(1,482,453)	1,482,453	-	-
<u>\$ 34,942,403</u>	<u>\$ 1,545,131</u>	<u>\$ 36,487,534</u>	<u>\$ 9,191,499</u>
\$ 8,575,132	\$ 1,550,360	\$ 10,125,492	\$ 227,008
15,976,193	15,401,645	31,377,838	11,449,191
<u>\$ 24,551,325</u>	<u>\$ 16,952,005</u>	<u>\$ 41,503,330</u>	<u>\$ 11,676,199</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 9,268,392	\$ 9,173,674	\$ 36,204	\$ 998,434	\$ 19,476,704
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,438,165	-	-	-	1,438,165
Accounts receivable	378,653	-	-	94,659	473,312
Due from other funds	445,797	-	-	-	445,797
Due from other governmental units	519,826	-	-	16,631	536,457
Total assets	<u>\$ 12,050,833</u>	<u>\$ 9,173,674</u>	<u>\$ 36,204</u>	<u>\$ 1,109,724</u>	<u>\$ 22,370,435</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 408,297	\$ 580,703	\$ -	\$ 86,325	\$ 1,075,325
Deferred revenue	1,641,850	-	-	-	1,641,850
Total liabilities	<u>\$ 2,050,147</u>	<u>\$ 580,703</u>	<u>\$ -</u>	<u>\$ 86,325</u>	<u>\$ 2,717,175</u>
Fund balances:					
Reserved for:					
Capital projects	\$ -	\$ 8,592,971	\$ -	\$ -	\$ 8,592,971
Unreserved, designated for:					
Revenue Maximization	110,593	-	-	-	110,593
E-911	-	-	-	73,831	73,831
Reported in:					
General fund	9,890,093	-	-	-	9,890,093
Special revenue funds	-	-	-	949,568	949,568
Debt service funds	-	-	36,204	-	36,204
Total fund balances	<u>\$ 10,000,686</u>	<u>\$ 8,592,971</u>	<u>\$ 36,204</u>	<u>\$ 1,023,399</u>	<u>\$ 19,653,260</u>
Total liabilities and fund balances	<u>\$ 12,050,833</u>	<u>\$ 9,173,674</u>	<u>\$ 36,204</u>	<u>\$ 1,109,724</u>	<u>\$ 22,370,435</u>

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

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	\$ 19,653,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,300,794
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(991,322)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	789,215
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(63,200,622)
Net assets of governmental activities	<u>\$ 24,551,325</u>

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

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

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 26,083,566	\$ -	\$ -	\$ -	\$ 26,083,566
Other local taxes	4,586,775	-	-	957,810	5,544,585
Permits, privilege fees, and regulatory licenses	523,801	-	-	-	523,801
Fines and forfeitures	375,931	-	-	-	375,931
Revenue from the use of money and property	491,653	47,687	75,385	-	614,725
Charges for services	533,092	-	-	-	533,092
Miscellaneous	22,188	200,000	-	-	222,188
Recovered costs	491,308	-	-	-	491,308
Intergovernmental revenues:					
Commonwealth	6,883,914	-	194,952	77,471	7,156,337
Federal	1,295,327	-	-	-	1,295,327
Total revenues	<u>\$ 41,287,555</u>	<u>\$ 247,687</u>	<u>\$ 270,337</u>	<u>\$ 1,035,281</u>	<u>\$ 42,840,860</u>
EXPENDITURES					
Current:					
General government administration	\$ 2,995,994	\$ 567,243	\$ -	\$ -	\$ 3,563,237
Judicial administration	1,422,426	-	-	-	1,422,426
Public safety	7,338,229	4,185,227	-	595,130	12,118,586
Public works	1,664,820	123,703	-	-	1,788,523
Health and welfare	2,519,191	-	-	-	2,519,191
Education	8,781,909	62,265	-	-	8,844,174
Parks, recreation, and cultural	797,057	10,305	-	-	807,362
Community development	638,935	-	-	257,509	896,444
Debt service:					
Principal retirement	115,000	-	6,337,130	71,206	6,523,336
Interest and other fiscal charges	25,300	-	2,961,241	120,560	3,107,101
Total expenditures	<u>\$ 26,298,861</u>	<u>\$ 4,948,743</u>	<u>\$ 9,298,371</u>	<u>\$ 1,044,405</u>	<u>\$ 41,590,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 14,988,694</u>	<u>\$ (4,701,056)</u>	<u>\$ (9,028,034)</u>	<u>\$ (9,124)</u>	<u>\$ 1,250,480</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 3,077,647	\$ 9,991,539	\$ -	\$ 13,069,186
Transfers (out)	(13,071,986)	-	(1,470,289)	(9,364)	(14,551,639)
Total other financing sources (uses)	<u>\$ (13,071,986)</u>	<u>\$ 3,077,647</u>	<u>\$ 8,521,250</u>	<u>\$ (9,364)</u>	<u>\$ (1,482,453)</u>
Net change in fund balances	\$ 1,916,708	\$ (1,623,409)	\$ (506,784)	\$ (18,488)	\$ (231,973)
Fund balances - beginning, as restated	<u>8,083,978</u>	<u>10,216,380</u>	<u>542,988</u>	<u>1,041,887</u>	<u>19,885,233</u>
Fund balances - ending	<u>\$ 10,000,686</u>	<u>\$ 8,592,971</u>	<u>\$ 36,204</u>	<u>\$ 1,023,399</u>	<u>\$ 19,653,260</u>

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

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

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

Net change in fund balances - total governmental funds	\$ (231,973)
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.	2,596,303
Transfer of joint tenancy assets from Primary Government to the Component Unit.	(350,271)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	477,383
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.	6,523,336
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.	(439,646)
Change in net assets of governmental activities	<u>\$ 8,575,132</u>

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2005

	<u>Enterprise Funds</u> <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,299,606
Accounts receivable, net of allowances for uncollectibles	237,792
Total current assets	<u>\$ 1,537,398</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 101,371
Utility plant in service	27,597,912
Machinery and equipment	196,189
Construction in progress	32,252
Less accumulated depreciation	<u>(8,440,365)</u>
Total capital assets	<u>\$ 19,487,359</u>
Total noncurrent assets	<u>\$ 19,487,359</u>
 Total assets	 <u><u>\$ 21,024,757</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 232,083
Customers' deposits	58,287
Accrued interest payable	39,943
Due to other funds	445,797
Bonds payable - current portion	392,565
Total current liabilities	<u>\$ 1,168,675</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 2,904,077</u>
Total noncurrent liabilities	<u>\$ 2,904,077</u>
Total liabilities	<u>\$ 4,072,752</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,239,992
Unrestricted	712,013
Total net assets	<u>\$ 16,952,005</u>
 Total liabilities and net assets	 <u><u>\$ 21,024,757</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

	<u>Enterprise Funds Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,020,914
Sewer revenues	1,950,856
Penalty/reconnection charges	120,772
Miscellaneous	31,611
Total operating revenues	<u>\$ 3,124,153</u>
OPERATING EXPENSES	
Water	\$ 470,563
Administration	581,730
Other supplies and expenses	1,506,630
Depreciation	607,558
Total operating expenses	<u>\$ 3,166,481</u>
Operating income (loss)	<u>\$ (42,328)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 8,617
Connection/capacity fees	572,281
Rental income	22,450
Petersburg line payments	(141,040)
Interest expense	(352,073)
Total nonoperating revenues	<u>\$ 110,235</u>
Income before contributions and transfers	<u>\$ 67,907</u>
Transfers in	<u>\$ 1,482,453</u>
Change in net assets	<u>\$ 1,550,360</u>
Total net assets - beginning, as restated	<u>15,401,645</u>
Total net assets - ending	<u><u>\$ 16,952,005</u></u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2005

	Enterprise Funds <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,963,845
Receipts for miscellaneous items	31,611
Payments for operating activities	(1,966,281)
Payments to employees	(581,730)
Net cash provided operating activities	<u>\$ 447,445</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ <u>1,482,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (44,209)
Connection/capacity charges	572,281
Principal payments on bonds	(1,876,599)
Petersburg line payments	(141,040)
Interest payments	(434,251)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,923,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 8,617
Rental income	<u>22,450</u>
Net cash provided by investing activities	<u>\$ 31,067</u>
Net increase in cash and cash equivalents	\$ 37,147
Cash and cash equivalents - beginning - including restricted	\$ <u>1,262,459</u>
Cash and cash equivalents - ending - including restricted	<u>\$ 1,299,606</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(42,328)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 607,558
(Increase) in accounts receivable	(135,099)
Increase in accounts payable	10,912
Increase customer deposits	6,402
Total adjustments	<u>\$ 489,773</u>
Net cash provided by operating activities	<u>\$ 447,445</u>

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

Statement of Net Assets
 Fiduciary Funds
 At June 30, 2005

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ <u>31,278</u>	\$ <u>303,085</u>
Total assets	\$ <u><u>31,278</u></u>	\$ <u><u>303,085</u></u>
LIABILITIES		
Amounts held for others	\$ <u>-</u>	\$ <u>303,085</u>
Total liabilities	\$ <u>-</u>	\$ <u>303,085</u>
NET ASSETS		
Held in trust for benefits	\$ <u>31,278</u>	\$ <u>-</u>
Total net assets	\$ <u>31,278</u>	\$ <u>-</u>
Total liabilities and net assets	\$ <u><u>31,278</u></u>	\$ <u><u>303,085</u></u>

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

Statement of Changes in Fiduciary Net Assets
 Pension Trust Fund
 Year Ended June 30, 2005

Additions:

Employer contributions	\$ 180,000
Interest income	<u>2,480</u>
Total additions	<u>\$ 182,480</u>

Deductions:

Members' benefits	\$ 355,510
Insurance	43,697
Administrative fees	<u>4,700</u>
Total deductions	<u>\$ 403,907</u>
Change in net assets	\$ (221,427)

Net assets - beginning of year 252,705

Net assets - end of year \$ 31,278

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

COUNTY OF PRINCE GEORGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005

Note 1—Summary of Significant Accounting Policies:

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

The financial statements of the County of Prince George, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. 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 requirements and a 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 PRINCE GEORGE, 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 government’s revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for 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 Prince George (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

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

Discretely Presented Component Units. The School Board members are elected by the citizens of Prince George 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.

C. Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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

C. Other Related Organizations: (Continued)

Excluded in the County's Comprehensive Annual Financial Report

Joint Ventures

South Central Wastewater Authority

The South Central Wastewater Authority is considered a joint venture and therefore its operations are not included in the County's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase wastewater treatment services from the Authority at prescribed rates and capacity levels. The County retains an on-going financial responsibility for this joint venture. The County's expenditures for wastewater treatment services for the year ended June 30, 2005 were \$416,492.

Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Riverside Regional Jail Authority

The Riverside Regional Jail Authority is considered a joint venture and therefore its operations are not included in the County's financial statements. The Counties of Charles City, Chesterfield, Prince George and Surry and the Cities of Petersburg, Colonial Heights and Hopewell each appoint one member to the seven member board. Each participating entity is required to commit prisoners and pay the established per diem charge in accordance with its service agreement with the Authority. The County's expenditures for confinement services for the year ended June 30, 2005 were \$1,009,269. The County does not retain a financial interest in the Jail Authority.

Complete financial statements for the Authority can be obtained from the Authority's office at 1000 River Road, Hopewell, Virginia 23860.

Appomattox River Water Authority

The Appomattox River Water Authority is considered a joint venture and therefore its operations are not included in the County's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase water in accordance with its service agreement with the Authority. The County's expenses for water purchased for the year ended June 30, 2005 were \$244,853. The County does not retain a financial interest in the Water Authority.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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

C. Other Related Organizations: (Continued)

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

Appomattox River Water Authority: (Continued)

Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23860.

Appomattox Regional Library:

The County is a participant with the County of Dinwiddie and the City of Hopewell in a joint venture to operate the Appomattox Regional Library (the Library). The Library is governed by an 11-member board composed of five appointees from Hopewell three each from Dinwiddie and Prince George. Each locality is obligated by contract to fund a percentage of the Library's approved budget. In accordance with the joint venture agreement, the County remitted \$261,581 to the Library for fiscal 2005. The County has an ongoing financial responsibility to fund the Library, but does not retain a financial interest in the Library. Financial statements for the Library can be obtained at its administrative offices at 245 East Cawson Street, Hopewell, Virginia 23860.

Jointly Governed Organizations

The County participates with the eight other localities in District 19 Community Services Board. The County also participates with five other localities in Virginia's Gateway Region, a regional economic development organization. The County provided funding of \$77,557 and \$30,479 respectively, during fiscal 2005 to these entities. The County also participates with six other localities in the Crater Youth Care 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.

COUNTY OF PRINCE GEORGE, 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)**

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 provided have been met.

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

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

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

COUNTY OF PRINCE GEORGE, 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)**

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 of 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.

1. Governmental Funds

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

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

COUNTY OF PRINCE GEORGE, 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: (Continued)

Capital Projects Fund – The Capital Projects Fund account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major governmental fund.

Debt Service Fund – The Debt Service Fund Accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The debt service fund is considered a major governmental fund.

Special Revenue Fund: The Special Revenue Fund accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The County Special Revenue Fund is considered a non-major governmental fund.

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 Enterprise Funds consist of the Water and Sewer Fund.

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 to recognize receivables and payables. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare Fund, Fringe Benefit Fund and the Performance Bond Fund.

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.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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

E. Cash and Cash Equivalents: (Continued)

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.

F. Investments

Investments are stated at fair value which approximates market; no investments are value 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 \$254,441 at June 30, 2005 is comprised of property taxes in the amount of \$151,831 and utility accounts of \$102,610.

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	June 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF PRINCE GEORGE, 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 accumulating rights to received 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.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost 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.

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 obligation 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.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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 30th, 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 in excess of \$1,000 only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
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 with the exception of Capital Projects.

Expenditures and Appropriations

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

Note 3—Deposits and Investments:

Deposits

All cash of the County is maintained in accounts collateralized in accordance with Virginia Security for Public Deposits Act, 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.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 3—Deposits and Investments: (Continued)

Investments

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

Custodial Credit Risk (Investments):

The County’s investments at June 30, 2005 were held by the County or in the County’s name by the County’s custodial banks; except \$19,855,354 of the Virginia Local Government Investment Pool where the underlying securities were uninsured and held by the investment’s counterparty.

Credit Risk of Debt Securities:

The County’s rated debt investments as of June 30, 2005 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using Standard & Poor’s rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
	<u>Fair Quality Rating</u>
Rated Debt Investments	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 19,855,354</u>

External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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>
Commonwealth of Virginia:		
Local sales tax	\$ 189,136	\$ -
Welfare	31,152	-
VHDA	10,038	-
Fringe benefits	-	132,426
State sales tax	-	855,471
Constitutional officer reimbursements	124,975	-
Recordation tax	15,639	-
Clerk's excess fees	6,140	-
Disaster assistance	-	-
Personal property tax relief	27,545	-
E-911 wireless	16,631	-
School food	-	209,096
Federal Government:		
School fund grants	-	428,586
School funds	-	41,549
Disaster assistance	-	-
Welfare	75,311	-
Home Investment Partnership Program	39,890	-
Total due from other governments	<u>\$ 536,457</u>	<u>\$ 1,667,128</u>

Note 5—Inter-fund Receivables and Payables:

The following interfund receivable and payable was the result of an advance provided from the general fund to the utilities fund at the inception of the fund.

	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
Primary Government:		
General Fund	\$ 445,797	\$ -
Water and Sewer Fund	-	445,797
Total	<u>\$ 445,797</u>	<u>\$ 445,797</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 6—Capital Assets:

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

Primary Government:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,899,198	\$ -	\$ -	\$ 5,899,198
Construction in progress-jointly owned assets	12,218,637	-	12,218,637	-
Construction in progress	<u>8,952,242</u>	<u>4,752,375</u>	<u>9,465,892</u>	<u>4,238,725</u>
 Total capital assets not being depreciated	 <u>\$ 27,070,077</u>	 <u>\$ 4,752,375</u>	 <u>\$ 21,684,529</u>	 <u>\$ 10,137,923</u>
 Capital assets being depreciated:				
Buildings	\$ 12,559,135	\$ 9,465,892	\$ -	\$ 22,025,027
Equipment	7,339,052	156,028	112,535	7,382,545
Jointly owned assets	<u>35,478,238</u>	<u>12,280,902</u>	<u>421,840</u>	<u>47,337,300</u>
 Total capital assets being depreciated	 <u>\$ 55,376,425</u>	 <u>\$ 21,902,822</u>	 <u>\$ 534,375</u>	 <u>\$ 76,744,872</u>
 Less accumulated depreciation for:				
Buildings	\$ 4,307,520	\$ 559,154	\$ -	\$ 4,866,674
Equipment	3,756,906	632,368	112,535	4,276,739
Jointly owned assets	<u>8,327,314</u>	<u>1,182,843</u>	<u>71,569</u>	<u>9,438,588</u>
 Total accumulated depreciation	 <u>\$ 16,391,740</u>	 <u>\$ 2,374,365</u>	 <u>\$ 184,104</u>	 <u>\$ 18,582,001</u>
 Total capital assets being depreciated, net	 <u>\$ 38,984,685</u>	 <u>\$ 19,528,457</u>	 <u>\$ 350,271</u>	 <u>\$ 58,162,871</u>
 Governmental activities capital assets, net	 <u>\$ 66,054,762</u>	 <u>\$ 24,280,832</u>	 <u>\$ 22,034,800</u>	 <u>\$ 68,300,794</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 101,371	\$ -	\$ -	\$ 101,371
Construction in progress	<u>14,369</u>	<u>17,883</u>	<u>-</u>	<u>32,252</u>
Total capital assets not being depreciated	<u>\$ 115,740</u>	<u>\$ 17,883</u>	<u>\$ -</u>	<u>\$ 133,623</u>
Capital assets being depreciated:				
Utility Plant	\$ 27,580,483	\$ 17,429	\$ -	\$ 27,597,912
Vehicles and equipment	<u>189,599</u>	<u>6,590</u>	<u>-</u>	<u>196,189</u>
Total capital assets being depreciated	<u>\$ 27,770,082</u>	<u>\$ 24,019</u>	<u>\$ -</u>	<u>\$ 27,794,101</u>
Less accumulated depreciation for:				
Utility Plant	\$ 7,777,518	\$ 603,269	\$ -	\$ 8,380,787
Vehicles and equipment	<u>55,289</u>	<u>4,289</u>	<u>-</u>	<u>59,578</u>
Total accumulated depreciation	<u>\$ 7,832,807</u>	<u>\$ 607,558</u>	<u>\$ -</u>	<u>\$ 8,440,365</u>
Total capital assets being depreciated, net	<u>\$ 19,937,275</u>	<u>\$ (583,539)</u>	<u>\$ -</u>	<u>\$ 19,353,736</u>
Business-type activities capital assets, net	<u>\$ 20,053,015</u>	<u>\$ (565,656)</u>	<u>\$ -</u>	<u>\$ 19,487,359</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 6—Capital Assets: (Continued)

Discretely Presented 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 being depreciated:				
Land	\$ 592,009	\$ -	\$ -	\$ 592,009
Total capital assets not being depreciated	\$ 592,009	\$ -	\$ -	\$ 592,009
Capital assets being depreciated:				
Buildings	\$ 10,764,591	\$ 421,840	\$ -	\$ 11,186,431
Equipment	5,339,967	657,712	558,830	5,438,849
Total capital assets being depreciated	\$ 16,104,558	\$ 1,079,552	\$ 558,830	\$ 16,625,280
Less accumulated depreciation for:				
Buildings	\$ 1,879,371	\$ 351,092	\$ -	\$ 2,230,463
Equipment	3,219,631	572,996	516,779	3,275,848
Total accumulated depreciation	\$ 5,099,002	\$ 924,088	\$ 516,779	\$ 5,506,311
Total capital assets being depreciated, net	\$ 11,005,556	\$ 155,464	\$ 42,051	\$ 11,118,969
School Board capital assets, net	<u>\$ 11,597,565</u>	<u>\$ 155,464</u>	<u>\$ 42,051</u>	<u>\$ 11,710,978</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 6—Capital Assets: (Continued)

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

Governmental activities:

General government	\$	300,341
Judicial administration		204,140
Public safety		546,439
Public works		44,947
Health and welfare		51,556
Education		1,182,843
Parks, recreation and cultural		31,472
Community development		<u>12,668</u>
Total Governmental activities	\$	<u><u>2,374,406</u></u>
Component Unit School Board	\$	<u><u>924,088</u></u>
Business-type activities	\$	<u><u>607,558</u></u>

Note 7—Interfund Transfers:

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

<u>Fund</u>	<u>Tranfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 13,071,986
Proprietary funds	1,482,453	-
County capital projects fund	3,077,647	-
Debt Service Fund	9,991,539	1,470,289
Special Revenue Fund	-	<u>9,364</u>
Total	\$ <u><u>14,551,639</u></u>	\$ <u><u>14,551,639</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting 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 the other funds in accordance with budgeting authorization.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations:

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

Primary Government:

	Amounts Payable at July 1, 2004, as restated	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County					
Compensated absences payable	\$ 790,585	\$ 485,525	\$ 158,117	\$ 1,117,993	\$ 111,799
General obligation bonds	29,132,777	-	4,948,860	24,183,917	1,272,959
Capital lease obligations	<u>103,631</u>	<u>-</u>	<u>103,631</u>	<u>-</u>	<u>-</u>
Total incurred by City	<u>\$ 30,026,993</u>	<u>\$ 485,525</u>	<u>\$ 5,210,608</u>	<u>\$ 25,301,910</u>	<u>\$ 1,384,758</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 1,265,000	-	\$ 115,000	\$ 1,150,000	\$ 115,000
General Obligation Bonds	<u>38,104,557</u>	<u>-</u>	<u>1,355,845</u>	<u>36,748,712</u>	<u>1,403,214</u>
Total incurred by School Board	<u>\$ 39,369,557</u>	<u>\$ -</u>	<u>\$ 1,470,845</u>	<u>\$ 37,898,712</u>	<u>\$ 1,518,214</u>
Total Governmental Obligations	<u>\$ 69,396,550</u>	<u>\$ 485,525</u>	<u>\$ 6,681,453</u>	<u>\$ 63,200,622</u>	<u>\$ 2,902,972</u>

The general fund revenues are used to liquidate compensated absences.

\$2,989,250 of the decrease in General obligation bonds incurred by the County during FY2005 was the pre-payment of outstanding debt, at the County's option, utilizing general property tax revenues received from a change in the real property tax collection date.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	Amounts Payable at July 1, 2004, as restated	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Enterprise Obligations:					
Compensated absences	\$ -	\$ 51,521	\$ 2,246	\$ 49,275	\$ 4,928
General obligation bonds	<u>5,123,966</u>	<u>-</u>	<u>1,876,599</u>	<u>3,247,367</u>	<u>387,637</u>
Total Enterprise Obligations	<u>\$ 5,123,966</u>	<u>\$ 51,521</u>	<u>\$ 1,878,845</u>	<u>\$ 3,296,642</u>	<u>\$ 392,565</u>

\$1,855,750 of the decrease in General obligation bonds incurred by the Enterprise Fund during FY2005 was the pre-payment of outstanding debt, at the County's option, utilizing general property tax revenues received from a change in the real property tax collection date.

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2006	\$ 1,272,959	\$ 925,325
2007	1,268,409	876,928
2008	1,173,053	831,612
2009	1,209,364	787,846
2010	4,099,751	735,431
2011	1,648,276	571,749
2012	1,710,061	507,630
2013	1,785,029	438,443
2014	1,857,041	364,617
2015	1,141,651	306,057
2016	1,184,529	263,510
2017	1,194,079	219,363
2018	1,238,683	175,006
2019	1,284,954	128,992
2020	499,504	81,257
2021	518,685	62,076
2022	538,603	42,159
2023	<u>559,286</u>	<u>21,478</u>
Total	<u>\$ 24,183,917</u>	<u>\$ 7,339,479</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize school obligations are as follows:

Year Ending June 30,	School Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 115,000	\$ 23,000	\$ 1,403,214	\$ 1,686,775
2007	115,000	20,700	1,457,522	1,612,265
2008	115,000	18,400	11,456,022	1,533,706
2009	115,000	16,100	1,585,446	1,129,975
2010	115,000	13,800	1,655,261	1,039,820
2011	115,000	11,500	1,731,245	945,628
2012	115,000	9,200	1,806,209	851,420
2013	115,000	6,900	1,885,034	757,292
2014	115,000	4,600	1,964,955	658,544
2015	115,000	2,300	2,051,035	554,960
2016	-	-	2,143,223	446,771
2017	-	-	2,236,612	333,623
After 2017	-	-	5,372,934	451,883
Total	\$ <u>1,150,000</u>	\$ <u>126,500</u>	\$ <u>36,748,712</u>	\$ <u>12,002,662</u>

Year Ending June 30,	Enterprise Obligations	
	General Obligation Bonds	
	Principal	Interest
2006	\$ 387,637	\$ 136,036
2007	301,618	119,426
2008	223,295	108,254
2009	229,750	98,792
2010	295,156	87,890
2011	310,432	75,450
2012	322,773	61,982
2013	338,818	47,513
2014	354,503	32,046
2015	204,332	19,936
2016	213,188	11,397
2017	32,231	2,489
After 2017	33,634	1,088
Total	\$ <u>3,247,367</u>	\$ <u>802,299</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Obligations:

Incurred by the County:

\$7,445,000 Public Improvements Bonds and refunding, shared with the Enterprise fund, issued May 8, 1996, maturing annually in various increments/amounts with interest payable semiannually at various rates through 2027.	\$ 975,000
\$3,233,871 General Obligation Note Series 2001 issued November 1, 2001 interest payable annually through June 15, 2010 balloon principal payment due on June 15, 2010, interest at 4.15%	2,428,401
\$660,273 General Obligation Note Series 2001 issued November 1, 2001 interest payable in varying annual installments through June 15, 2015, interest at 4.15%	390,400
\$539,453 General Obligation Note Series 2001, shared with the Enterprise fund issued November 1, 2001, due in varying annual installments through June 15, 2016, interest at 4.15%	27,849
\$1,582,136 General Obligation Note Series 2001, shared with the Enterprise fund, issued November 1, 2001, due in varying annual installments through June 15, 2016, interest at 4.15%	303,029
\$4,350,000 General Obligation Note Series 2002, shared with the Enterprise Fund, issued December 17, 2002, due in varying annual installments through August 1, 2013 with interest payable semiannually at varying rates	3,613,750
\$8,000,000 General Obligation Note 2003B series issued January 24, 2003 due in varying annual installments through February 1, 2023, interest payable semiannually	7,448,575
\$9,500,000 General Obligation Bond issued January 22, 2004 due in varying installments through January 1, 2019, interest payable semi-annually at 3.64%	<u>8,996,913</u>
Total General Obligation Bonds	\$ <u>24,183,917</u>
Compensated absences	\$ <u>1,117,993</u>
Total incurred by the County	\$ <u>25,301,910</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Obligations: (Continued)

Incurred by the School Board:

State Literary Fund Loans:

\$500,000, issued May 26, 1995, due in annual installments of \$25,000 through July 1, 2015, interest payable annually at 2%	\$ 250,000
\$1,000,000 issued May 26, 1995, due in annual installments of \$50,000 through July 1, 2015, interest payable annually at 2%	500,000
\$800,000, issued May 26, 1995, due in annual installments of \$40,000 through July 1, 2015, interest payable annually at 2%	<u>400,000</u>
Total State Literary Fund Loans	<u>\$ 1,150,000</u>

General Obligation Bonds:

\$3,843,528 issued June, 1998 due in semiannual installments of varying amounts and interest rates through January, 2018.	\$ 2,701,484
\$14,540,000 issued June, 1998 due in semiannual installments of varying amounts and interest rates through July, 2017	11,105,000
\$10,284,493 issued November, 2000, due in various annual installments through July, 2020. Interest payable semi-annually at coupon rates varying from 4.975% to 5.850%	8,634,048
\$5,000,000 issued November, 2000, due in various annual installments through July, 2020. Interest payable semi-annually at coupon rates varying from 4.975% to 5.850%	4,370,000
\$12,000,000 General Obligation bond anticipation note issued January 24, 2003 due January 24, 2008, interest payable annually at 3.21%	<u>9,938,180</u>
Total General Obligation Bonds	<u>\$ 36,748,712</u>
Total Incurred by School Board	<u>\$ 37,898,712</u>
Total Governmental Long-term Obligations	<u><u>\$ 63,200,622</u></u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Obligations: (Continued)

Incurred by Enterprise Fund:

General Obligation Bonds:

\$457,000 Water and Sewer Improvement bonds, dated March 13, 1999, interest at 4.3% through 2036	\$ 343,029
\$539,453 General Obligation Note Series 2001, shared with the General fund, issued November 1, 2001, due in varying annual installments through June 15, 2006, interest at 4.15%	87,230
\$1,582,136 General Obligation Note Series 2001, shared with the General fund issued November 1, 2001, due in varying annual installments through June 15, 2015, interest at 4.15%	949,156
\$902,022 General Obligation Note Series 2001, issued November 1, 2001, due in varying annual installments through June 15, 2016, interest at 4.15%	701,702
\$7,445,000 Public Improvement bonds and refunding shared with the General fund, issued May 8, 1996, maturing annually in various increments/amounts with interest payable semiannually at various rates through 2017	650,000
\$4,350,000 General Obligation note series 2002 shared with the General fund, issued December 17, 2002, due in varying annual installments through August 1, 2013 with interest payable semiannually at varying rates	<u>516,250</u>
Total General Obligation Bonds	\$ 3,247,367
Compensated Absences	<u>49,275</u>
Total Incurred by Enterprise Fund	<u><u>\$ 3,296,642</u></u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ending June 30, 2005:

	Amounts Payable at July 1, 2004, as restated	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Compensated absences payable	\$ 277,299	\$ 61,595	\$ 41,595	\$ 297,299	\$ 48,000
Total	<u>\$ 277,299</u>	<u>\$ 61,595</u>	<u>\$ 41,595</u>	<u>\$ 297,299</u>	<u>\$ 48,000</u>

Long-term obligations were restated as of July 1, 2004 as follows:

	Amounts Payable at July 1, 2004	Restatement	Amounts Payable at July 1, 2004 As Restated
Governmental Obligations:			
Incurred by County			
Claims, judgements and compensated absences payable	\$ 790,585	\$ -	\$ 790,585
General obligations bonds	26,515,145	2,617,632	29,132,777
Capital lease obligations	<u>103,631</u>	<u>-</u>	<u>103,631</u>
Total incurred by City	<u>\$ 27,409,361</u>	<u>\$ 2,617,632</u>	<u>\$ 30,026,993</u>
Incurred by School Board:			
State Literary Fund Loans	\$ 1,265,000	\$ -	\$ 1,265,000
General obligation bonds	<u>38,104,557</u>	<u>-</u>	<u>38,104,557</u>
Total incurred by School Board	<u>\$ 39,369,557</u>	<u>\$ -</u>	<u>\$ 39,369,557</u>
Total Governmental Obligations	<u>\$ 66,778,918</u>	<u>\$ 2,617,632</u>	<u>\$ 69,396,550</u>
Enterprise Obligations:			
General obligation bonds	<u>\$ 7,741,598</u>	<u>\$ (2,617,632)</u>	<u>\$ 5,123,966</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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 \$1,641,850 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$789,215 at June 30, 2005.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$852,635 at June 30, 2005.

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.

At June 30, 2005, the County had the following construction contracts outstanding:

	<u>Project</u>	<u>Contractor</u>	<u>Balance June 30, 2005</u>
Capital Projects Fund	Communication Towers	Site Master	\$ 161,344
	ECC & EOC Building	Brooks & Company	923,273
	Communication Towers	Radio Communications of Virginia	<u>1,878,857</u>
	Total		\$ <u><u>2,963,474</u></u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

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.

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. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 13—Defined Benefit Pension Plan:

Primary Government

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) or 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 an 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 VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/PDF/2005AnnuRept.pdf> or obtained by writing the VRS 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 11.25% and 6.5% of annual covered payroll, respectively.

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 13—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

B. Funding Policy: (Continued)

The School Board’s professional employees contributed \$1,436,549, \$824,623, and \$795,163 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% of annual covered payroll.

C. Annual Pension Cost

For fiscal 2005, the County’s annual pension cost of \$879,819 was equal to the County’s required and actuarial contributions. The required contributions were determined as part of the June 30, 2004 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 \$228,484 which was equal to the Board’s required and actuarial contributions. The required contributions were determined as a part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board Employees</u>
Valuation date	June 30, 2004	June 30, 2004
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	18 years	14 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%

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 13—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

C. Annual Pension Cost

<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	\$ 879,819	100%	\$ -
June 30, 2004	619,095	100%	-
June 30, 2003	577,546	100%	-
School Board:			
Non-Professional:			
June 30, 2005	\$ 228,484	100%	\$ -
June 30, 2004	160,511	100%	-
June 30, 2003	151,452	100%	-

Note 14—Length of Service Award Pension Program:

A. Plan Description and Provisions

On January 1, 2001 the Prince George County Board of Supervisors adopted the Length of Service Awards Program for the Prince George County Volunteer E.S.T. to recognize the service provided by the volunteers. The plan is a single employer, defined benefit pension plan which was open to any volunteer emergency service technician who has earned a year of credited service. Participants vest after five years of service and earn a fixed dollar benefit based on years of service. No separate financial report is issued for the plan.

As of January 1, 2005 the program membership consisted of the following:

Eligible Members	107
Retirees and beneficiaries	32

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 14—Length of Service Award Pension Program: (Continued)

B. Funding Policy

This plan is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis, and are recognized when due and payable in accordance with the terms of the plan. Members vest over a five year period. Benefits accrue at the rate of \$10 per month for each two years of active service. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using an entry age Normal-Frozen Initial Liability Cost Method. The actuarial value of the plan assets is equal to the market value of the assets. Present and future assets in the plan are assumed to earn an investment rate of return of 5.5% compounded annually. There is no inflation factor or salary increase factor used since there is no covered payroll.

The contributions to the plan for the fiscal year ended June 30, 2005 totaled \$180,000. The program’s funding provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At June 30, 2005 the plan had net assets available for benefits totaling \$790,989. Unfunded past service costs total \$313,808 and will be fully amortized in 5 years. The plan additions fund the cost of administering the plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
County:		
June 30, 2005	\$ 103,602	100%
June 30, 2004	142,284	100%
June 30, 2003	153,374	100%

Note 15—Landfill Postclosure Care Costs:

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

COUNTY OF PRINCE GEORGE, VIRGINIA

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

Note 16—Changes in Beginning Net Assets:

Net assets were restated as of July 1, 2004 due to the reclassification of long-term obligations and the recording of compensated absences as follows:

	<u>Primary Government</u>		<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Unit</u>
	<u>Activities</u>	<u>Activities</u>	<u>School Board</u>
Net assets as previously reported	\$ 18,593,825	\$ 12,784,013	\$ 11,726,490
General obligation bonds allocation	(2,617,632)	2,617,632	-
Compensated absences	-	-	(277,299)
Net assets as restated	<u>\$ 15,976,193</u>	<u>\$ 15,401,645</u>	<u>\$ 11,449,191</u>

Note 17—Changes in Beginning Fund Balance:

Fund balances were restated as of July 1, 2004 as follows:

	<u>Capital</u>	<u>Debt</u>
	<u>Projects</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>
Fund balance, as previously reported	\$ 10,759,368	\$ -
Debt service	(542,988)	542,988
Fund balance, as restated	<u>\$ 10,216,380</u>	<u>\$ 542,988</u>

Note 18—Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
C. Bishop Knott, Jr., Clerk of the Circuit Court	\$ 400,000
Jean N. Barker, Treasurer	500,000
Virginia T. Duncan, Commissioner of the Revenue	3,000
H.E. Allin, Sheriff	30,000
Selective Insurance Company:	
All County employees and School Board employees-blanket bond	100,000
Huron Insurance Company:	
All County and Social Service employees - blanket bond	100,000

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.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 25,418,430	\$ 25,593,430	\$ 26,083,566	\$ 490,136
Other local taxes	4,327,984	4,327,984	4,586,775	258,791
Permits, privilege fees, and regulatory licenses	538,720	538,720	523,801	(14,919)
Fines and forfeitures	316,800	321,800	375,931	54,131
Revenue from the use of money and property	390,400	390,400	491,653	101,253
Charges for services	710,553	727,137	533,092	(194,045)
Miscellaneous	20,000	25,468	22,188	(3,280)
Recovered costs	938,081	858,873	491,308	(367,565)
Intergovernmental revenues:				
Commonwealth	8,176,118	8,241,160	6,883,914	(1,357,246)
Federal	450,160	730,836	1,295,327	564,491
Total revenues	<u>\$ 41,287,246</u>	<u>\$ 41,755,808</u>	<u>\$ 41,287,555</u>	<u>\$ (468,253)</u>
EXPENDITURES				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 159,136	\$ 165,336	\$ 163,171	\$ 2,165
General and financial administration:				
County administrator	\$ 462,950	\$ 422,149	\$ 412,805	\$ 9,344
Human resources	192,477	199,044	192,076	6,968
Legal services	168,828	149,557	132,933	16,624
Commissioner of revenue	344,488	352,719	333,277	19,442
Treasurer	379,589	386,366	370,661	15,705
Assessor	434,080	432,852	422,708	10,144
Finance	292,316	303,696	299,875	3,821
Information Technology	135,016	141,597	137,761	3,836
County garage	289,580	289,931	282,739	7,192
Other general and financial administration	286,227	162,026	76,732	85,294
Total general and financial administration	<u>\$ 2,985,551</u>	<u>\$ 2,839,937</u>	<u>\$ 2,661,567</u>	<u>\$ 178,370</u>
Board of elections:				
Electoral board and officials	\$ 38,885	\$ 45,885	\$ 45,880	\$ 5
Registrar	123,925	125,857	125,376	481
Total board of elections	<u>\$ 162,810</u>	<u>\$ 171,742</u>	<u>\$ 171,256</u>	<u>\$ 486</u>
Total general government administration	<u>\$ 3,307,497</u>	<u>\$ 3,177,015</u>	<u>\$ 2,995,994</u>	<u>\$ 181,021</u>
Judicial administration:				
Courts:				
Circuit court	\$ 72,107	\$ 72,153	\$ 68,299	\$ 3,854
General district court	31,916	36,916	33,190	3,726
Magistrate	1,825	1,825	1,371	454
Sheriff	693,885	681,977	669,266	12,711

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES: (Continued)				
Judicial administration: (Continued)				
Courts: (Continued)				
Drug court	\$ 1,000	\$ 2,950	\$ 2,761	\$ 189
Law library	-	38,962	6,964	31,998
Victim witness	55,592	61,133	61,107	26
Clerk of Circuit Court	341,252	356,511	345,235	11,276
Total courts	\$ 1,197,577	\$ 1,252,427	\$ 1,188,193	\$ 64,234
Commonwealth's attorney:				
Commonwealth's attorney	\$ 248,553	\$ 248,745	\$ 234,233	\$ 14,512
Total judicial administration	\$ 1,446,130	\$ 1,501,172	\$ 1,422,426	\$ 78,746
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,222,416	\$ 3,304,484	\$ 3,243,729	\$ 60,755
Law enforcement grants	-	272,255	203,811	68,444
Crater police academy	14,000	14,000	13,545	455
Total law enforcement and traffic control	\$ 3,236,416	\$ 3,590,739	\$ 3,461,085	\$ 129,654
Fire and rescue services:				
Volunteer fire departments	\$ 213,030	\$ 213,030	\$ 203,984	\$ 9,046
Volunteer emergency crew	57,000	79,644	75,815	3,829
LOSAP volunteers	180,000	180,000	180,000	-
Fire and rescue service	835,473	835,024	753,663	81,361
Total fire and rescue services	\$ 1,285,503	\$ 1,307,698	\$ 1,213,462	\$ 94,236
Correction and detention:				
Confinement and care of prisoners	\$ 1,241,000	\$ 1,241,000	\$ 1,221,933	\$ 19,067
Juvenile probation	97,927	100,075	94,862	5,213
Video arraignment	1,200	34,141	33,988	153
Electronic monitoring	2,800	4,498	270	4,228
Adult probation	539,131	549,473	540,514	8,959
Total correction and detention	\$ 1,882,058	\$ 1,929,187	\$ 1,891,567	\$ 37,620
Inspections:				
Building	\$ 580,449	\$ 570,852	\$ 529,405	\$ 41,447
Other protection:				
Animal control	\$ 186,328	\$ 176,970	\$ 154,846	\$ 22,124
Emergency services	100,275	89,597	87,864	1,733
Total other protection	\$ 286,603	\$ 266,567	\$ 242,710	\$ 23,857
Total public safety	\$ 7,271,029	\$ 7,665,043	\$ 7,338,229	\$ 326,814

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES: (Continued)				
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 428,670	\$ 428,670	\$ 411,242	\$ 17,428
Central Virginia Waste Management Authority	16,100	16,100	16,080	20
Total sanitation and waste removal	\$ 444,770	\$ 444,770	\$ 427,322	\$ 17,448
Maintenance of general buildings and grounds:				
General properties	\$ 1,164,407	\$ 1,243,708	\$ 1,216,341	\$ 27,367
Engineering	27,743	28,057	21,157	6,900
Total maintenance of general buildings and grounds	\$ 1,192,150	\$ 1,271,765	\$ 1,237,498	\$ 34,267
Total public works	\$ 1,636,920	\$ 1,716,535	\$ 1,664,820	\$ 51,715
Health and welfare:				
Health:				
Supplement of local health department	\$ 178,452	\$ 178,452	\$ 169,417	\$ 9,035
Mental health and mental retardation:				
District 19 CSB	\$ 77,557	\$ 77,557	\$ 77,557	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,956,125	\$ 1,974,056	\$ 1,708,990	\$ 265,066
Comprehensive services	400,000	414,000	407,730	6,270
State and local hospitalization	5,745	5,745	4,618	1,127
Disability Services Board	14,800	15,800	14,802	998
Other social services	18,814	18,814	15,531	3,283
Housing assistance	157,947	98,064	95,050	3,014
Revenue maximization	67,452	67,452	25,496	41,956
Total welfare	\$ 2,620,883	\$ 2,593,931	\$ 2,272,217	\$ 321,714
Total health and welfare	2,876,892	2,849,940	2,519,191	330,749
Education:				
Other instructional costs:				
Contribution to School Board Component Unit	\$ 11,351,872	\$ 9,841,465	\$ 8,759,607	\$ 1,081,858
Contribution to local colleges	22,302	22,302	22,302	-
Total education	\$ 11,374,174	\$ 9,863,767	\$ 8,781,909	\$ 1,081,858
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation department	\$ 550,035	\$ 549,960	\$ 535,476	\$ 14,484

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to regional library	\$ 241,581	\$ 261,581	\$ 261,581	\$ -
Total parks, recreation, and cultural	\$ 791,616	\$ 811,541	\$ 797,057	\$ 14,484
Community development:				
Planning and community development:				
Planning department	\$ 270,720	\$ 368,475	\$ 267,833	\$ 100,642
Zoning board	4,990	4,990	4,905	85
Planning district commission	21,481	21,481	21,481	-
Planning commission	15,080	15,080	15,004	76
Economic development incentives	85,000	85,000	95,340	(10,340)
Indoor plumbing and rehabilitation grant	557,284	641,732	115,036	526,696
GIS software/hardware	10,000	57,869	29,288	28,581
Total planning and community development	\$ 964,555	\$ 1,194,627	\$ 548,887	\$ 645,740
Environmental management:				
Contribution to soil and water conservation district	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Litter control program	14,800	14,800	14,633	167
Resource conservation and development council	2,000	2,000	2,000	-
Total environmental management	\$ 22,800	\$ 22,800	\$ 22,633	\$ 167
Cooperative extension program:				
Extension office	\$ 65,856	\$ 67,731	\$ 67,415	\$ 316
Total community development	\$ 1,053,211	\$ 1,285,158	\$ 638,935	\$ 646,223
Debt Service:				
Principal retirement	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Interest and other fiscal charges	182,340	25,300	25,300	-
Total debt service	\$ 297,340	\$ 140,300	\$ 140,300	\$ -
Total expenditures	\$ 30,054,809	\$ 29,010,471	\$ 26,298,861	\$ 2,711,610
Excess (deficiency) of revenues over (under) expenditures	\$ 11,232,437	\$ 12,745,337	\$ 14,988,694	\$ 2,243,357
OTHER FINANCING SOURCES (USES)				
Transfers (out)	\$ (11,232,437)	\$ (13,209,884)	\$ (13,071,986)	\$ 137,898
Total other financing sources and uses	\$ (11,232,437)	\$ (13,209,884)	\$ (13,071,986)	\$ 137,898
Net change in fund balances	\$ -	\$ (464,547)	\$ 1,916,708	\$ 2,381,255
Fund balances - beginning		464,547	8,083,978	7,619,431
Fund balances - ending	\$ -	\$ -	\$ 10,000,686	\$ 10,000,686

Schedule of Funding Progress Virginia Retirement System
 Virginia Retirement System and Length of Service Awards Pension Program

Last Three Fiscal Years

Virginia Retirement System

County

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 18,278,279	\$ 23,435,248	5,156,969	77.99%	\$ 7,438,030	69.33%
6/30/2003	17,642,053	21,773,367	4,131,314	81.03%	7,045,072	58.64%
6/30/2002	16,863,622	19,123,074	2,259,452	88.18%	6,541,205	34.54%

School Board Non-professionals:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio (2) / (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) / (6)</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 7,160,969	\$ 8,166,146	1,005,177	87.69%	\$ 3,280,264	30.64%
6/30/2003	6,890,493	7,045,551	155,058	97.80%	2,725,349	5.69%
6/30/2002	6,571,668	6,568,157	(3,511)	100.05%	3,028,011	-0.12%

Length of Service Awards Pension Program:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio (2) / (3)</u>
(1)	(2)	(3)	(4)	(5)
1/1/2005	\$ 790,989	\$ 1,836,956	1,045,967	43.06%
1/1/2004	493,920	1,785,747	1,291,827	27.66%
1/1/2003	300,944	1,808,394	1,507,450	16.64%

Other Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 47,687	\$ 47,687
Miscellaneous	324,431	324,431	200,000	(124,431)
Total revenues	<u>\$ 324,431</u>	<u>\$ 324,431</u>	<u>\$ 247,687</u>	<u>\$ (76,744)</u>
EXPENDITURES				
Current:				
General government administration	\$ 540,000	\$ 1,686,870	\$ 567,243	\$ 1,119,627
Public safety	100,000	7,823,272	4,185,227	3,638,045
Public works	462,431	462,431	123,703	338,728
Education	-	479,886	62,265	417,621
Parks, recreation, and cultural	-	211,525	10,305	201,220
Total expenditures	<u>\$ 1,102,431</u>	<u>\$ 10,663,984</u>	<u>\$ 4,948,743</u>	<u>\$ 5,715,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (778,000)</u>	<u>\$ (10,339,553)</u>	<u>\$ (4,701,056)</u>	<u>\$ 5,638,497</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,278,000</u>	<u>\$ 3,077,647</u>	<u>\$ 3,077,647</u>	<u>\$ -</u>
Total other financing sources and uses	<u>\$ 1,278,000</u>	<u>\$ 3,077,647</u>	<u>\$ 3,077,647</u>	<u>\$ -</u>
Net change in fund balances	\$ 500,000	\$ (7,261,906)	\$ (1,623,409)	\$ 5,638,497
Fund balances - beginning, as restated	(500,000)	7,261,906	10,216,380	2,954,474
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,592,971</u>	<u>\$ 8,592,971</u>

County Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 48,000	\$ 48,000	\$ 75,385	\$ 27,385
Intergovernmental revenues:				
Commonwealth	194,109	194,109	194,952	843
Total revenues	<u>\$ 242,109</u>	<u>\$ 242,109</u>	<u>\$ 270,337</u>	<u>\$ 28,228</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 11,856,038	\$ 8,534,138	\$ 6,337,130	\$ 2,197,008
Interest and other fiscal charges	2,747,000	2,243,900	2,961,241	(717,341)
Total expenditures	<u>\$ 14,603,038</u>	<u>\$ 10,778,038</u>	<u>\$ 9,298,371</u>	<u>\$ 1,479,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,360,929)</u>	<u>\$ (10,535,929)</u>	<u>\$ (9,028,034)</u>	<u>\$ 1,507,895</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 9,816,539	\$ 9,991,539	\$ 9,991,539	\$ -
Transfers out	-	-	(1,470,289)	(1,470,289)
Total other financing sources and uses	<u>\$ 9,816,539</u>	<u>\$ 9,991,539</u>	<u>\$ 8,521,250</u>	<u>\$ (1,470,289)</u>
Net change in fund balances	\$ (4,544,390)	\$ (544,390)	\$ (506,784)	\$ 37,606
Fund balances - beginning, as restated	4,544,390	544,390	542,988	(1,402)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,204</u>	<u>\$ 36,204</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2005

	County Special Revenue Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ 945,000	\$ 945,000	\$ 957,810	\$ 12,810
Revenue from the use of money and property	-	3,600	-	(3,600)
Intergovernmental revenues:				
Commonwealth	53,426	68,586	77,471	8,885
Total revenues	<u>\$ 998,426</u>	<u>\$ 1,017,186</u>	<u>\$ 1,035,281</u>	<u>\$ 18,095</u>
EXPENDITURES				
Current:				
Public Safety:				
Law enforcement and traffic control:				
Drug enforcement	\$ -	\$ 38,610	\$ 13,044	\$ 25,566
Other Protection:				
E911	\$ 661,324	\$ 735,544	\$ 582,086	\$ 153,458
Total public safety	<u>\$ 661,324</u>	<u>\$ 774,154</u>	<u>\$ 595,130</u>	<u>\$ 179,024</u>
Community Development:				
Planning and community development:				
Economic development	\$ 361,150	\$ 493,150	\$ 257,509	\$ 235,641
Total community development	<u>\$ 361,150</u>	<u>\$ 493,150</u>	<u>\$ 257,509</u>	<u>\$ 235,641</u>
Debt service:				
Principal retirement	\$ 71,206	\$ 71,206	\$ 71,206	\$ -
Interest and other fiscal charges	142,644	142,644	120,560	22,084
Total debt service	<u>\$ 213,850</u>	<u>\$ 213,850</u>	<u>\$ 191,766</u>	<u>\$ 22,084</u>
Total expenditures	<u>\$ 1,236,324</u>	<u>\$ 1,481,154</u>	<u>\$ 1,044,405</u>	<u>\$ 436,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (237,898)</u>	<u>\$ (463,968)</u>	<u>\$ (9,124)</u>	<u>\$ 454,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 137,898	\$ 137,898	\$ -	\$ (137,898)
Transfers out	(132,000)	-	(9,364)	(9,364)
Total other financing sources and uses	<u>\$ 5,898</u>	<u>\$ 137,898</u>	<u>\$ (9,364)</u>	<u>\$ (147,262)</u>
Net change in fund balances	\$ (232,000)	\$ (326,070)	\$ (18,488)	\$ 307,582
Fund balances - beginning	232,000	326,070	1,041,887	715,817
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,399</u>	<u>\$ 1,023,399</u>

Combining Balance Sheet
 Fiduciary Funds
 At June 30, 2005

	<u>Pension Trust</u>	<u>Agency Funds</u>			<u>Total</u>
	<u>Length of Service Award</u>	<u>Special Welfare Fund</u>	<u>Fringe Benefits Fund</u>	<u>Performance Bond Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 31,278	\$ 6,772	\$ 11,275	\$ 285,038	\$ 303,085
Total assets	<u>\$ 31,278</u>	<u>\$ 6,772</u>	<u>\$ 11,275</u>	<u>\$ 285,038</u>	<u>\$ 303,085</u>
LIABILITIES					
Amounts held for others	\$ -	\$ 6,772	\$ 11,275	\$ 285,038	\$ 303,085
Total liabilities	<u>\$ -</u>	<u>\$ 6,772</u>	<u>\$ 11,275</u>	<u>\$ 285,038</u>	<u>\$ 303,085</u>
NET ASSETS					
Net Assets:					
Held in trust for benefits	\$ 31,278	\$ -	\$ -	\$ -	\$ -
Total net assets	<u>\$ 31,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and net assets	<u>\$ 31,278</u>	<u>\$ 6,772</u>	<u>\$ 11,275</u>	<u>\$ 285,038</u>	<u>\$ 303,085</u>

Statement of Changes in Fiduciary Net Assets
 Pension Trust Fund
 Year Ended June 30, 2005

Additions:

Employer contributions	\$ 180,000
Interest income	<u>2,480</u>
Total additions	<u>\$ 182,480</u>

Deductions:

Members' benefits	\$ 355,510
Insurance	43,697
Administrative fees	<u>4,700</u>
Total deductions	<u>\$ 403,907</u>

Change in net assets	\$ (221,427)
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Net assets - beginning of year	<u>252,705</u>
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Net assets - end of year	<u><u>\$ 31,278</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ <u>12,862</u>	\$ <u>11,452</u>	\$ <u>17,542</u>	\$ <u>6,772</u>
Liabilities:				
Amounts held for others	\$ <u>12,862</u>	\$ <u>11,452</u>	\$ <u>17,542</u>	\$ <u>6,772</u>
Fringe Benefits Fund:				
Assets:				
Cash	\$ <u>11,344</u>	\$ <u>597,547</u>	\$ <u>597,616</u>	\$ <u>11,275</u>
Liabilities:				
Amounts held for others	\$ <u>11,344</u>	\$ <u>597,547</u>	\$ <u>597,616</u>	\$ <u>11,275</u>
Performance Bond Fund:				
Assets:				
Cash	\$ <u>294,200</u>	\$ <u>38,266</u>	\$ <u>47,428</u>	\$ <u>285,038</u>
Liabilities:				
Amounts held for others	\$ <u>294,200</u>	\$ <u>38,266</u>	\$ <u>47,428</u>	\$ <u>285,038</u>
Totals -- All agency funds				
Assets:				
Cash	\$ <u>318,406</u>	\$ <u>647,265</u>	\$ <u>662,586</u>	\$ <u>303,085</u>
Total assets	\$ <u>318,406</u>	\$ <u>647,265</u>	\$ <u>662,586</u>	\$ <u>303,085</u>
Liabilities:				
Amounts held for others	\$ <u>318,406</u>	\$ <u>647,265</u>	\$ <u>662,586</u>	\$ <u>303,085</u>
Total liabilities	\$ <u>318,406</u>	\$ <u>647,265</u>	\$ <u>662,586</u>	\$ <u>303,085</u>

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2005

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,258,067	\$ 153,733	\$ 3,411,800
Receivables (net of allowance for uncollectibles):			
Accounts receivable	187,937	11,487	199,424
Due from other governmental units	1,416,483	250,645	1,667,128
Total assets	<u>\$ 4,862,487</u>	<u>\$ 415,865</u>	<u>\$ 5,278,352</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 270,555	\$ 21,071	\$ 291,626
Accrued liabilities	4,591,732	132,474	4,724,206
Total liabilities	<u>\$ 4,862,287</u>	<u>\$ 153,545</u>	<u>\$ 5,015,832</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ -	\$ 262,320	\$ 262,320
Undesignated	200	-	200
Total fund balances	<u>\$ 200</u>	<u>\$ 262,320</u>	<u>\$ 262,520</u>
Total liabilities and fund balances	<u>\$ 4,862,487</u>	<u>\$ 415,865</u>	<u>\$ 5,278,352</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 262,520
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,710,978
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(297,299)
Net assets of governmental activities	<u>\$ 11,676,199</u>

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

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 38,401	\$ 1,834	\$ 40,235
Charges for services	83,952	1,384,167	1,468,119
Miscellaneous	41,386	-	41,386
Recovered costs	432,039	-	432,039
Intergovernmental revenues:			
County contribution to school board	8,759,607	-	8,759,607
Commonwealth	29,994,378	388,578	30,382,956
Federal	5,732,641	1,128,663	6,861,304
Total revenues	<u>\$ 45,082,404</u>	<u>\$ 2,903,242</u>	<u>\$ 47,985,646</u>
EXPENDITURES			
Current:			
Education	\$ 45,082,404	\$ 2,769,647	\$ 47,852,051
Total expenditures	<u>\$ 45,082,404</u>	<u>\$ 2,769,647</u>	<u>\$ 47,852,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 133,595</u>	<u>\$ 133,595</u>
Net change in fund balances	\$ -	\$ 133,595	\$ 133,595
Fund balances - beginning	200	128,725	128,925
Fund balances - ending	<u>\$ 200</u>	<u>\$ 262,320</u>	<u>\$ 262,520</u>

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	\$ 133,595
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.	(194,807)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(42,051)
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.	(20,000)
Transfer of joint tenancy assets from Primary Government to the Component Unit.	350,271
Change in net assets of governmental activities	<u>\$ 227,008</u>

Schedule 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				
Revenue from the use of money and property	\$ 6,000	\$ 24,000	\$ 38,401	\$ 14,401
Charges for services	62,000	62,000	83,952	21,952
Miscellaneous	34,000	41,720	41,386	(334)
Recovered costs	316,000	316,000	432,039	116,039
Intergovernmental revenues:				
County contribution to School Board	11,331,541	9,821,134	8,759,607	(1,061,527)
Commonwealth	27,705,171	29,571,539	29,994,378	422,839
Federal	4,234,324	5,484,969	5,732,641	247,672
Total revenues	<u>\$ 43,689,036</u>	<u>\$ 45,321,362</u>	<u>\$ 45,082,404</u>	<u>\$ (238,958)</u>
EXPENDITURES				
Current:				
Education				
Instruction	\$ 32,879,791	\$ 33,904,043	\$ 33,706,578	\$ 197,465
Attendance and health services	2,475,159	2,898,473	2,856,966	41,507
Pupil transportation	3,292,324	3,655,513	3,651,645	3,868
Operation and maintenance of school plant	4,694,567	4,532,046	4,525,061	6,985
Facilities	347,195	347,868	342,154	5,714
Total education	<u>\$ 43,689,036</u>	<u>\$ 45,337,943</u>	<u>\$ 45,082,404</u>	<u>\$ 255,539</u>
Total expenditures	<u>\$ 43,689,036</u>	<u>\$ 45,337,943</u>	<u>\$ 45,082,404</u>	<u>\$ 255,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (16,581)</u>	<u>\$ -</u>	<u>\$ 16,581</u>
Net change in fund balances	\$ -	\$ (16,581)	\$ -	\$ 16,581
Fund balances - beginning	-	16,581	200	(16,381)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 200</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2005

	School Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 4,000	\$ 4,000	\$ 1,834	\$ (2,166)
Charges for services	1,494,904	1,505,412	1,384,167	(121,245)
Intergovernmental revenues:				
County contribution to School Board	20,331	-	-	-
Commonwealth	655,731	787,567	388,578	(398,989)
Federal	596,709	596,709	1,128,663	531,954
Total revenues	<u>\$ 2,771,675</u>	<u>\$ 2,893,688</u>	<u>\$ 2,903,242</u>	<u>\$ 9,554</u>
EXPENDITURES				
Current:				
Education				
Instruction	\$ 843,966	\$ 974,936	\$ 846,808	\$ 128,128
School food services	<u>2,037,709</u>	<u>2,037,709</u>	<u>1,922,839</u>	<u>114,870</u>
Total expenditures	<u>\$ 2,881,675</u>	<u>\$ 3,012,645</u>	<u>\$ 2,769,647</u>	<u>\$ 242,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (110,000)</u>	<u>\$ (118,957)</u>	<u>\$ 133,595</u>	<u>\$ 252,552</u>
Net change in fund balances	\$ (110,000)	\$ (118,957)	\$ 133,595	\$ 252,552
Fund balances - beginning	<u>110,000</u>	<u>118,957</u>	<u>128,725</u>	<u>9,768</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 262,320</u></u>	<u><u>\$ 262,320</u></u>

Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,389,460	\$ 20,564,460	\$ 20,780,707	\$ 216,247
Real and personal public service corporation taxes	690,000	690,000	995,625	305,625
Personal property taxes	3,689,240	3,689,240	3,764,862	75,622
Mobile home taxes	87,880	87,880	74,370	(13,510)
Machinery and tools taxes	398,750	398,750	274,589	(124,161)
Penalties	100,100	100,100	129,276	29,176
Interest	63,000	63,000	64,137	1,137
Total general property taxes	<u>\$ 25,418,430</u>	<u>\$ 25,593,430</u>	<u>\$ 26,083,566</u>	<u>\$ 490,136</u>
Other local taxes:				
Local sales and use taxes	\$ 1,085,000	\$ 1,085,000	\$ 1,091,419	\$ 6,419
Consumers' utility taxes	1,514,500	1,514,500	1,462,710	(51,790)
Cable franchise taxes	48,000	48,000	50,642	2,642
Business license taxes	598,000	598,000	631,522	33,522
Motor vehicle licenses	646,900	646,900	681,175	34,275
Bank stock taxes	67,000	67,000	79,135	12,135
Taxes on recordation and wills	186,084	186,084	388,976	202,892
Rental tax	5,500	5,500	3,808	(1,692)
Transient occupancy taxes	175,000	175,000	195,738	20,738
Taxicab licenses	2,000	2,000	1,650	(350)
Total other local taxes	<u>\$ 4,327,984</u>	<u>\$ 4,327,984</u>	<u>\$ 4,586,775</u>	<u>\$ 258,791</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 9,182	\$ (1,318)
Transfer fees	1,000	1,000	1,056	56
Permits and other licenses	527,220	527,220	513,563	(13,657)
Total permits, privilege fees, and regulatory licenses	<u>\$ 538,720</u>	<u>\$ 538,720</u>	<u>\$ 523,801</u>	<u>\$ (14,919)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 316,800	\$ 321,800	\$ 375,931	\$ 54,131
Total fines and forfeitures	<u>\$ 316,800</u>	<u>\$ 321,800</u>	<u>\$ 375,931</u>	<u>\$ 54,131</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 228,400	\$ 228,400	\$ 328,320	\$ 99,920
Revenue from use of property	162,000	162,000	163,333	1,333
Total revenue from use of money and property	<u>\$ 390,400</u>	<u>\$ 390,400</u>	<u>\$ 491,653</u>	<u>\$ 101,253</u>
Charges for services:				
Sheriff's fees	\$ 2,000	\$ 2,000	\$ 1,526	\$ (474)
Court costs	33,000	33,000	20,822	(12,178)
Charges for Commonwealth's Attorney	1,600	1,600	1,190	(410)
Courthouse security fees	66,000	66,000	60,603	(5,397)
Excess fees of clerk	15,000	15,000	41,577	26,577
Law library fees	-	-	6,139	6,139
Charges for other protection	21,200	37,784	30,631	(7,153)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for sanitation and waste removal	\$ 376,953	\$ 376,953	\$ 196,670	\$ (180,283)
Charges for county garage	133,500	133,500	112,378	(21,122)
Charges for community development	1,200	1,200	2,179	979
Charges for parks and recreation	60,100	60,100	59,377	(723)
Total charges for services	<u>\$ 710,553</u>	<u>\$ 727,137</u>	<u>\$ 533,092</u>	<u>\$ (194,045)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 20,000	\$ 25,468	\$ 22,188	\$ (3,280)
Total miscellaneous revenue	<u>\$ 20,000</u>	<u>\$ 25,468</u>	<u>\$ 22,188</u>	<u>\$ (3,280)</u>
Recovered costs:				
Fiscal agent fees-Rowanty	\$ 18,500	\$ 18,500	\$ 18,500	\$ -
Fiscal agent fees-adult education	20,000	20,000	19,519	(481)
Accounting services	83,552	83,552	10,000	(73,552)
Circuit court	54,000	54,000	43,333	(10,667)
Clerk of the circuit court	18,000	18,000	9,441	(8,559)
Police security	7,000	7,000	7,320	320
EMS transports	350,000	350,000	129,306	(220,694)
Payments on utility loan	51,582	51,582	-	(51,582)
Loan recovery-IPR	157,284	53,792	51,376	(2,416)
Riverside regional jail	165,000	165,000	162,649	(2,351)
Drug court	1,000	2,950	4,545	1,595
Other recovered costs	12,163	34,497	35,319	822
Total recovered costs	<u>\$ 938,081</u>	<u>\$ 858,873</u>	<u>\$ 491,308</u>	<u>\$ (367,565)</u>
Total revenue from local sources	<u>\$ 32,660,968</u>	<u>\$ 32,783,812</u>	<u>\$ 33,108,314</u>	<u>\$ 324,502</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 33,690	\$ 33,690	\$ 19,419	\$ (14,271)
Wine taxes	22,460	22,460	20,354	(2,106)
Mobile home titling tax	35,000	35,000	19,863	(15,137)
Rolling stock tax	32,906	32,906	38,270	5,364
State recordation tax	107,786	107,786	51,284	(56,502)
Auto rental tax	8,000	8,000	6,966	(1,034)
Personal property tax relief funds	3,350,260	3,350,260	3,326,253	(24,007)
Total noncategorical aid	<u>\$ 3,590,102</u>	<u>\$ 3,590,102</u>	<u>\$ 3,482,409</u>	<u>\$ (107,693)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 176,457	\$ 176,457	\$ 169,237	\$ (7,220)
Sheriff	410,271	410,271	407,735	(2,536)
Commissioner of revenue	97,516	97,516	98,197	681
Treasurer	108,286	108,286	110,075	1,789
Medical examiner	245	245	240	(5)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues - Budget and Actual
 For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Registrar/electoral board	\$ 42,601	\$ 51,451	\$ 56,419	\$ 4,968
Police department	803,223	889,273	889,272	(1)
Clerk of the circuit court	268,012	239,819	235,336	(4,483)
Total shared expenses	<u>\$ 1,906,611</u>	<u>\$ 1,973,318</u>	<u>\$ 1,966,511</u>	<u>\$ (6,807)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,655,248	\$ 1,670,033	\$ 349,707	\$ (1,320,326)
Comprehensive services	245,918	254,718	269,224	14,506
Housing assistance	-	-	68,913	68,913
Emergency services	13,500	13,500	14,206	706
Litter control	6,700	6,700	6,029	(671)
Fire programs	43,800	43,800	65,233	21,433
Community corrections	539,131	512,006	487,454	(24,552)
Victim-witness grant	55,592	55,592	51,930	(3,662)
Juvenile confinement	73,755	73,755	73,755	-
Disability services board	14,800	14,800	14,800	-
School resource officer	30,761	30,761	31,130	369
Pesticide recycling	-	1,875	1,861	(14)
Disaster relief	-	-	493	493
Other state funds	200	200	259	59
Total other categorical aid	<u>\$ 2,679,405</u>	<u>\$ 2,677,740</u>	<u>\$ 1,434,994</u>	<u>\$ (1,242,746)</u>
Total categorical aid	<u>\$ 4,586,016</u>	<u>\$ 4,651,058</u>	<u>\$ 3,401,505</u>	<u>\$ (1,249,553)</u>
Total revenue from the Commonwealth	<u>\$ 8,176,118</u>	<u>\$ 8,241,160</u>	<u>\$ 6,883,914</u>	<u>\$ (1,357,246)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 25,266</u>	<u>\$ (1,734)</u>
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 938,071	\$ 938,071
Ground transportation safety	-	30,000	42,234	12,234
Other DCJS grants	-	7,686	7,686	-
Video arrangement	1,200	22,301	22,301	-
Emergency management and response	22,360	22,360	27,231	4,871
Disaster relief	-	-	1,971	1,971
Homeland security grant	-	219,326	159,226	(60,100)
Home investment partnership program	399,600	399,600	69,715	(329,885)
Local law enforcement block grant	-	2,563	1,626	(937)
Total categorical aid	<u>\$ 423,160</u>	<u>\$ 703,836</u>	<u>\$ 1,270,061</u>	<u>\$ 566,225</u>
Total revenue from the federal government	<u>\$ 450,160</u>	<u>\$ 730,836</u>	<u>\$ 1,295,327</u>	<u>\$ 564,491</u>
Total General Fund	<u>\$ 41,287,246</u>	<u>\$ 41,755,808</u>	<u>\$ 41,287,555</u>	<u>\$ (468,253)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ 470,000	\$ 470,000	\$ 452,893	\$ (17,107)
Meals tax	475,000	475,000	504,917	29,917
Total other local taxes	<u>\$ 945,000</u>	<u>\$ 945,000</u>	<u>\$ 957,810</u>	<u>\$ 12,810</u>
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ 3,600	\$ -	\$ (3,600)
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ (3,600)</u>
Total revenue from local sources	<u>\$ 945,000</u>	<u>\$ 948,600</u>	<u>\$ 957,810</u>	<u>\$ 9,210</u>
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 15,160	\$ 12,196	\$ (2,964)
Wireless grant	53,426	53,426	65,275	11,849
Total categorical aid	<u>\$ 53,426</u>	<u>\$ 68,586</u>	<u>\$ 77,471</u>	<u>\$ 8,885</u>
Total revenue from the Commonwealth	<u>\$ 53,426</u>	<u>\$ 68,586</u>	<u>\$ 77,471</u>	<u>\$ 8,885</u>
Total County Special Revenue Fund	<u><u>\$ 998,426</u></u>	<u><u>\$ 1,017,186</u></u>	<u><u>\$ 1,035,281</u></u>	<u><u>\$ 18,095</u></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	\$ -	\$ -	\$ 47,687	\$ 47,687
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,687</u>	<u>\$ 47,687</u>
Miscellaneous:				
Proffer revenues	\$ 324,431	\$ 324,431	\$ 200,000	\$ (124,431)
Total miscellaneous	<u>\$ 324,431</u>	<u>\$ 324,431</u>	<u>\$ 200,000</u>	<u>\$ (124,431)</u>
Total revenue from local sources	<u>\$ 324,431</u>	<u>\$ 324,431</u>	<u>\$ 247,687</u>	<u>\$ (76,744)</u>
Total County Capital Projects Fund	<u><u>\$ 324,431</u></u>	<u><u>\$ 324,431</u></u>	<u><u>\$ 247,687</u></u>	<u><u>\$ (76,744)</u></u>
County Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 48,000	\$ 48,000	\$ 75,385	\$ 27,385
Total revenue from use of money and property	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 75,385</u>	<u>\$ 27,385</u>
Total revenue from local sources	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 75,385</u>	<u>\$ 27,385</u>

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Capital Projects Fund: (Continued)				
County Debt Service Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
State construction	\$ 194,109	\$ 194,109	\$ 194,952	\$ 843
Total categorical aid	<u>\$ 194,109</u>	<u>\$ 194,109</u>	<u>\$ 194,952</u>	<u>\$ 843</u>
Total revenue from the Commonwealth	\$ 194,109	\$ 194,109	\$ 194,952	\$ 843
Total County Debt Service Fund	<u>\$ 242,109</u>	<u>\$ 242,109</u>	<u>\$ 270,337</u>	<u>\$ 28,228</u>
Total Primary Government	<u>\$ 42,852,212</u>	<u>\$ 43,339,534</u>	<u>\$ 42,840,860</u>	<u>\$ (498,674)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 6,000	\$ 24,000	\$ 38,401	\$ 14,401
Total revenue from use of money and property	<u>\$ 6,000</u>	<u>\$ 24,000</u>	<u>\$ 38,401</u>	<u>\$ 14,401</u>
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 62,000	\$ 62,000	\$ 83,952	\$ 21,952
Total charges for services	<u>\$ 62,000</u>	<u>\$ 62,000</u>	<u>\$ 83,952</u>	<u>\$ 21,952</u>
Miscellaneous revenue:				
Miscellaneous	\$ 34,000	\$ 41,720	\$ 41,386	\$ (334)
Recovered costs:				
Tuition from other localities	\$ 316,000	\$ 316,000	\$ 432,039	\$ 116,039
Total recovered costs	<u>\$ 316,000</u>	<u>\$ 316,000</u>	<u>\$ 432,039</u>	<u>\$ 116,039</u>
Total revenue from local sources	<u>\$ 418,000</u>	<u>\$ 443,720</u>	<u>\$ 595,778</u>	<u>\$ 152,058</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Prince George	\$ 11,331,541	\$ 9,821,134	\$ 8,759,607	\$ (1,061,527)
Total revenues from local governments	<u>\$ 11,331,541</u>	<u>\$ 9,821,134</u>	<u>\$ 8,759,607</u>	<u>\$ (1,061,527)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues - Budget and Actual
 For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,171,985	\$ 4,698,214	\$ 4,781,823	\$ 83,609
Basic school aid	16,571,335	17,789,211	18,064,874	275,663
Remedial summer education	145,000	145,000	66,628	(78,372)
Regular foster care	18,623	18,623	19,387	764
GED funding	7,859	7,859	7,859	-
Gifted and talented	175,628	175,628	178,090	2,462
Remedial education	292,714	292,714	296,881	4,167
Special education	1,755,676	1,863,754	1,869,876	6,122
Textbook payment	284,248	284,248	288,232	3,984
Vocational education	275,286	322,809	287,084	(35,725)
School fringes	1,694,009	1,537,144	1,589,109	51,965
State lottery payments	982,889	984,825	1,082,010	97,185
Early reading intervention	46,710	46,710	70,064	23,354
At risk-four year olds	187,914	315,605	315,605	-
At risk payments	186,628	201,885	190,371	(11,514)
Primary class size	406,461	398,907	423,323	24,416
Technology	258,000	258,000	258,000	-
Standards of Learning algebra readiness	120,602	44,018	44,018	-
Jail program funds	73,916	164,598	133,911	(30,687)
Other state funds	49,688	21,787	27,233	5,446
Total categorical aid	<u>\$ 27,705,171</u>	<u>\$ 29,571,539</u>	<u>\$ 29,994,378</u>	<u>\$ 422,839</u>
Revenue from the federal government:				
Categorical aid:				
JROTC	\$ 56,000	\$ 56,000	\$ 69,090	\$ 13,090
Title I	692,783	692,783	586,325	(106,458)
Title VI-B	815,161	815,161	1,131,901	316,740
Vocational education	91,486	91,486	82,767	(8,719)
Drug free schools	26,711	26,711	15,770	(10,941)
Title V	23,770	23,770	20,535	(3,235)
Title II Part A	197,283	197,283	193,654	(3,629)
Technology NCLB	16,130	16,130	16,130	-
Impact aid	2,315,000	3,544,335	3,564,717	20,382
Preschool	-	-	30,396	30,396
Miscellaneous federal grants	-	21,310	21,304	(6)
Advanced placement	-	-	52	52
Total categorical aid	<u>\$ 4,234,324</u>	<u>\$ 5,484,969</u>	<u>\$ 5,732,641</u>	<u>\$ 247,672</u>
Total School Operating Fund	<u>\$ 43,689,036</u>	<u>\$ 45,321,362</u>	<u>\$ 45,082,404</u>	<u>\$ (238,958)</u>
School Special Revenue Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,000	\$ 4,000	\$ 1,834	\$ (2,166)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues - Budget and Actual
 For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Special Revenue Fund (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Cafeteria sales	\$ 1,303,000	\$ 1,303,000	\$ 1,233,561	\$ (69,439)
Charges for adult education	191,904	202,412	150,606	(51,806)
Total charges for services	<u>\$ 1,494,904</u>	<u>\$ 1,505,412</u>	<u>\$ 1,384,167</u>	<u>\$ (121,245)</u>
 Total revenue from local sources	 <u>\$ 1,498,904</u>	 <u>\$ 1,509,412</u>	 <u>\$ 1,386,001</u>	 <u>\$ (123,411)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Prince George	\$ 20,331	\$ -	\$ -	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 24,000	\$ 24,000	\$ 23,270	\$ (730)
Adult education	631,731	763,567	365,308	(398,259)
Total categorical aid	<u>\$ 655,731</u>	<u>\$ 787,567</u>	<u>\$ 388,578</u>	<u>\$ (398,989)</u>
 Total revenue from the Commonwealth	 <u>\$ 655,731</u>	 <u>\$ 787,567</u>	 <u>\$ 388,578</u>	 <u>\$ (398,989)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 596,709	\$ 596,709	\$ 664,130	\$ 67,421
Adult education	-	-	464,533	464,533
Total categorical aid	<u>\$ 596,709</u>	<u>\$ 596,709</u>	<u>\$ 1,128,663</u>	<u>\$ 531,954</u>
 Total revenue from the federal government	 <u>\$ 596,709</u>	 <u>\$ 596,709</u>	 <u>\$ 1,128,663</u>	 <u>\$ 531,954</u>
 Total School Special Revenue Fund	 <u>\$ 2,771,675</u>	 <u>\$ 2,893,688</u>	 <u>\$ 2,903,242</u>	 <u>\$ 9,554</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 46,460,711</u>	 <u>\$ 48,215,050</u>	 <u>\$ 47,985,646</u>	 <u>\$ (229,404)</u>

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Statistical Tables

COUNTY OF PRINCE GEORGE, VIRGINIA

Government-Wide Expenses by Function
Last Three Fiscal Years (1)

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education (2)</u>
2002-03	\$ 3,100,066	\$ 1,751,972	\$ 6,917,643	\$ 1,604,338	\$ 2,407,623	\$ 42,677,486
2003-04	3,665,344	1,724,752	7,691,212	1,311,353	2,558,779	44,358,309
2004-05	3,356,184	1,559,938	8,219,961	1,812,987	2,579,140	48,839,964

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

(2) Excludes contribution from the primary government.

Table 1

<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Interest on Long- Term Debt</u>	<u>Public Utilities</u>	<u>Total</u>
\$ 693,964	\$ 1,095,467	\$ 2,758,412	\$ 3,341,108	\$ 66,348,079
766,038	852,970	2,734,163	3,377,125	69,040,045
854,883	851,895	3,219,339	3,659,594	74,953,885

COUNTY OF PRINCE GEORGE, VIRGINIA

Government-Wide Revenues
Last Three Fiscal Years (1)

<u>Fiscal Year</u>	<u>PROGRAM REVENUES</u>		
	<u>Charges for Services</u>	<u>(2) Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2002-03	\$ 5,615,410	\$ 44,955,128	\$ 193,288
2003-04	6,013,069	42,744,395	441,185
2004-05	6,565,766	42,143,800	69,715

- (1) Information has only been available for three years.
(2) Excludes contribution from the primary government.

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 16,640,862	\$ 4,552,933	\$ 524,983	\$ 306,642	\$ 3,548,390	\$ 76,337,636
17,774,738	4,746,306	384,498	389,055	5,478,376	77,971,622
26,560,949	5,544,585	686,027	295,185	3,482,409	85,348,436

COUNTY OF PRINCE GEORGE, 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
1996	\$ 1,497,689	\$ 1,305,074	\$ 2,829,313	\$ 890,383	\$ 1,539,193
1997	1,466,196	1,082,107	3,285,893	902,102	1,670,358
1998	1,678,242	789,259	4,296,292	965,412	1,986,612
1999	1,802,044	783,804	4,247,551	996,490	2,206,937
2000	1,943,946	961,048	5,080,380	1,092,127	2,364,174
2001	2,248,329	1,435,386	5,892,260	1,200,667	2,545,913
2002	2,197,944	1,621,462	6,251,098	1,321,140	2,503,529
2003	2,392,619	1,667,166	6,811,424	1,451,517	2,439,430
2004	3,653,384	1,570,131	7,294,996	1,445,116	2,493,353
2005	3,563,237	1,422,426	12,118,586	1,788,523	2,519,191

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

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

(3) Beginning in fiscal year 2005 capital projects have been allocated to the governmental functions.

Table 3

<u>Education (2)</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects (3)</u>	<u>Debt Service</u>	<u>Total</u>
\$ 27,659,870	\$ 424,013	\$ 490,554	\$ 3,575,465	\$ 5,875,432	\$ 46,086,986
30,080,837	445,758	583,292	2,659,977	2,497,722	44,674,242
31,072,162	491,435	374,725	14,610,196	24,966,170	81,230,505
32,954,945	505,934	384,999	7,697,052	3,995,192	55,574,948
35,136,045	554,102	415,986	9,436,530	4,173,537	61,157,875
38,132,353	627,233	749,883	3,430,031	3,693,605	59,955,660
39,510,804	667,368	488,446	4,239,238	9,672,120	68,473,149
41,896,730	662,285	685,989	16,302,792	8,809,958	83,119,910
43,727,647	728,822	681,710	7,764,472	9,434,490	78,794,121
47,936,618	807,362	896,444	-	9,630,437	80,682,824

COUNTY OF PRINCE GEORGE, 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
1996	\$ 12,121,663	\$ 2,941,655	\$ 219,048	\$ 218,009	\$ 517,310
1997	13,049,583	2,929,891	166,732	207,118	656,728
1998	14,179,895	3,056,369	238,434	253,680	973,291
1999	17,296,789	3,496,461	293,852	280,608	858,288
2000	15,501,064	4,013,766	304,494	259,859	1,297,398
2001	14,102,865	4,266,629	431,487	235,612	1,994,468
2002	16,518,707	4,565,661	371,138	268,221	671,953
2003	16,782,867	4,552,933	496,099	311,994	501,443
2004	17,692,361	4,746,306	407,295	265,058	350,040
2005	26,083,566	5,544,585	523,801	375,931	654,960

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

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

Table 4

Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$ 1,367,465	\$ 140,751	\$ 198,462	\$ 23,297,537	\$ 41,021,900
1,427,553	158,563	204,266	24,117,968	42,918,402
1,467,386	123,245	1,689,969	25,831,615	47,813,884
1,535,208	242,167	292,099	29,801,142	54,096,614
1,704,825	117,267	549,315	31,367,233	55,115,221
1,925,221	165,230	1,359,027	35,169,966	59,650,505
1,935,352	221,278	1,003,128	37,448,274	63,003,712
1,717,647	242,026	642,472	39,259,978	64,507,459
1,854,889	363,077	563,595	40,655,010	66,897,631
2,001,211	263,574	923,347	45,695,924	82,066,899

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Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections (1)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes (1)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 12,021,048	\$ 11,697,852	97.31%	\$ 222,361	\$ 11,920,213	99.16%	\$ 409,024	3.40%
1997	12,675,679	12,471,368	98.39%	337,716	12,809,084	101.05%	331,488	2.62%
1998	13,868,564	13,756,757	99.19%	198,758	13,955,515	100.63%	350,942	2.53%
1999 (2)	17,298,949	16,885,026	97.61%	180,245	17,065,271	98.65%	680,971	3.94%
2000 (3)	16,756,956	16,037,050	95.70%	244,398	16,281,448	97.16%	590,677	3.52%
2001 (4)	13,965,355	13,715,358	98.21%	2,301,665	16,017,023	114.69%	601,397	4.31%
2002 (5)	16,273,053	16,120,444	99.06%	232,821	16,353,265	100.49%	911,590	5.60%
2003 (6)	16,623,169	16,569,368	99.68%	62,508	16,631,876	100.05%	546,227	3.29%
2004 (7)	17,492,428	17,441,612	99.71%	82,333	17,523,945	100.18%	488,815	2.79%
2005 (8),(9)	26,095,751	25,521,613	97.80%	368,540	25,890,153	99.21%	1,438,165	5.51%

(1) Exclusive of penalties and interest.

(2) Includes 1998 and first half of 1999 PP.

(3) Includes 2000 and second half of 1999 PP. Tax levy net of \$2,048,996 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2001.

(4) Includes 2000 RE levy and 2001 PP tax levy. Tax levy net of \$3,187,871 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2002.

(5) Includes 2001 RE levy and 2002 PP tax levy. Tax levy net of \$3,295,396 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2003.

(6) Includes 2002 RE levy and 2003 PP tax levy. Tax levy net of \$3,443,893 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2004.

(7) Includes 2003 RE levy and 2004 PP tax levy. Tax levy net of \$3,350,240 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2005.

(8) Includes 2004 RE levy, one-half of 2005 RE levy, and 2004 PP tax levy. Tax levy net of \$3,752,643 due from the Commonwealth of Virginia under the Personal Property Tax Relief. These funds will not be available until FY2006.

(9) FY 2005 is the first year real estate is collected in semi-annual installments

Assessed Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Utility</u>	<u>Total</u>
1996	\$ 808,339,761	\$ 98,769,909	\$ 8,647,825	\$ 5,000,162	\$ 50,767,305	\$ 971,524,962
1997	952,528,053	113,855,098	9,004,547	4,436,691	47,067,161	1,126,891,550
1998	992,827,069	120,509,319	9,870,554	4,855,952	55,721,517	1,183,784,411
1999 (1)	1,060,039,090	193,302,350	14,512,003	7,834,544	56,386,656	1,332,074,643
2000 (2)	1,104,365,758	210,001,313	14,750,759	14,875,707	60,255,841	1,404,249,377
2001	1,237,702,477	157,653,474	10,108,068	17,858,127	62,681,271	1,486,003,417
2002	1,287,667,113	167,960,641	10,470,209	21,159,378	64,212,137	1,551,469,478
2003	1,433,008,540	172,692,969	10,122,843	19,593,306	56,511,816	1,691,929,474
2004	1,474,274,101	172,558,951	9,714,944	15,217,236	75,682,416	1,747,447,648
2005 (3)	1,703,978,611	194,513,246	9,600,239	18,389,743	92,125,841	2,018,607,680

(1) Includes 1998 and half year 1999 of Real Estate, Personal Property and Mobile Homes

(2) Includes 2000 and half year 1999 of Real Estate, Personal Property and Mobile Homes

(3) FY 2005 is the first year real estate was collected in semiannual installments

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility	
					Real	Personal
1996	\$ 0.95	\$ 4.00	\$ 0.95	\$ 1.50	\$ 0.95	\$ 4.00
1997	0.95	4.00	0.95	1.50	0.95	4.00
1998	0.90	4.00	0.90	1.50	0.90	4.00
1999	0.90	4.00	0.90	1.50	0.90	4.00
2000	0.90	4.00	0.90	1.50	0.90	4.00
2001	0.90	4.00	0.90	1.50	0.90	4.00
2002	0.95	4.00	0.95	1.50	0.95	4.00
2003	0.95	4.00	0.95	1.50	0.95	4.00
2004	0.90	4.00	0.90	1.50	0.90	4.00
2005	0.90	4.00	0.90	1.50	0.90	4.00

(1) Per \$100 of assessed value.

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	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 Payable by the Enterprise Fund			
1996	27,439	\$ 808,339,761	\$ 19,132,925	\$ -	\$ -	\$ 19,132,925	2.37%	\$ 697
1997	27,439	952,528,053	18,540,000	-	-	18,540,000	1.95%	676
1998	27,439	992,827,069	38,686,086	-	-	38,686,086	3.90%	1,410
1999 (4)	27,439	1,060,039,090	37,350,807	-	-	37,350,807	3.52%	1,361
2000 (5)	27,439	1,104,365,758	40,500,596	-	-	40,500,596	3.67%	1,476
2001	33,047	1,237,702,477	53,319,082	-	-	53,319,082	4.31%	1,613
2002	33,047	1,287,667,113	53,814,866	-	1,824,044	51,990,822	4.04%	1,573
2003	33,047	1,433,008,540	70,600,428	-	7,891,791	62,708,637	4.38%	1,898
2004	33,047	1,474,274,101	76,124,967	-	7,379,225	68,745,742	4.66%	2,080
2005	33,047	1,703,978,611	64,986,967	-	2,904,338	62,082,629	3.64%	1,879

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

(2) Real property assessed at 100% of fair market value.

(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.

(4) Includes 1998 and half year 1999 of PP.

(5) Includes 2000 and half year 1999 of PP.

Legal Debt Margin Information
Last Two Fiscal Years

	<u>2005</u>	<u>2004</u>
Net Assessed Value (real property)	\$ 1,703,978,611	\$ 1,438,075,273
Debt Limit (10% of Real Property Assessed Value)	170,397,861	143,807,527
Debt Applicable to Limit	<u>65,329,996</u>	<u>73,729,931</u>
Legal Debt Margin	<u>\$ 105,067,865</u>	<u>\$ 70,077,596</u>

* The County of Prince George has no overlapping debt .

Ratio of Annual Debt Service Expenditures for General Bonded Debt (1) to Total General Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service (2)	Total General Governmental Expenditures (3)	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 1,745,441	\$ 867,991	\$ 2,613,432	\$ 28,417,417	9.20%
1997	1,400,670	1,097,052	2,497,722	30,660,883	8.15%
1998 (4)	23,449,306	1,516,864	24,966,170	67,445,268	37.02%
1999	1,827,191	2,168,001	3,995,192	41,113,272	9.72%
2000	2,145,011	2,028,526	4,173,537	51,721,345	8.07%
2001	3,068,733	2,171,406	5,240,139	58,072,163	9.02%
2002	2,887,893	2,884,227	5,772,120	64,233,911	8.99%
2003	1,626,723	2,705,235	4,331,958	64,401,007	6.73%
2004 (5)	6,550,479	2,884,011	9,434,490	68,935,845	13.69%
2005 (6)	6,523,336	3,107,101	9,630,437	64,184,787	15.00%

Notes:

- (1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.
- (2) Excludes bond issuance and other costs.
- (3) Includes current expenditures of the General Fund and Special Revenue Funds of the Primary Government and its Discretely Presented Component Unit - School Board.
- (4) Expenditures include \$19.948 million of Bond Anticipation Notes refinanced during the fiscal year.
- (5) Expenditures include \$4.0 million optional prepayment of outstanding principal
- (6) Expenditures include \$4.845 million optional prepayment of outstanding principal and related premiums

Demographic and Economic Statistics
Last Ten Years

<u>Year</u>	<u>Population</u>	<u>Student Enrollment</u>	<u>Per Capita Personal Income</u>	<u>Median Household Income</u>	<u>Median Age</u>	<u>Average Unemployment Rate</u>	<u>Educational Attainment: Bachelor's Degree or Higher</u>
2004	34,313 (a)	6,162 (d)	\$20,196 (b)	49,877 (b)	32.1 (b)	4.2% (e)	19.4% (a)
2003	34,262 (a)	6,089 (d)	\$20,196 (b)	49,877 (b)	32.1 (b)	4.8% (e)	19.4% (a)
2002	33,985 (a)	5,961 (d)	\$20,196 (b)	49,877 (b)	32.1 (b)	4.4% (e)	19.4% (a)
2001	33,882 (a)	5,839 (d)	\$20,196 (b)	49,877 (b)	32.1 (b)	3.5% (e)	19.4% (a)
2000	33,047 (b)	5,825 (d)	\$20,196 (b)	49,877 (b)	32.1 (b)	2.5% (e)	19.4% (a)
1999	27,394 (c)	5,771 (d)	\$20,196 (b)	49,877 (b)	n/a	2.8% (e)	16.2% (c)
1998	27,394 (c)	5,661 (d)	\$12,714 (c)	34,825 (c)	n/a	3.0% (e)	16.2% (c)
1997	27,394 (c)	5,587 (d)	\$12,714 (c)	34,825 (c)	n/a	3.0% (e)	16.2% (c)
1996	27,394 (c)	5,554 (d)	\$12,714 (c)	34,825 (c)	n/a	3.5% (e)	16.2% (c)
1995	27,394 (c)	5,521 (d)	\$12,714 (c)	34,825 (c)	n/a	3.9% (e)	16.2% (c)

- (a) Annual Estimates of the Populations for Counties of Virginia: April 1, 2000 to July 1, 2004
- (b) 2000 Federal Census
- (c) 1990 Federal Census
- (d) Prince George School Board September Enrollment
- (e) Virginia Employment Commission- LAUS Unit and Bureau of Labor Statistics

Property Value, Residential and Commercial Building Permits
Last Six Calendar Years

Year	Residential/ Agricultural Real Property Assessed Value	Commercial Real Property Assessed Value	Single Family Residential Building Permits	All Residential Building Permits	Residential Building Permit Fees	All Commercial Building Permits	Commercial Building Permit Fees
2000	\$ 963,479,340	\$ 140,886,418	156	594	\$ 183,724	34	\$ 33,073
2001	1,079,245,691	158,456,786	189	545	150,131	66	77,451
2002	1,130,897,654	156,769,459	170	629	264,456	78	69,814
2003	1,265,149,140	167,859,400	173	531	151,631	73	77,883
2004	1,289,401,828	184,872,273	245	581	363,788	80	34,619
2005	1,466,503,336	237,475,275	238	632	294,742	103	83,720

Source: Building Official's Office and Real Property Land Book

Principal Taxpayers
June 30, 2005

Taxpayer	Type of Business	2005 Assessed Value (1)	Percentage of Total Assessed Valuation
Saverite (Food Lion)	Distribution	\$40,471,283	2.11%
Ace Hardware	Distribution	\$29,064,061	1.52%
Baileys Ridge & Prince George Housing	Apartments	\$12,952,600	0.68%
Perdue Farms	Distribution	\$12,696,782	0.66%
George Zamias	Shopping Center	\$11,202,300	0.58%
Mardveco	Distribution	\$9,137,325	0.48%
Wachovia Bank na Trustee	Real Estate Holding	\$7,070,615	0.37%
David Harrison Estate	Private Estate	\$6,168,124	0.32%
MetlSpan	Aluminum Extrusion	\$5,617,775	0.29%
B L Associates	Apartments	\$5,122,900	0.27%

(1) Includes real property, personal property, and machinery and tools

Miscellaneous Statistics
At June 30, 2005

Date of Incorporation	1702
Form of Government	Board of Supervisors/County Administrator
Area in Square Miles	266
Public Safety	
Fire and rescue companies	5
Sheriff's employees (FT)	8
Number of sworn police personnel	51
Education	
Schools	8
Number of teachers	440
Number of students	6052
Recreation and culture	
Number of library facilities (regional library system)	3
Community Buildings	1
Parks	8
Park acreage	120
Swimming pools	0
Tennis Courts	4
Full Time employees at June 30, 2005	
General government	197
School division	795
Transportation	
Miles of roadway	525
Number of Law violations	
Civil papers	12,519
Education	
Number of elementary schools	5
Number of elementary teachers	195
Number of secondary schools	3
Number of secondary teachers	245

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 Prince George
Prince George, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince George, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County of Prince George, Virginia's basic financial statements and have issued our report thereon dated September 15, 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 Prince George, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the County of Prince George, Virginia, in a separate letter dated September 15, 2005.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 15, 2005

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Prince George
Prince George, Virginia

Compliance

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

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

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

Internal Control Over Compliance

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 15, 2005

COUNTY OF PRINCE GEORGE, 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	\$ 13,205
Temporary Assist to Needy Families (TANF)	93.558	111,919
Refugee and Entrant Assistance - Discretionary Grants	93.566	171
Low Income Home Energy Assistance	93.568	4,629
Payments to States for Child Care Assistance	93.575	99,205
Child Care and Development Fund	93.596	94,396
Foster Care - Title IV-E	93.658	195,691
Adoption Assistance	93.659	51,604
Social Services Block Grant	93.667	127,902
Statewide Fraud Program - Free	93.000	2,449
Medical Assistance Program (Title XIX)	93.778	<u>106,111</u>
Total Department Health and Human Services		<u>\$ 807,282</u>
U. S. Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Management:		
Disaster relief assistance	97.036	\$ 1,971
State homeland security grant program	97.004	159,226
Emergency management preparedness	97.042	<u>27,231</u>
Total U. S. Department of Homeland Security		<u>\$ 188,428</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 103,146
Department of Education:		
National school breakfast program	10.553	172,228
National school lunch program	10.555	491,902
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>130,789</u>
Total Department of Agriculture		<u>\$ 898,065</u>
Department of the Interior:		
Direct payments:		
Bureau of Land Management:		
Payments in Lieu of Taxes	15.226	<u>\$ 25,266</u>
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
Drug control and system improvement grant	16.579	\$ 29,987
Local law enforcement block grant	16.592	<u>1,626</u>
Total Department of Justice		<u>\$ 31,613</u>

COUNTY OF PRINCE GEORGE, VIRGINIA

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

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
Alcohol traffic safety incentive program	20.601	\$ 22,000
State and community highway safety program	20.600	500
State and community highway safety program	20.000	<u>19,734</u>
Total Department of Transportation		\$ <u>42,234</u>
Department of Housing and Community Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Home investment partnership program	14.239	\$ <u>69,715</u>
Total Department of Housing and Community Development		\$ <u>69,715</u>
Department of Education:		
Direct Payments:		
School assistance in federally affected areas	84.041	\$ 3,564,717
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	464,533
Title I: Educationally deprived children	84.010	586,325
Title VI-B: Handicapped state grants	84.027	1,131,901
Vocational Education: Basic grants to states	84.048	82,767
Title VI-B: Handicapped preschool incentive grant	84.173	30,396
Drug free schools and communities	84.186	15,770
Title II, Part A	84.367	193,654
Advance placement program	84.330	52
Title VI: Improving school programs state block grant	84.298	20,535
Technology literacy challenge grant	84.318	16,130
State assessments and related activities	84.369	<u>21,304</u>
Total Department of Education		\$ <u>6,128,084</u>
Department of the Navy:		
Direct Payments:		
Junior ROTC	17.000	\$ <u>69,090</u>
Total Federal Assistance		\$ <u><u>8,259,777</u></u>

COUNTY OF PRINCE GEORGE, 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 Prince George, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,295,327
Total primary government	\$ <u>1,295,327</u>

Component Unit Public Schools:

School Operating Fund	\$ 5,732,641
School Special Revenue Fund	<u>1,128,663</u>
Total component unit public schools	\$ <u>6,861,304</u>
Total federal expenditures per basic financial statements	\$ <u>8,156,631</u>

Non-cash expenditures - value of donated commodities \$ 103,146

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 8,259,777

COUNTY OF PRINCE GEORGE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

 Material weaknesses identified? No

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

 Material weaknesses identified? No

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

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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