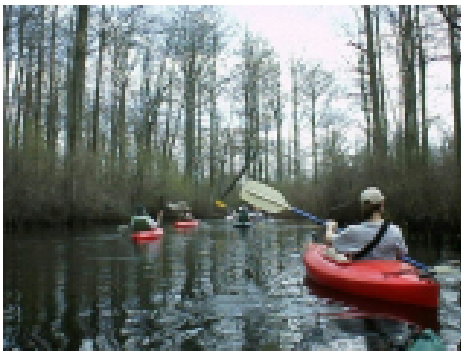




Comprehensive Annual  
Financial Report  
For the Year Ended  
June 30, 2012

## County of Middlesex, Virginia



County Administrator  
Post Office Box 428  
Saluda, Virginia 23149

COUNTY OF MIDDLESEX, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

COUNTY OF MIDDLESEX, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012

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## Directory of Principal Officials

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### BOARD OF SUPERVISORS

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Wayne H. Jessie, Sr., Chairperson

Carlton Revere, Vice Chairperson  
Peter W. Mansfield

John D. Miller, Jr.  
Elizabeth B. Hurd

### COUNTY SCHOOL BOARD

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Elliott Reed, Chairperson

Garland Harrow, Vice Chairperson  
Dr. Richard Shores

James Goforth  
Claudia Soucek

### COUNTY WELFARE BOARD

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Bonnie Glascock, Chairperson

Ruby Easton  
Mary Armentrout

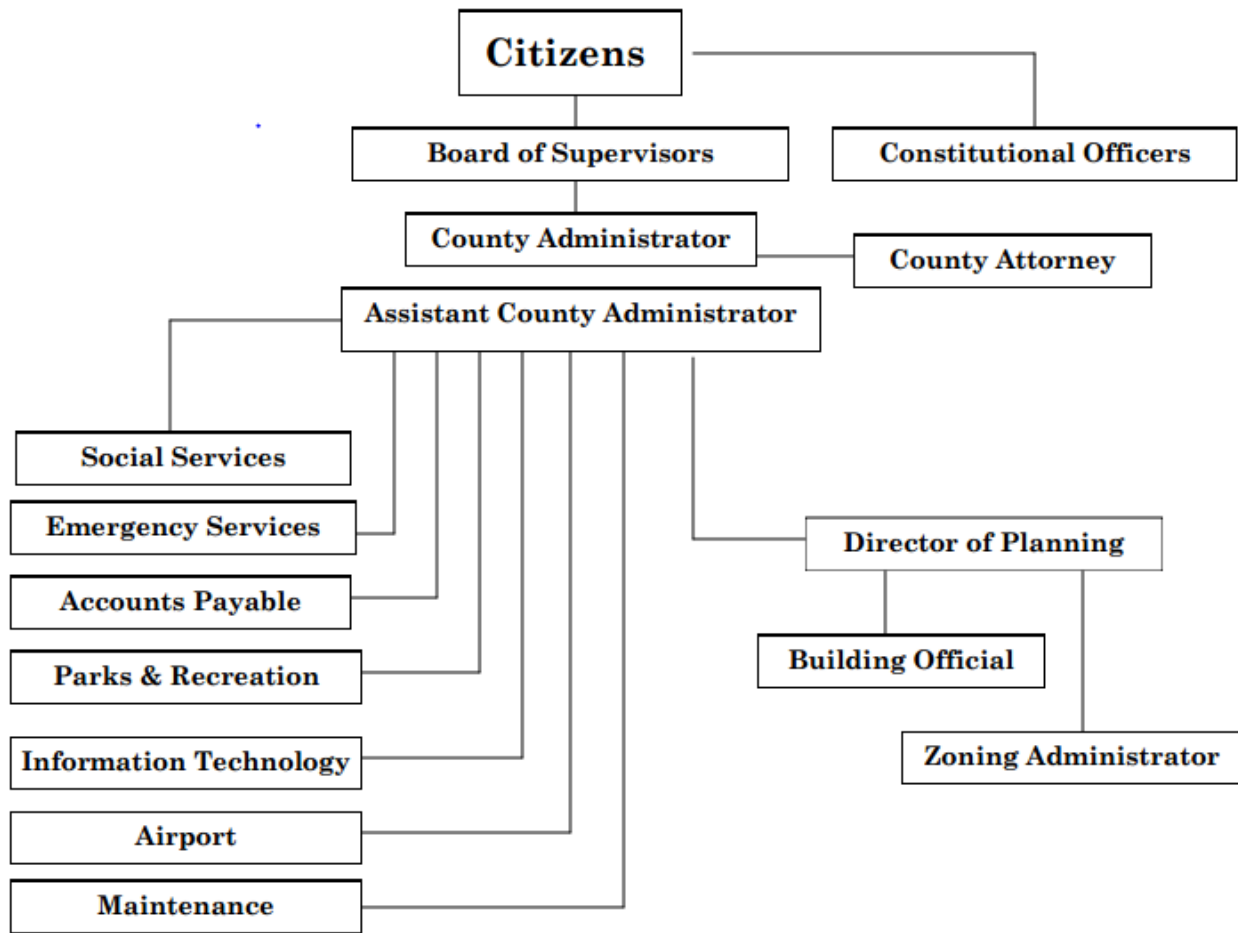
Joan Harris  
Peter W. Mansfield

### OTHER OFFICIALS

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Judge of the Circuit Court  
Clerk of the Circuit Court  
Judge of the General District Court  
Judge of Juvenile & Domestic Relations District Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Director of Department of Social Services  
Clerk of the School Board  
County Administrator

R. Bruce Long  
Peggy W. Walton  
Jeffrey W. Shaw  
Cressondra B. Conyers  
Michael T. Hurd  
Priscilla J. Davenport  
Betty S. Bray  
David P. Bushey  
Dr. James Lane  
Rebecca J. Morgan  
Heather Lucas  
See Note 17



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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of and for the year ended June 30, 2012, 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 Middlesex, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *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 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the County of Middlesex, 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 the Required Supplementary Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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

***Davis & Associates***

Alexandria, Virginia  
November 15, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### To the Citizens of Middlesex County County of Middlesex, Virginia

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. Please read it in conjunction with the County's basic financial statements, which follow this section.

#### Financial Highlights

##### Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$11,175,281 (net assets).

##### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources by \$1,398,153 (Exhibit 5) after making contributions totaling \$7,272,105 to the School Board.

- As of the close of the current fiscal year, the County's funds reported ending fund balances \$11,091,364, an increase of 4,410,327 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,278,729, or 35% of total general fund expenditures and other uses.
- The combined long-term obligations increased \$2,066,990 during the current fiscal year.

#### Overview of the Financial Statements

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

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

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

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

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some

items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$11,175,281 at the close of the most recent fiscal year.

County of Middlesex, Virginia's Net Assets

	Governmental Activities	
	2012	2011
Current and other assets	\$ 17,233,548	\$ 12,926,025
Capital assets	<u>24,298,622</u>	<u>24,760,834</u>
Total assets	\$ <u>41,532,170</u>	\$ <u>37,686,859</u>
Current liabilities	\$ 6,172,358	\$ 5,685,836
Long-term liabilities outstanding	<u>24,184,532</u>	<u>22,117,542</u>
Total liabilities	\$ <u>30,356,890</u>	\$ <u>27,803,378</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 114,090	\$ 2,643,292
Restricted for capital assets	2,914,119	-
Unrestricted	<u>8,147,072</u>	<u>7,240,189</u>
Total net assets	\$ <u><u>11,175,281</u></u>	\$ <u><u>9,883,481</u></u>

During the current fiscal year, the County's net assets increased by \$1,291,801, a result of higher Local Tax revenue from sources other than property as well as increased Grants and Other Contributions in comparison to the previous year. The County also decreased expenditures on Health & Welfare and General Government Administration with respect to the prior year. The following table summarizes the County's Statement of Activities.

County of Middlesex, Virginia's Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 214,077	\$ 320,826
Operating grants and contributions	3,154,006	2,544,210
General revenues:		
General property taxes	12,825,584	12,984,605
Other local taxes	2,023,959	1,794,343
Grants and other contributions not restricted	1,165,550	1,111,883
Other general revenues	519,085	55,765
Total revenues	\$ <u>19,902,261</u>	\$ <u>18,811,632</u>
Expenses:		
General government administration	\$ 1,291,402	\$ 1,522,660
Judicial administration	829,480	836,428
Public safety	2,872,445	3,106,856
Public works	1,477,432	1,553,944
Health and welfare	1,603,094	2,020,487
Education	7,837,679	7,988,806
Parks, recreation, and cultural	252,265	232,105
Community development	237,812	235,397
Capital projects	644,792	-
Interest and other fiscal charges	1,564,059	1,267,491
Total expenses	\$ <u>18,610,460</u>	\$ <u>18,764,174</u>
Change in net assets	\$ 1,291,801	\$ 47,457
Net assets, beginning of year	<u>9,883,481</u>	<u>9,836,024</u>
Net assets, end of year	\$ <u><u>11,175,282</u></u>	\$ <u><u>9,883,481</u></u>

## **Financial Analysis of the County's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$11,091,364, an increase of \$4,410,327 in comparison with the prior year. Approximately 57% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget summed to a decrease of \$422,670 and can be briefly summarized as follows:

- \$806,333 decrease in community development
- \$219,236 increase in public safety expenditures
- \$91,812 increase in public works in education expenditures
- \$51,199 increase in general government administration expenditures
- \$21,416 increase in various other expenditures

During the year, revenues and other financing sources were greater than budgetary estimates – the amount of this variance was \$683,322. Expenditures and other financing uses displayed a favorable trend and were less than budgetary estimates by \$1,292,176, resulting in a positive variance of 1,975,498.

## **Capital Asset and Debt Administration**

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounts to \$24,298,622 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had debt outstanding of \$24,227,983. Of this amount, \$2,716,050 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease revenue bonds).

During the current fiscal year, the County's bonded debt increased by \$1,966,824.

The County issued a lease revenue bond on April 30, 2012, for the amount of \$630,000, due in annual installments through 2026. In April 2012 the County also issued Virginia Public School Authority bonds for the amount of \$2,555,000, due to mature in 2027.

Additional information on the County of Middlesex, Virginia's long-term debt can be found in Note 9 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County of 6.0% percent compares to the state's average unemployment rate of 5.6%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The fiscal year 2013 budget decreased by approximately 2.2%, and the tax rates remained the same as in fiscal year 2012.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Middlesex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, Post Office Box 428, Saluda, Virginia 23149.







County of Middlesex, Virginia  
Statement of Net Assets  
June 30, 2012

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority (IDA)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,177,636	\$ 265,452	\$ 288,378
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,554,018	-	-
Accounts receivable	-	-	-
Notes receivable	60,000	-	231,403
Due from other governmental units	1,084,075	241,114	32,401
Other assets:			
Unamortized bond issue costs	357,819	-	-
Capital assets (net of accumulated depreciation):			
Land	1,752,170	248,545	-
Buildings and improvements	9,601,389	19,434	-
Infrastructure	4,620	-	-
Equipment and vehicles	314,311	278,341	-
Jointly owned assets	12,626,132	2,971,035	-
Total assets	\$ 41,532,171	\$ 4,023,921	\$ 552,182
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	1,104,101	-
Accrued interest payable	387,992	-	-
Due to other governmental units	32,401	327,792	-
Unearned revenue	5,751,965	-	-
Long-term liabilities:	-	-	-
Due within one year	1,079,674	34,559	25,000
Due in more than one year	23,104,858	52,134	35,000
Total liabilities	\$ 30,356,890	\$ 1,518,586	\$ 60,000
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 114,090	\$ 3,472,831	\$ -
Restricted for capital projects	2,914,119	-	-
Unrestricted (deficit)	8,147,072	(967,496)	492,182
Total net assets	\$ 11,175,281	\$ 2,505,335	\$ 492,182
 Total liabilities and net assets	 \$ 41,532,171	 \$ 4,023,921	 \$ 552,182

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

County of Middlesex, Virginia  
Statement of Activities  
For the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Change in Net Assets		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	School Board	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,291,402	\$ 51,509	\$ 211,632	\$ -	\$ (1,028,261)	\$ -	\$ -
Judicial administration	829,480	43,688	333,593	-	(452,200)	-	-
Public safety	2,872,445	118,879	843,478	-	(1,910,088)	-	-
Public works	1,477,432	-	655,895	-	(821,537)	-	-
Health and welfare	1,603,094	-	1,109,408	-	(493,687)	-	-
Education	7,837,679	-	-	-	(7,837,679)	-	-
Parks, recreation, and cultural	252,265	-	-	-	(252,265)	-	-
Community development	237,812	-	-	-	(237,812)	-	-
Capital projects	644,792	-	-	-	(644,792)	-	-
Interest on long-term debt	1,564,059	-	-	-	(1,564,059)	-	-
Total primary government	\$ 18,610,460	\$ 214,077	\$ 3,154,006	\$ -	\$ (15,242,378)	-	-
COMPONENT UNITS:							
School Board	\$ 12,627,914	\$ 205,434	\$ 4,922,498	\$ -		\$ (7,499,981)	\$ -
Industrial Development Authority	4,764	22,663	-	-		-	17,898
Total component units	\$ 12,632,679	\$ 228,097	\$ 4,922,498	\$ -		\$ (7,499,981)	\$ 17,898
General revenues:							
General property taxes					\$ 12,825,584	\$ -	\$ -
Local sales and use taxes					847,269	-	-
Consumers' utility taxes					229,734	-	-
Motor vehicle licenses					301,981	-	-
Other local taxes					644,975	-	-
Unrestricted revenues from use of money and property					393,052	-	1,228
Miscellaneous					126,033	-	-
Grants and contributions not restricted to specific programs					1,165,550	-	-
Payment from Middlesex County					-	7,231,852	36,680
Total general revenues					\$ 16,534,178	\$ 7,231,852	\$ 37,908
Change in net assets					1,291,800	(268,129)	55,807
Net assets - beginning					9,883,481	2,773,464	436,375
Net assets - ending					\$ 11,175,281	\$ 2,505,335	\$ 492,182

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



County of Middlesex, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>County Capital Improvements &amp; Dredging</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,768,196	\$ 1,409,440	\$ 10,177,636
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,554,018	-	5,554,018
Accounts receivable	-	-	-
Notes receivable	60,000	-	60,000
Due from other governmental units	1,084,075	-	1,084,075
Total assets	\$ <u>15,466,290</u>	\$ <u>1,409,440</u>	\$ <u>16,875,730</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governmental units	32,401	-	32,401
Deferred revenue	5,751,965	-	5,751,965
Total liabilities	\$ <u>5,784,366</u>	\$ <u>-</u>	\$ <u>5,784,366</u>
Fund balances:			
Assigned for:			
Proffers	\$ 24,424	\$ -	\$ 24,424
E-911	464,652	-	464,652
Restricted for:			
Capital projects	\$ 2,914,119	\$ -	\$ 2,914,119
Unassigned, reported in:			
General fund	6,278,729	-	6,278,729
Capital projects funds	-	1,409,440	1,409,440
Total fund balances	\$ <u>9,681,924</u>	\$ <u>1,409,440</u>	\$ <u>11,091,364</u>
Total liabilities and fund balances	\$ <u><u>15,466,290</u></u>	\$ <u><u>1,409,440</u></u>	\$ <u><u>16,875,730</u></u>

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

County of Middlesex, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2012

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

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds	\$	11,091,364
--	----	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$	35,711,809	
Accumulated depreciation		<u>(11,413,187)</u>	24,298,622

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Compensated absences	\$	(120,331)	
Bonds payable		(2,555,000)	
Note payable		(231,403)	
Lease revenue bonds		(21,280,530)	
Deferred interest on bond refunding		163,782	
Retirement incentive obligation loan		(161,050)	
Unamortized bond issue costs		357,819	
Accrued interest payable		<u>(387,992)</u>	(24,214,705)

Net assets of governmental activities	\$	<u><u>11,175,281</u></u>
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County of Middlesex, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	General	County Capital Improvements & Dredging	Total
<b>REVENUES</b>			
General property taxes	\$ 12,825,584	\$ -	\$ 12,825,584
Other local taxes	2,023,959	-	2,023,959
Permits, privilege fees, and regulatory licenses	118,879	-	118,879
Fines and forfeitures	43,688	-	43,688
Revenue from the use of money and property	55,314	337,738	393,052
Charges for services	51,509	-	51,509
Miscellaneous	8,465	-	8,465
Recovered costs	116,568	-	116,568
Intergovernmental revenues:			
Commonwealth	4,319,556	-	4,319,556
Federal	-	-	-
Total revenues	\$ 19,563,522	\$ 337,738	\$ 19,901,260
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,296,408	\$ -	\$ 1,296,408
Judicial administration	673,283	-	673,283
Public safety	2,963,489	-	2,963,489
Public works	1,543,555	-	1,543,555
Health and welfare	1,600,524	-	1,600,524
Education	7,272,105	-	7,272,105
Parks, recreation, and cultural	239,684	-	239,684
Community development	237,812	-	237,812
Capital projects	-	644,792	644,792
Debt service:			
Principal retirement	1,218,176	-	1,218,176
Interest and other fiscal charges	813,280	-	813,280
Total expenditures	\$ 17,858,315	\$ 644,792	\$ 18,503,107
Excess (deficiency) of revenues over (under) expenditures	\$ 1,705,207	\$ (307,054)	\$ 1,398,153
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issuance	\$ 3,012,174	\$ -	\$ 3,012,174
Transfers in	-	310,000	310,000
Transfers out	(310,000)	-	(310,000)
Total other financing sources (uses)	\$ 2,702,174	\$ 310,000	\$ 3,012,174
Net change in fund balances	\$ 4,407,381	\$ 2,946	\$ 4,410,327
Fund balances - beginning	5,274,543	1,406,494	6,681,037
Fund balances - ending	\$ 9,681,924	\$ 1,409,440	\$ 11,091,364

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

County of Middlesex, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2012

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

Net change in fund balances – total governmental funds	\$	4,410,327
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ (530,000)	
Depreciation expense	(992,212)	(1,522,212)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		330,491
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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. The following is a summary of items supporting this adjustment:

Bond Issuance	\$ (3,012,174)	
Principal retirement on bonds payable	85,000	
Principal retirement on lease revenue bonds	1,079,727	
Principal retirement on retirement incentive obligation loan	21,049	
Principal retirement on note payable	32,400	(1,793,998)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Decrease in deferred interest on bond refunding	\$ (163,783)	
Increase in compensated absences	63,617	
Amortization of bond issuance costs	(32,529)	
Increase in accrued interest	(113)	(132,808)

Change in net assets of governmental activities	\$	<u><u>1,291,800</u></u>
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County of Middlesex, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,614
Total assets	\$ <u>4,614</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 4,598
Amounts held for others	<u>16</u>
Total liabilities	\$ <u>4,614</u>
Net assets	\$ <u>-</u>
Total liabilities and net assets	\$ <u>4,614</u>

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



County of Middlesex, Virginia  
Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Special Welfare Fund	Safety Net Fund
<b>Additions</b>		
Contributions	\$ -	\$ -
Investment Earnings	-	-
Miscellaneous Revenue	1,757	-
Total additions	\$ 1,757	\$ -
<b>Deductions</b>		
Benefits	\$ -	\$ -
Administrative Expenses	-	-
Program distributions	4,977	-
Total deductions	\$ 4,977	\$ -
Change in Net Assets	(3,219)	-
Net Assets held in Trust – beginning	7,817	16
Net Assets held in Trust – ending	\$ 4,598	\$ 16

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

## NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Narrative Profile

The historic County of Middlesex, Virginia ("The County") was settled in 1642 and formed in 1669 from Lancaster County, Virginia. The County is located in the Middle Peninsula of the Commonwealth of Virginia, and is easily accessible from the Washington D.C., Richmond and the Hampton Roads areas. The 84,480 acre county has over 135 miles of shoreline and features generally level terrain with elevations ranging from sea level to 120 feet above sea level. Drainage is provided by the Rappahannock and Piankatank Rivers, Dragon Run Swamp and the Chesapeake Bay.

The County of Middlesex operates under the board-administrator form of government and is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens, including: police and fire protection; sanitation services; recreational activities; cultural events; education and social services.

The financial statements of the County of Middlesex, 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.

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 Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

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 units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization, or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Middlesex (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the primary 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 locality has no blended component units to be included for the year ended June 30, 2012.

**Discretely Presented Component Units.** The Middlesex County School Board members are elected by the voters of the County and are 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. Their primary funding is from the General Fund of the County. The School Board 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, 2012.

The Middlesex County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2012. Complete financial statements for the Authority are available from the Authority in Middlesex, Virginia.

C. Other Related Organizations Included in the County's Comprehensive Annual Financial Report

None

## Excluded from the County's Annual Financial Report

### Middle Peninsula Regional Jail Authority

The Middle Peninsula Regional Jail Authority is considered a jointly governed organization; therefore, its operations are not included in the County's financial statements. The counties of Mathews, King and Queen, King William and Middlesex provide the financial support for the Authority through the assessment of user fees for prisoner care and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Authority's funding or has oversight responsibility over its operations. Middlesex County paid \$869,449 to the Authority for the fiscal year ended June 30, 2012.

### Virginia Peninsulas Public Service Authority

The Virginia Peninsulas Public Service Authority is considered a jointly governed organization; therefore, its operations are not included in the County's financial statements. The cities of Hampton, Poquoson, Williamsburg and the counties of Essex, James City, King and Queen, King William, Mathews, Middlesex and York are the participating jurisdictions and appoint the Authority's governing Board. The governing Board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over operations. Middlesex County paid \$693,501 to the Authority for the fiscal year ended June 30, 2012.

### Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board is considered a jointly governed organization; therefore, its operations are not included in the County's financial statements. The Counties of Essex, King and Queen, King William, Middlesex, Richmond, Mathews, Gloucester, Westmoreland, Lancaster and Northumberland appoint one member each to the Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Middlesex County contributed \$31,909 as operating grants to the Middle Peninsula Northern Neck Community Services Board for the fiscal year ended June 30, 2012.

## 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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

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

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

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time 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 government reports the following major governmental funds:

### a. General Fund

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

### b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

## 2. Fiduciary Funds

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Funds presentation. The Special Welfare Fund is the only Agency Fund of the County.

### E. Cash and Cash Equivalents

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

### F. Investments

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

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

The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

### G. Receivables and Payables

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

All 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 \$141,927 at June 30, 2012 and is comprised solely of property taxes.

### H. Capital Assets

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

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

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:

Assets	Years
Buildings	40
Building Improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

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 Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, 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 and premiums on issuances are 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.

K. Use of Estimates

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

L. Retirement Plan

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

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.

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

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

Deficit Fund Equity

	<u>Amount</u>
The following fund had a deficit in its fund equity:	
School Capital Projects	\$ (1,477,781)



Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, 2012 were held by the County or in the County’s name by the County’s custodial banks.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2012 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial papers are required to be rated no lower than Standard and Poor’s A-1 and Moody’s Investor Service P-1.

Locality’s Rated Debt Investments’ Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating AAAm</u>
Local Government Investment Pool	\$ 16,503
Virginia State Non-Arbitrage Pool	311,586
Money Market Mutual Fund	<u>2,489,930</u>
Total	\$ <u><u>2,818,019</u></u>

Interest Rate Risk

The County’s investment policy states that the County’s investment maturities are to precede or coincide with the expected need of funds.

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Money Market Mutual fund	\$ <u>2,489,930</u>	\$ <u>2,489,930</u>
Total	\$ <u><u>2,489,930</u></u>	\$ <u><u>2,489,930</u></u>

## External Investment Pools

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

### NOTE 4      ACCOUNTS RECEIVABLE

On April 15, 2004 the county loaned the Middlesex County Industrial Development Authority \$300,000 to finance the new sewer plant for the Courthouse. The IDA will repay the County in various annual principal payments, which started August 1, 2004 and continue through August 1, 2015. The IDA will pay interest to the County semi-annually, with rates ranging from 2.5% to 3.5%. The amount outstanding on the note as of June 30, 2012 is \$60,000.

The following is the repayment schedule for the note:

<u>Year Ending June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 25,000	\$ 1,502
2014	15,000	895
2015	15,000	419
2016	5,000	87
Total	<u>\$ 60,000</u>	<u>\$ 2,903</u>

On October 1, 2007 the Middlesex County Industrial Development Authority loaned the County \$350,000 to finance hangars at Hummel Airport. The County will repay the IDA in various annual principal payments, which start January 15, 2010 and continue until January 15, 2018. The County pays semi-annual interest payments at a rate of 5%.

The following is a repayment schedule for the note:

<u>Year Ending June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 34,020	\$ 11,570
2014	35,721	9,868
2015	37,507	8,083
2016-2018	124,155	12,619
Total	<u>\$ 231,403</u>	<u>\$ 42,140</u>

NOTE 5                      PROPERTY TAX RECEIVABLE

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

NOTE 6                      DUE TO/FROM OTHER GOVERNMENTAL UNITS

At June 30, 2012 the County and School Board had receivables from other governments as follows:

	Primary Government	Component Units	
		School Board	IDA
Other Local Governments:			
Middlesex County School Board	\$     327,792	\$           -	\$           -
County of Middlesex	-	-	32,401
Commonwealth of Virginia:			
Social Services	\$     119,580	\$           -	\$           -
Sheriff's Office	52,427	-	-
Commonwealth Attorney	13,313	-	-
Clerk of the Court	20,633	-	-
Judicial	34,586	-	-
Treasurer	7,900	-	-
Sales Tax	386,196	-	-
Communications Tax	76,527	-	-
E911 Wireless	3,333	-	-
Rolling Stock	262	-	-
Mobile Home Titling	4,645	-	-
Utility Tax	19,334	-	-
Consumption Tax	3,071	-	-
Recordation Tax	14,477	-	-
Federal Government:			
School fund grants	\$           -	\$    241,114	\$           -
Total due from other governmental units	\$    1,084,075	\$    241,114	\$    32,401

Amounts due to other local governments are as follows:

	Primary Government	Component Unit
		School Board
Other Local Governments:		
Middlesex County Industrial Development Authority	\$     32,401	\$           -
County of Middlesex	-	327,792
Total due to other governmental units	\$     32,401	\$    327,792

## NOTE 7

## CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012.

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land	\$ 1,222,170	\$ 530,000	\$ -	\$ 1,752,170
Total capital assets not subject to depreciation	\$ 1,222,170	\$ 530,000	\$ -	\$ 1,752,170
Capital assets subject to depreciation:				
Buildings and improvements	\$ 13,916,104	\$ -	\$ -	\$ 13,916,104
Equipment and vehicles	1,493,416	-	-	1,493,416
Infrastructure	16,170	-	-	16,170
Jointly owned assets	18,533,949	-	-	18,533,949
Total capital assets subject to depreciation	\$ 33,959,639	\$ -	\$ -	\$ 33,959,639
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,939,458	\$ 375,257	\$ -	\$ 4,314,715
Equipment and vehicles	1,078,632	100,473	-	1,179,105
Infrastructure	9,240	2,310	-	11,550
Jointly owned assets	5,393,645	514,172	-	5,907,817
Total accumulated depreciation	\$ 10,420,975	\$ 992,212	\$ -	\$ 11,413,187
Total capital assets subject to depreciation, net	\$ 23,538,664	\$ (992,212)	\$ -	\$ 22,546,452
Governmental activities capital assets, net	\$ 24,760,834	\$ (462,212)	\$ -	\$ 24,298,622
	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 248,545	\$ -	\$ -	\$ 248,545
Capital assets subject to depreciation:				
Buildings and improvements	\$ 640,215	\$ -	\$ -	\$ 640,215
Equipment and vehicles	1,512,182	-	-	1,512,182
Jointly owned assets	4,312,341	-	-	4,312,341
Total capital assets subject to depreciation	\$ 6,464,738	\$ -	\$ -	\$ 6,464,738
Less accumulated depreciation for:				
Buildings and improvements	\$ 618,819	\$ 1,962	\$ -	\$ 620,781
Equipment and vehicles	1,161,071	72,770	-	1,233,841
Jointly owned assets	1,238,313	102,993	-	1,341,306
Total accumulated depreciation	\$ 3,018,203	\$ 177,725	\$ -	\$ 3,195,928
Total capital assets subject to depreciation, net	\$ 3,446,535	\$ (177,725)	\$ -	\$ 3,268,810
Component unit school board capital assets, net	\$ 3,695,080	\$ (177,725)	\$ -	\$ 3,517,355

NOTE 7 CAPITAL ASSETS - continued

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

Governmental activities:	
General government administration	\$ 78,309
Judicial administration	209,711
Public safety	94,273
Public works	29,194
Health and welfare	2,570
Education	565,574
Parks, recreation and cultural	<u>12,581</u>
Total Governmental activities	\$ <u>992,212</u>
Component Unit School Board	\$ <u>177,725</u>

NOTE 8 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 \$5,752,965 is comprised of the following

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,554,018 at June 30, 2012.

NOTE 9 LONG-TERM OBLIGATIONS

Primary Government:

Changes in Long-Term Obligations

The following is a summary of long-term obligation transactions of the primary government for the fiscal year ended June 30, 2012:

	Amounts Payable at 7/1/2011	Increases	Decreases	Amounts Payable at 6/30/2012	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 183,948	\$ 31,191	\$ 94,808	\$ 120,331	\$ 94,808
Note payable	263,803	-	32,400	231,403	34,020
Lease revenue bonds	8,821,414	630,000	496,037	8,955,377	492,850
Deferred interest on bond refunding	(327,565)	-	(163,783)	(163,782)	(163,782)
Total incurred by County	\$ 8,941,600	\$ 661,191	\$ 459,462	\$ 9,143,329	\$ 457,896
Incurred by School Board:					
School bonds payable	\$ 85,000	\$ 2,555,000	\$ 85,000	\$ 2,555,000	\$ -
School lease revenue bonds	12,908,843	-	583,690	12,325,153	599,258
Deferred interest on bond refunding	-	-	-	-	-
Retirement incentive obligation loan	182,099	-	21,049	161,050	22,520
Total incurred by School Board	\$ 13,175,942	\$ 2,555,000	\$ 689,739	\$ 15,041,203	\$ 621,778
Total Governmental Obligations	\$ 22,117,542	\$ 3,216,191	\$ 1,149,201	\$ 24,184,532	\$ 1,079,674

General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property as the amount of general obligation borrowing which may be issued by the County. As of June 30, 2012, the County's aggregate general obligation indebtedness is approximately \$209 million less than the Commonwealth's limit as summarized in the following table:

Total assessed value of taxed real property	\$ 2,122,059,100
Debt limit - 10 percent of total assessed value	\$ 212,205,910
Amount of debt applicable to debt limit:	
Note payable	\$ 231,403
School bonds payable	2,555,000
Retirement incentive obligation loan	161,050
Total amount of debt applicable to debt limit	\$ 2,947,453
Legal debt margin	\$ 209,258,457

## NOTE 9 LONG-TERM OBLIGATIONS - continued

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

Year Ending June 30,	County Obligations				
	Lease Revenue Bonds		Note Payable		
	Principal	Interest	Principal	Interest	
2013	\$ 492,850	\$ 376,422	\$ 34,020	\$ 11,570	
2014	499,944	358,224	35,721	9,868	
2015	367,179	327,878	37,507	8,082	
2016	354,318	308,933	39,383	6,208	
2017	357,906	293,632	41,352	4,238	
2018	374,671	279,643	43,420	2,173	
2019	394,055	263,933	-	-	
2020	402,937	247,331	-	-	
2021	427,598	230,133	-	-	
2022	446,213	212,013	-	-	
2023	459,653	194,585	-	-	
2024	479,722	174,951	-	-	
2025	403,588	154,459	-	-	
2026	425,677	136,302	-	-	
2027	450,761	117,886	-	-	
2028	396,732	100,599	-	-	
2029	405,082	84,276	-	-	
2030	425,849	67,435	-	-	
2031	442,490	49,025	-	-	
2032	463,420	30,161	-	-	
2033	484,733	10,179	-	-	
Total	\$ <u>8,955,378</u>	\$ <u>4,018,000</u>	\$ <u>231,403</u>	\$ <u>42,139</u>	

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

Year Ending June 30	School Obligations					
	Lease Revenue Bonds		General Obligation Bonds		Retirement Incentive Obligation Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 599,258	\$ 480,019	\$ -	\$ 79,848	\$ 22,520	\$ 11,258
2014	624,650	460,733	30,000	116,945	24,094	9,684
2015	630,006	453,086	130,000	114,580	25,778	8,000
2016	650,572	435,108	135,000	109,864	27,580	6,198
2017	669,807	412,280	140,000	103,595	29,508	4,270
2018	700,987	381,567	150,000	96,273	31,570	2,208
2019	734,677	345,499	155,000	88,571	-	-
2020	779,002	308,053	165,000	80,491	-	-
2021	772,688	273,131	175,000	71,906	-	-
2022	807,565	241,602	180,000	62,943	-	-
2023	832,770	207,118	190,000	53,600	-	-
2024	866,503	171,839	200,000	43,753	-	-
2025	911,412	134,425	210,000	33,400	-	-
2026	949,323	95,888	225,000	22,416	-	-
2027	989,239	54,919	230,000	13,228	-	-
2028	123,268	31,257	240,000	4,860	-	-
2029	124,918	25,989	-	-	-	-
2030	129,151	20,452	-	-	-	-
2031	137,510	15,235	-	-	-	-
2032	141,580	9,214	-	-	-	-
2033	150,267	3,155	-	-	-	-
Total	\$ 12,325,153	\$ 4,560,569	\$ 2,555,000	\$ 1,096,273	\$ 161,050	\$ 41,618

Long-term obligations at June 30, 2012 are as follows:

\$285,000 lease revenue bond issued April 15, 2004, due in varying annual installments through August 2026, interest at 4.25% payable semi-annually	\$ 125,000
\$7,208,878 refunded lease revenue bonds issued April 13, 2007, due in varying annual installments through August 2032, interest at various rates from 4.00% to 4.20% payable semi-annually. Carrying amount of bonds includes unamortized deferred savings of \$458,591.	6,994,846
\$1,959,781 lease revenue bonds issued April 1, 2002, due in varying annual installments through August 1, 2012, interest at various rates from 3.20% to 5.00%, payable semi-annually. Carrying amount of bonds includes unamortized deferred savings of \$163,782.	166,220
\$1,035,000 lease revenue bond issued February 18, 2009, due in varying annual installments through February 2024, interest at 4.35% payable semi-annually.	875,529
\$630,000 lease revenue bond issued April 30, 2012, due in varying annual installments through October 2026, interest at various rates from 2.125% to 5.125%, payable semi-annually.	630,000
Total lease revenue bonds	\$ 8,791,595
\$350,000 note payable issued on November 2, 2007, due in varying annual installments through January 15, 2018, interest at 5%.	\$ 231,403
Compensated Absences (payable from the General Fund)	\$ 120,331
Total debt incurred by County	\$ 9,143,329



Primary Government: (Continued)Details of long-term indebtedness: (Continued)School Bonds:

\$2,555,000 VPSA school bonds, issued April 2012, due in various annual installments through July 15, 2027, interest at various rates from 2.550% to 5.050% payable semiannually. \$ 2,555,000

Retirement Incentive Obligation Loan:

\$349,373 issued July 30, 1998, due in annual installments of \$33,778 (principal and interest) through July 30, 2017, interest at 6.99%. \$ 161,050

School Lease Revenue Bonds Payable:

\$1,500,000 lease revenue bond issued January 15, 2000, due in annual principal payments of \$500,000 starting August 1, 2018 through August 1, 2020, interest payable semi-annually at 5.6%. \$ 1,500,000

\$425,219 (portion of original issue of \$2,400,000 not refunded) lease revenue bond issued March 13, 2007, due in varying annual installments through August, 2012, interest at various rates from 4.25% to 5.00% payable semi-annually. 280,000

\$9,225,000 lease revenue and refunding bonds, series 2004, due in varying annual installments through August 1, 2026, interest payable semi-annually at various rates from 2.5% to 4.25%. Carrying amount of bonds including unamortized deferred savings of \$393,535. 8,350,000

\$2,166,122 refunded 2002 lease revenue bonds issued April 13, 2007, due in varying annual installments through August 2032, interest at various rates from 4.00% to 4.20% payable semi-annually. 2,120,154

\$425,219 refunded 2002 lease revenue bond issued April 13, 2007, due in varying annual installments through August 1, 2012, interest at various rates from 4.00% to 4.20% payable semi-annually. 74,999

Total School lease revenue bonds payable \$ 12,325,153

Total debt incurred by School Board \$ 15,041,203

Total Governmental Obligations \$ 24,184,532

**Component Unit School Board:**

The following is summary of long-term obligation transactions of the Component Unit School Board for the fiscal year ended June 30, 2012:

	Amounts Payable at 7/1/2011	Increases	Decreases	Amounts Payable at 6/30/2012	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 51,131	\$ 10,722	\$ 19,683	\$ 42,169	\$ 19,683
OPEB liability	<u>32,000</u>	<u>27,400</u>	<u>14,876</u>	<u>44,524</u>	<u>14,876</u>
Total Component Unit-School Board	\$ <u><u>83,131</u></u>	\$ <u><u>38,122</u></u>	\$ <u><u>34,559</u></u>	\$ <u><u>86,693</u></u>	\$ <u><u>34,559</u></u>

The County and Component Unit School Board participate in the Virginia Retirement System defined benefit pension plan.

A. Plan Description

*Name of Plan:* Virginia Retirement System (VRS)

*Identification of Plan:* Agent and Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan

*Administering Entity:* Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer 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 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 6.20% of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2012 for non-professional employees was 14.20% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2012, the Primary Government's annual pension cost of \$144,363 equal to the Primary Government's required and actual contributions.

**Three-Year Trend Information for the County of Middlesex**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 144,363	100%	\$ -
2011	\$ 143,220	100%	\$ -
2010	\$ 116,411	100%	\$ -

For fiscal year 2012, the School Board non-professional employee's annual pension cost of \$74,665 equal to the School Board's required and actual contributions.

**Three-Year Trend Information for the School Board**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 74,665	100%	\$ -
2011	\$ 64,968	100%	\$ -
2010	\$ 87,049	100%	\$ -

The FY 2012 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the Primary Government plan was 98.07% funded. The actuarial accrued liability for benefits was \$8,075,624, and the actuarial value of assets was \$7,919,951, resulting in an unfunded actuarial accrued liability (UAAL) of \$155,673. The covered payroll (annual payroll of active employees covered by the plan) was \$2,321,401, and ratio of the UAAL to the covered payroll was 6.71%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board plan was 74.17% funded. The actuarial accrued liability for benefits was \$2,819,242, and the actuarial value of assets was \$2,090,931, resulting in an unfunded actuarial accrued liability (UAAL) of \$728,311. The covered payroll (annual payroll of active employees covered by the plan) was \$680,362, and ratio of the UAAL to the covered payroll was 107.05%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 11            CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS AND COMPLIANCE AUDITS)

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

NOTE 12            LITIGATION

At June 30, 2012, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

NOTE 13            SURETY BONDS

	<u>Amount</u>
Virginia Department of Risk Management - Surety:	
Betty S. Bray, Treasurer	\$ 400,000
Lynn L. Dunlevy, Clerk of the Circuit Court	103,000
Priscilla J. Davenport, Commissioner of the Revenue	3,000
David P. Bushey, Sheriff	30,000
Above constitutional officers' employees-blanket bond	50,000
Middlesex County Department of Social Services employee blanket bond	100,000
Virginia Local Government Risk Management Plan:	
Middlesex County School Board Public Officials Liability	1,000,000
Middlesex County Public Officials Liability	250,000

NOTE 14            RISK MANAGEMENT

The government is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the government carries commercial insurance. Workers compensation losses are also covered by commercial insurance. The County and School Board self-insure for unemployment claims. The County has not had reductions in insurance coverage or settlements in excess of insurance coverage in the past three years.

Background

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the School Board accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the School Board. This funding methodology mirrors the funding approach used for pension benefits.

Plan Description

Middlesex County Public Schools retirees must meet one of the following requirements to be eligible for health benefits:

- retire with an immediate benefit from the Virginia Retirement System
- have medical coverage prior to retirement

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

Funding Policy

The School Board's retirees pay 100% of the premiums. The Schools currently have 5 retirees and 1 spouse on their plan.

Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan.

	<u>SCHOOLS</u>
Annual required contribution	\$ 27,400
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>27,400</u>
Estimated Contributions made	<u>(14,876)</u>
Increase in net OPEB obligation	12,524
Net OPEB obligation-beginning of year	<u>32,000</u>
Net OPEB obligation-end of year	<u><u>\$ 44,524</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Schools:			
6/30/2012	\$ 27,400	54.29%	\$ 44,524
6/30/2011	27,400	60.21%	32,000
6/30/2010	27,400	54.38%	21,100

#### Funded Status and Funding Progress

As of June 30, 2009, the School Board's actuarial accrued liability for benefits was \$252,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,351,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.71 percent. This is the last actuarial valuation available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

In the June 30, 2009, actuarial valuation, the projected unit credit method, with linear pro-rata to assumed benefit commencement was used.

The following simplifying assumptions were made:

*Retirement age for active employees* - Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

*Mortality* - Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females.

*Coverage elections* - The actuary assumed that 30% of eligible retirees who qualify will elect coverage.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 4.0% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was thirty years.

## NOTE 16

## OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost-sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$65,486, \$55,650, and \$45,806, respectively, and equaled the required contributions for each year.



## NOTE 17      SUBSEQUENT EVENTS

Events or transactions sometimes occur subsequent to the balance-sheet date, but prior to the issuance of the financial statement, that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements. In accordance with AU Section 560 – the entity is required to disclose those events – that if not disclosed – would cause the financial statements to be misleading.

County Administrator Charles Culley left his position with the County in April 2012 to accept a position in Caroline County, Virginia. Mr. William Whitley served as the interim Administrator after Mr. Culley's departure. On September 4, 2012 – the Middlesex County Board of Supervisors appointed Mr. Matthew Lee Walker as the new County Administrator. Mr. Walker, who holds a Masters Degree in Public Administration from Virginia Commonwealth University and an undergraduate degree from James Madison University, previously served as the county administrator of Bath County, Virginia and previously served as the Director of Community Development in Middlesex County.

## REQUIRED SUPPLEMENTARY INFORMATION

### Note to Required Supplementary Information

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

County of Middlesex, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
General property taxes	\$ 12,551,454	\$ 12,551,454	\$ 12,825,584	\$ 274,130
Other local taxes	1,996,351	2,023,641	2,023,959	317
Permits, privilege fees, and regulatory licenses	127,211	127,211	118,879	(8,332)
Fines and forfeitures	65,600	65,600	43,688	(21,912)
Revenue from the use of money and property	60,000	60,000	55,314	(4,686)
Charges for services	58,799	63,799	51,509	(12,290)
Miscellaneous	1,800	1,800	8,465	6,665
Recovered costs	29,500	69,631	116,568	46,936
Intergovernmental revenues:				
Commonwealth	3,748,536	3,917,064	4,319,556	402,492
Federal	-	-	-	-
Total revenues	\$ 18,639,251	\$ 18,880,201	\$ 19,563,522	\$ 683,322
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,378,762	\$ 1,429,961	\$ 1,296,408	\$ 133,553
Judicial administration	719,507	726,320	673,283	53,036
Public safety	2,927,083	3,146,319	2,963,489	182,831
Public works	1,661,723	1,753,535	1,543,555	209,980
Health and welfare	2,188,439	2,188,439	1,600,524	587,915
Education	7,278,953	7,278,953	7,272,105	6,848
Parks, recreation, and cultural	290,740	293,307	239,684	53,623
Community development	1,070,710	264,377	237,812	26,565
Debt service:				
Principal retirement	875,444	887,400	1,218,176	(330,776)
Interest and other fiscal charges	1,181,800	1,181,880	813,280	368,600
Total expenditures	\$ 19,573,161	\$ 19,150,491	\$ 17,858,315	\$ 1,292,176
Excess (deficiency) of revenues over (under) expenditures	\$ (933,910)	\$ (270,290)	\$ 1,705,207	\$ 1,975,497
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance	\$ -	\$ -	\$ 3,012,174	\$ 3,012,174
Transfers In	-	-	-	-
Transfers Out	(823,854)	(1,017,646)	(310,000)	707,646
Total other financing sources (uses)	\$ (823,854)	\$ (1,017,646)	\$ 2,702,174	\$ 3,719,820
Net change in fund balances	\$ (1,757,764)	\$ (1,287,936)	\$ 4,407,381	\$ 5,695,317
Fund balances - beginning	1,757,764	1,287,936	5,274,543	3,986,607
Fund balances - ending	\$ -	\$ -	\$ 9,681,924	\$ 9,681,924

**County of Middlesex, Virginia**  
**Schedule of Pension Funding Progress**  
**For the Year Ended June 30, 2012**

County:

Valuation Date June 30,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2011	\$ 7,919,951	\$ 8,075,624	\$ 155,673	98.07%	\$ 2,321,401	6.71%
2010	7,692,811	7,821,414	128,603	98.36%	2,309,997	5.57%
2009	7,642,482	7,220,487	(421,995)	105.84%	2,476,472	-17.04%
2008	7,590,086	7,009,164	(580,922)	108.29%	2,224,895	-26.11%
2007	6,957,830	6,391,460	(566,370)	108.86%	2,296,798	-24.66%
2006	6,214,111	5,857,992	(356,119)	106.08%	2,010,928	-17.71%
2005	5,923,550	5,898,745	(24,805)	100.42%	1,870,115	-1.33%
2004	5,853,918	5,378,494	(475,424)	108.84%	1,781,448	-26.69%
2003	5,785,370	4,989,888	(795,482)	115.94%	1,612,764	-49.32%
2002	5,738,515	4,495,226	(1,243,289)	127.66%	1,629,842	-76.28%

*School Board Non-Professionals:*

Valuation Date June 30,	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2011	\$ 2,090,931	\$ 2,819,242	\$ 728,311	74.17%	\$ 680,362	107.05%
2010	2,048,077	2,714,172	666,095	75.46%	706,173	94.32%
2009	2,021,228	2,489,753	468,525	81.18%	756,540	61.93%
2008	1,907,082	2,329,378	422,296	81.87%	743,795	56.78%
2007	1,678,126	2,183,044	504,918	76.87%	665,646	75.85%
2006	1,475,068	1,986,605	511,537	74.25%	572,076	89.42%
2005	1,358,982	1,871,295	512,313	72.62%	581,861	88.05%
2004	1,267,643	1,760,089	492,446	72.02%	560,937	87.79%
2003	1,191,312	1,677,451	486,139	71.02%	521,243	93.27%
2002	1,115,626	1,512,404	396,778	73.77%	510,168	77.77%

County of Middlesex, Virginia  
 Schedule of Pension Funding Progress  
 For the Year Ended June 30, 2012

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Valuation Date (1)	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
School Board: 1/1/2009	\$ -	\$ 252,000	\$ 252,000	0.00%	\$ 5,351,000	4.71%

1 - this is the last valuation data available





County of Middlesex, Virginia  
County Capital Improvements Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ <u>-</u>	\$ <u>-</u>	\$ <u>337,738</u>	\$ <u>337,738</u>
Total revenues	\$ <u>-</u>	\$ <u>-</u>	\$ <u>337,738</u>	\$ <u>337,738</u>
<b>EXPENDITURES</b>				
Capital projects	\$ <u>698,854</u>	\$ <u>892,647</u>	\$ <u>644,792</u>	\$ <u>247,855</u>
Total expenditures	\$ <u>698,854</u>	\$ <u>892,647</u>	\$ <u>644,792</u>	\$ <u>247,855</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(698,854)</u>	\$ <u>(892,647)</u>	\$ <u>(307,054)</u>	\$ <u>585,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ <u>823,854</u>	\$ <u>1,017,647</u>	\$ <u>310,000</u>	\$ <u>(707,646)</u>
Total other financing sources (uses)	\$ <u>823,854</u>	\$ <u>1,017,647</u>	\$ <u>310,000</u>	\$ <u>(707,646)</u>
Net change in fund balances	\$ <u>125,000</u>	\$ <u>125,000</u>	\$ <u>2,946</u>	\$ <u>(122,054)</u>
Fund balances - beginning	<u>(125,000)</u>	<u>(125,000)</u>	<u>1,406,494</u>	<u>1,531,494</u>
Fund balances - ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,409,440</u></u>	\$ <u><u>1,409,440</u></u>



County of Middlesex, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
For the Year Ended June 30, 2012

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	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets				
Cash and cash equivalents	\$ 7,817	\$ 1,757	\$ 4,977	\$ 4,598
Total assets	\$ 7,817	\$ 1,757	\$ 4,977	\$ 4,598
Liabilities				
Amounts held for social services clients	\$ 7,817	\$ 1,757	\$ 4,977	\$ 4,598
Total liabilities	\$ 7,817	\$ 1,757	\$ 4,977	\$ 4,598
<b>Safety Net Fund:</b>				
Assets				
Cash and cash equivalents	\$ 16	\$ -	\$ -	\$ 16
Total assets	\$ 16	\$ -	\$ -	\$ 16
Liabilities				
Amounts held for others	\$ 16	\$ -	\$ -	\$ 16
Total liabilities	\$ 16	\$ -	\$ -	\$ 16
<b><u>Total - All Fiduciary Funds:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,833	\$ 1,757	\$ 4,977	\$ 4,614
Total assets	\$ 7,833	\$ 1,757	\$ 4,977	\$ 4,614
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 7,817	\$ 1,757	\$ 4,977	\$ 4,598
Amounts held for others	16	-	-	16
Total liabilities	\$ 7,833	\$ 1,757	\$ 4,977	\$ 4,614

## DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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School Operating Fund accounts for the School Board's elementary, middle and high schools. The Textbook Fund accounts for the distribution of textbooks to students. The Cafeteria Fund accounts for the operations of the school food services.

County of Middlesex, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2012

	School Operating Fund	Textbook Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,497,270	\$ 196,579	\$ -	\$ 49,384	\$ 1,743,232
Due from other governmental units	241,114	-	-	-	241,114
Total assets	<u>\$ 1,738,384</u>	<u>\$ 196,579</u>	<u>\$ -</u>	<u>\$ 49,384</u>	<u>\$ 1,984,346</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accrued liabilities	\$ 1,103,293	\$ -	\$ -	\$ 808	\$ 1,104,101
Due to other governmental units	327,792	-	-	-	327,792
Reconciled overdraft payable	-	-	1,477,781	-	1,477,781
Total liabilities	<u>\$ 1,431,085</u>	<u>\$ -</u>	<u>\$ 1,477,781</u>	<u>\$ 808</u>	<u>\$ 2,909,674</u>
Fund balances:					
Unassigned:					
Designated for subsequent expenditure	\$ 307,300	\$ 196,579	\$ -	\$ 48,575	\$ 552,454
Unassigned	-	-	(1,477,781)	-	(1,477,781)
Total fund balances	<u>\$ 307,300</u>	<u>\$ 196,579</u>	<u>\$ (1,477,781)</u>	<u>\$ 48,575</u>	<u>\$ (925,327)</u>
Total liabilities and fund balances	<u>\$ 1,738,383</u>	<u>\$ 196,579</u>	<u>\$ -</u>	<u>\$ 49,384</u>	<u>\$ 1,984,346</u>

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

Total fund balances per above \$ (925,327)

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 6,713,283	
Accumulated depreciation	<u>(3,195,928)</u>	3,517,355

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (86,693)

Net assets of governmental activities \$ 2,505,335

County of Middlesex, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2012

	School Operating Fund	Textbook Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue from the use of money and property	\$ 40,726	\$ 114	\$ 4,408	\$ -	\$ 45,248
Charges for services	21,450	-	-	205,434	226,884
Miscellaneous	16,201	-	-	-	16,201
Recovered costs	161,665	-	-	-	161,665
Intergovernmental revenues:	-	-	-	-	-
Local government	7,231,852	35,259	-	-	7,267,111
Commonwealth	3,400,827	15,113	-	329,031	3,744,970
Federal	1,177,528	-	-	-	1,177,528
Total revenues	\$ 12,050,249	\$ 50,486	\$ 4,408	\$ 534,465	\$ 12,639,608
<b>EXPENDITURES</b>					
Current:					
Education	\$ 11,921,153	\$ 113,029	\$ -	\$ 520,589	\$ 12,554,771
Capital projects	-	-	171,678	-	171,678
Total expenditures	\$ 11,921,153	\$ 113,029	\$ 171,678	\$ 520,589	\$ 12,726,449
Excess (deficiency) of revenues over (under) expenditures	\$ 129,096	\$ (62,543)	\$ (167,270)	\$ 13,876	\$ (86,841)
Net change in fund balances	\$ 129,096	\$ (62,543)	\$ (167,270)	\$ 13,876	\$ (86,841)
Fund balances - beginning	178,204	259,122	(1,310,511)	34,699	(838,486)
Fund balances - ending	\$ 307,300	\$ 196,579	\$ (1,477,781)	\$ 48,575	\$ (925,327)

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 \$ (86,841)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Joint tenancy allocation	\$ -	
Depreciation expense	<u>(177,725)</u>	(177,725)

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

(Increase) decrease in compensated absences	\$ 8,962	
(Increase) decrease in OPEB liability	<u>(12,524)</u>	(3,562)
Change in net assets of governmental activities		<u>\$ (268,129)</u>

County of Middlesex, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
Discretely Presented Component Unit – School Board  
For the Year Ended June 30, 2012

	School Operating Fund				Textbook Fund				School Capital Projects Fund				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		Original	Final	Actual		Original	Final	Actual		
REVENUES													
Revenue from the use of													
money and property	\$ -	\$ -	\$ 40,726	\$ 40,726	\$ -	\$ -	\$ 114	\$ 114	\$ -	\$ -	\$ 4,408	\$ 4,408	
Charges for services	12,600	12,600	21,450	8,850	-	-	-	-	-	-	-	-	
Miscellaneous	9,000	18,090	16,201	(1,889)	-	-	-	-	-	-	-	-	
Recovered costs	124,591	196,638	161,665	(34,973)	-	-	-	-	-	-	-	-	
Intergovernmental revenues:													
Local Government	7,231,852	7,231,852	7,231,852	-	-	-	35,259	35,259	-	-	-	-	
Commonwealth	3,359,929	3,565,319	3,400,827	(164,493)	12,196	12,196	15,113	2,917	-	-	-	-	
Federal	857,528	1,334,317	1,177,528	(156,789)	-	-	-	-	-	-	-	-	
Total revenues	\$ 11,595,500	\$ 12,358,816	\$ 12,050,249	\$ (308,567)	\$ 12,196	\$ 12,196	\$ 50,486	\$ 38,290	\$ -	\$ -	\$ 4,408	\$ 4,408	
EXPENDITURES													
Current:													
Education	\$ 10,010,585	\$ 10,855,403	\$ 10,570,247	\$ 285,155	\$ 47,455	\$ 306,577	\$ 113,029	\$ 193,548	\$ -	\$ -	\$ -	\$ -	
Capital projects	1,287,973	1,322,944	1,350,906	(27,962)	-	-	-	-	285,000	285,000	171,678	113,322	
Total expenditures	\$ 11,298,558	\$ 12,178,347	\$ 11,921,153	\$ 257,193	\$ 47,455	\$ 306,577	\$ 113,029	\$ 193,548	\$ 285,000	\$ 285,000	\$ 171,678	\$ 113,322	
Excess (deficiency) of revenues over (under) expenditures	\$ 296,942	\$ 180,470	\$ 129,096	\$ (51,374)	\$ (35,259)	\$ (294,381)	\$ (62,543)	\$ 231,838	\$ (285,000)	\$ (285,000)	\$ (167,270)	\$ 117,730	
OTHER FINANCING SOURCES (USES)													
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net change in fund balances	\$ 296,942	\$ 180,470	\$ 129,096	\$ (51,374)	\$ (35,259)	\$ (294,381)	\$ (62,543)	\$ 231,838	\$ (285,000)	\$ (285,000)	\$ (167,270)	\$ 117,730	
Fund balances - beginning	(296,942)	(180,470)	178,204	358,674	35,259	294,381	259,122	(35,259)	285,000	285,000	(1,310,511)	(1,595,511)	
Fund balances - ending	\$ -	\$ -	\$ 307,300	\$ 307,300	\$ -	\$ -	\$ 196,579	\$ 196,579	\$ -	\$ -	\$ (1,477,781)	\$ (1,477,781)	

County of Middlesex, Virginia  
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, 2012

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 273,031	\$ 273,031	\$ 205,434	\$ (67,597)
Intergovernmental revenues:				
Local Government	-	-	-	-
Commonwealth	260,307	260,307	329,031	68,724
Federal	-	-	-	-
Total revenues	<u>\$ 533,338</u>	<u>\$ 533,338</u>	<u>\$ 534,465</u>	<u>\$ 1,127</u>
EXPENDITURES				
Current:				
Education	<u>\$ 533,338</u>	<u>\$ 589,968</u>	<u>\$ 520,589</u>	<u>\$ 69,379</u>
Total expenditures	<u>\$ 533,338</u>	<u>\$ 589,968</u>	<u>\$ 520,589</u>	<u>\$ 69,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (56,630)</u>	<u>\$ 13,876</u>	<u>\$ 70,507</u>
Net change in fund balances	\$ -	\$ (56,630)	\$ 13,876	\$ 70,507
Fund balances - beginning	<u>-</u>	<u>56,630</u>	<u>34,699</u>	<u>(21,931)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,576</u>	<u>\$ 48,576</u>



County of Middlesex, Virginia  
Statement of Net Assets  
Discretely Presented Component Unit - Industrial Development Authority  
June 30, 2012

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 288,378
Due from other governmental units	32,401
Notes receivable	<u>34,020</u>
Total current assets	<u>\$ 354,799</u>

## Noncurrent assets:

## Other assets:

Notes receivable	\$ 197,383
Total noncurrent assets	<u>\$ 197,383</u>

Total assets	<u>\$ 552,182</u>
--------------	-------------------

**LIABILITIES**

## Current liabilities:

Notes payable - current portion	\$ 25,000
Total current liabilities	<u>\$ 25,000</u>

## Noncurrent liabilities:

Notes payable - net of current portion	\$ 35,000
Total noncurrent liabilities	<u>\$ 35,000</u>
Total liabilities	<u>\$ 60,000</u>

**NET ASSETS**

Unrestricted	\$ 492,182
Total net assets	<u><u>\$ 492,182</u></u>



County of Middlesex, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2012

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**OPERATING REVENUES**

Charges for services:

Bond fees	\$ <u>22,663</u>
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Total operating revenues	\$ <u>22,663</u>
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**OPERATING EXPENSES**

Other charges	\$ <u>35</u>
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Operating income (loss)	\$ <u>22,628</u>
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**NONOPERATING REVENUES (EXPENSES)**

Intergovernmental revenue	\$ 36,680
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Investment earnings	1,228
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Interest expense	<u>(4,729)</u>
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Total nonoperating revenues (expenses)	\$ <u>33,179</u>
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Change in net assets	\$ 55,807
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Total net assets - beginning	<u>436,375</u>
------------------------------	----------------

Total net assets - ending	\$ <u><u>492,182</u></u>
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County of Middlesex, Virginia  
Statement of Cash Flows  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2012

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## CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 22,663
Payments for operating activities	<u>(35)</u>
Net cash provided (used) by operating activities	\$ <u>22,628</u>

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Additions to utility plant	\$ -
Proceeds from the sale of assets	-
Principal payments on notes	(25,000)
Contributions in aid of construction	36,680
Payments on notes receivable	32,400
Interest payments	<u>(4,729)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>39,351</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ <u>1,228</u>
Net cash provided (used) by investing activities	\$ <u>1,228</u>

Net increase (decrease) in cash and cash equivalents \$ 63,207

Cash and cash equivalents - beginning	<u>225,171</u>
Cash and cash equivalents - ending	\$ <u><u>288,378</u></u>

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

Operating income (loss)	\$ <u>22,628</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Total adjustments	\$ <u>-</u>
Net cash provided (used) by operating activities	\$ <u><u>22,628</u></u>



County of Middlesex, Virginia  
Schedule of Revenues – Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes				
Real property taxes	\$ 9,949,923	\$ 9,949,923	\$ 9,971,335	\$ 21,412
Real and personal public service corporation taxes	139,000	139,000	167,546	28,546
Personal property taxes	2,282,942	2,283,142	2,425,807	142,665
Mobile home taxes	46,944	46,744	51,425	4,681
Airplane Tax	845	845	847	2
Machinery and tools taxes	3,000	3,000	2,981	(19)
Penalties	80,560	80,560	111,688	31,128
Interest	48,240	48,240	93,955	45,715
Total general property taxes	\$ 12,551,454	\$ 12,551,454	\$ 12,825,584	\$ 274,130
Other local taxes:				
Local sales and use taxes	\$ 863,372	\$ 863,372	\$ 847,269	\$ (16,103)
Consumers' utility taxes	228,596	228,596	229,734	1,138
Electric consumption taxes	44,750	44,750	42,119	(2,631)
Business license taxes	150,000	150,000	189,895	39,895
Motor vehicle taxes	277,305	281,634	301,981	20,347
Bank stock taxes	51,572	51,572	46,893	(4,679)
Taxes on recordation and wills	225,246	225,246	176,980	(48,266)
Airport Improvement Tax	155,510	178,471	189,088	10,616
Total other local taxes	\$ 1,996,351	\$ 2,023,641	\$ 2,023,959	\$ 317
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,585	\$ 10,585	\$ 11,062	\$ 477
Land use application fees	558	558	11,375	10,817
Transfer fees	548	548	523	(25)
Zoning fees	6,500	6,500	8,370	1,870
Permits and other licenses	109,020	109,020	87,549	(21,471)
Total permits, privilege fees, and regulatory licenses	\$ 127,211	\$ 127,211	\$ 118,879	\$ (8,332)
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,600	\$ 65,600	\$ 43,688	\$ (21,912)
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 7,091	\$ (2,909)
Revenue from use of property	50,000	50,000	48,223	(1,777)
Total revenue from use of money and property	\$ 60,000	\$ 60,000	\$ 55,314	\$ (4,686)
Charges for services:				
Charges for law enforcement and traffic control	\$ 6,177	\$ 6,177	\$ 1,151	\$ (5,026)
Charges for courthouse maintenance	1,086	1,086	3,237	2,151
Local gun permit fees	4,000	4,000	3,914	(86)
Charges for courthouse security	25,000	25,000	13,313	(11,687)

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for Commonwealth's Attorney	\$ 600	\$ 600	\$ 1,034	\$ 434
Charges for boarding of dogs	500	500	235	(265)
Charges for passports	2,000	2,000	3,050	1,050
Charges for other court fees	-	-	-	-
Charges for parks and recreation	5,000	10,000	12,394	2,394
Charges for map books	250	250	278	28
Charges for airport fees	-	-	-	-
Charges for planning and community development	14,186	14,186	12,904	(1,283)
Total charges for services	\$ 58,799	\$ 63,799	\$ 51,509	\$ (12,290)
Miscellaneous revenue:				
Miscellaneous	\$ 1,800	\$ 1,800	\$ 2,367	\$ 567
Friends for life	-	-	6,098	6,098
Total miscellaneous revenue	\$ 1,800	\$ 1,800	\$ 8,465	\$ 6,665
Recovered costs:				
Miscellaneous Refunds	\$ 3,000	\$ 3,000	\$ 16,485	\$ 13,485
VPA Refunds	10,000	10,000	13,184	3,184
Treasurer and Administrative Fees	15,000	15,000	37,583	22,583
Insurance RIRI	-	40,131	44,748	4,617
Reimbursement COBRA	-	-	1,011	1,011
Credit Card Administrative	1,500	1,500	3,556	2,056
Restitution through Courts	-	-	-	-
Total recovered costs	\$ 29,500	\$ 69,631	\$ 116,568	\$ 46,936
Total revenue from local sources	\$ 14,890,715	\$ 14,963,137	\$ 15,243,966	\$ 280,830
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ -	\$ -	\$ -	\$ -
Motor Vehicles Carrier Tax	700	700	1,331	631
Rolling stock tax	350	350	597	247
Mobile home titling tax	18,000	18,000	12,769	(5,231)
Motor vehicle rental tax	-	-	-	-
State recordation tax	-	-	-	-
Communications tax	477,508	477,508	441,218	(36,290)
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,206,193	\$ 1,206,193	\$ 1,165,550	\$ (40,643)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 125,999	\$ 125,999	\$ 154,707	\$ 28,708
Sheriff	669,520	684,683	651,781	(32,902)
Commissioner of revenue	80,450	80,450	89,188	8,738
Treasurer	72,321	72,321	80,630	8,309
Registrar/electoral board	41,500	41,500	41,814	314

County of Middlesex, Virginia  
Schedule of Revenues – Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Shared expenses: (continued)				
Victims Witness Protection	\$ 25,195	\$ 27,033	\$ 19,058	\$ (7,974)
General District Court	1,800	1,800	1,738	(62)
Clerk of the Circuit Court	151,428	151,428	158,089	6,661
Total Shared expenses	<u>\$ 1,168,213</u>	<u>\$ 1,185,214</u>	<u>\$ 1,197,006</u>	<u>\$ 11,792</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 348,181	\$ 348,181	\$ 390,326	\$ 42,145
E-911 wireless grant	75,000	75,000	151,547	76,547
Comprehensive services act	441,100	441,100	212,975	(228,125)
Special Welfare	-	-	1,757	1,757
Jamestown 2007	-	-	5,000	5,000
Jackson Creek Dredging	-	90,053	90,053	-
Four for life grant	-	12,996	12,996	-
VRA Funds - Thacker Property	-	-	531,427	531,427
Litter control grant	5,500	5,500	5,000	(500)
Storm Damage	-	24,416	24,416	-
Fire programs	-	24,063	27,154	3,091
Airport grant	-	-	-	-
Total other categorical aid	<u>\$ 869,781</u>	<u>\$ 1,021,309</u>	<u>\$ 1,452,651</u>	<u>\$ 431,342</u>
Total categorical aid	<u>\$ 2,037,994</u>	<u>\$ 2,206,523</u>	<u>\$ 2,649,657</u>	<u>\$ 443,134</u>
Total revenue from the Commonwealth	<u>\$ 3,244,187</u>	<u>\$ 3,412,716</u>	<u>\$ 3,815,207</u>	<u>\$ 402,491</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 504,349	\$ 504,349	\$ 504,349	\$ -
Ground transportation safety	-	-	-	-
Byrne JAG grant - ARRA	-	-	-	-
Homeland security grant	-	-	-	-
Total categorical aid	<u>\$ 504,349</u>	<u>\$ 504,349</u>	<u>\$ 504,349</u>	<u>\$ -</u>
Total revenue from the federal government	<u>\$ 504,349</u>	<u>\$ 504,349</u>	<u>\$ 504,349</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 18,639,251</u></u>	<u><u>\$ 18,880,201</u></u>	<u><u>\$ 19,563,522</u></u>	<u><u>\$ 683,322</u></u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from the use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 337,738	\$ 337,738
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,738</u>	<u>\$ 337,738</u>
Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,738</u>	<u>\$ 337,738</u>
Total Primary Government	<u><u>\$ 18,639,251</u></u>	<u><u>\$ 18,880,201</u></u>	<u><u>\$ 19,901,260</u></u>	<u><u>\$ 1,021,059</u></u>

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 40,726	\$ 40,726
Total revenue from use of money and property	\$ -	\$ -	\$ 40,726	\$ 40,726
Charges for services:				
Tuition and payments from other divisions	\$ 12,600	\$ 12,600	\$ 21,450	\$ 8,850
Miscellaneous revenue:				
Other miscellaneous	\$ 9,000	\$ 18,090	\$ 16,201	\$ (1,889)
Recovered costs:				
Local adult education	\$ 124,591	\$ 196,638	\$ 161,665	\$ (34,973)
Total recovered costs	\$ 124,591	\$ 196,638	\$ 161,665	\$ (34,973)
Total revenue from local sources	\$ 146,191	\$ 227,328	\$ 240,042	\$ 12,714
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 7,231,852	\$ 7,231,852	\$ 7,231,852	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,180,505	\$ 1,180,505	\$ 1,181,693	\$ 1,188
Basic school aid	1,274,631	1,274,631	1,245,965	(28,666)
Remedial education	7,859	7,859	40,765	32,906
Regular foster care	31,891	31,891	4,327	(27,564)
General adult education	-	11,798	24,927	13,129
Gifted and talented	13,531	13,531	13,375	(156)
Remedial summer school	32,475	32,475	32,100	(375)
Homebound	2,510	2,510	3,954	1,444
Special education	196,651	196,651	194,382	(2,269)
Enrollment Loss	-	-	625	625
Mentor Teacher	-	-	2,189	2,189
Vocational standards of quality payments	49,313	49,313	48,744	(569)
Social security and retirement fringe benefits	161,170	161,170	159,310	(1,860)
Vocational equipment	4,713	4,713	7,169	2,456
Vocational regional adult	-	107,000	102,810	(4,190)
State lottery payments	41,336	41,336	-	(41,336)
Early reading intervention	3,123	3,123	7,028	3,905
State Stabilization Funds	227,413	227,413	-	(227,413)
School Improvement	38,271	124,863	-	(124,863)
Reduced K-3 class size	41,838	41,838	45,338	3,500
At risk payments	29,439	29,439	29,120	(319)
Standards of learning algebra readiness	4,802	4,802	4,802	-

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 1,981	\$ 1,981	\$ 1,698	\$ (283)
Operating Fund	-	-	38,526	38,526
Project Graduation	16,477	16,477	15,791	(686)
Career Switcher	-	-	1,000	1,000
Mentor teacher	-	-	-	-
Composite Index	-	-	195,189	195,189
Total categorical aid	<u>\$ 3,359,929</u>	<u>\$ 3,565,319</u>	<u>\$ 3,400,827</u>	<u>\$ (164,493)</u>
Total revenue from the Commonwealth	<u>\$ 3,359,929</u>	<u>\$ 3,565,319</u>	<u>\$ 3,400,827</u>	<u>\$ (164,493)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 320,647	\$ 425,366	\$ 410,283	\$ (15,082)
Title I - ARRA	-	37,629	44,741	7,112
Title VI-B, special education flow-through	297,723	369,119	262,382	(106,737)
Title VI-B - ARRA	-	66,021	88,986	22,964
Vocational education	24,737	24,737	16,406	(8,331)
Preschool special education	10,321	10,321	10,304	(17)
Preschool special education - ARRA	-	-	-	-
Title II, Part D	2,335	2,533	198	(2,335)
Title II, Part A	73,765	114,806	74,251	(40,555)
Title III, Part A	-	-	895	895
Middle School corps	-	-	5,000	5,000
Drug free school	-	4,321	-	(4,321)
Adult basic education	-	120,166	102,893	(17,273)
VPSA Technology Grants	128,000	159,298	31,298	(128,000)
State fiscal stabilization funds - education - ARRA	-	-	129,890	129,890
Total categorical aid	<u>\$ 857,528</u>	<u>\$ 1,334,317</u>	<u>\$ 1,177,528</u>	<u>\$ (156,789)</u>
Total revenue from the federal government	<u>\$ 857,528</u>	<u>\$ 1,334,317</u>	<u>\$ 1,177,528</u>	<u>\$ (156,789)</u>
Total School Operating Fund	<u><u>\$ 11,595,500</u></u>	<u><u>\$ 12,358,816</u></u>	<u><u>\$ 12,050,249</u></u>	<u><u>\$ (308,567)</u></u>
<b>School Cafeteria fund:</b>				
Revenue from local sources:				
Charges for services:				
Local Government	\$ -	\$ -	\$ -	\$ -
Cafeteria sales	<u>\$ 273,031</u>	<u>\$ 273,031</u>	<u>\$ 205,434</u>	<u>\$ (67,597)</u>
Total revenue from local sources	<u>\$ 273,031</u>	<u>\$ 273,031</u>	<u>\$ 205,434</u>	<u>\$ (67,597)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 260,307</u>	<u>\$ 260,307</u>	<u>\$ 329,031</u>	<u>\$ 68,724</u>



County of Middlesex, Virginia  
Schedule of Revenues – Budget and Actual  
Government Funds  
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Cafeteria Fund: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ -	\$ -	\$ -	\$ -
Commodities	-	-	-	-
Total categorical aid	\$ 260,307	\$ 260,307	\$ 329,031	\$ 68,724
Total School Cafeteria Fund	\$ 533,338	\$ 533,338	\$ 534,465	\$ 1,127
<b>Textbook Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Local Government	\$ -	\$ -	\$ 35,259	\$ 35,259
Revenue from the use of money	-	-	114	114
Total revenue from use of money and property	\$ -	\$ -	\$ 35,373	\$ 35,373
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	\$ 12,196	\$ 12,196	\$ 15,113	\$ 2,917
Total Textbook Fund	\$ 12,196	\$ 12,196	\$ 50,486	\$ 38,290
<b>Capital Projects Fund:</b>				
<b>School Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4,408	\$ 4,408
Total revenue from use of money and property	\$ -	\$ -	\$ 4,408	\$ 4,408
Total revenue from local sources	\$ -	\$ -	\$ 4,408	\$ 4,408
Total School Capital Improvements Fund	\$ -	\$ -	\$ 4,408	\$ 4,408
Total Discrete Component Unit	\$ 12,141,034	\$ 12,904,350	\$ 12,639,608	\$ (264,742)

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration				
Legislative:				
Board of supervisors	\$ 75,828	\$ 82,388	\$ 75,682	\$ 6,706
General and financial administration:				
County administrator	\$ 298,928	\$ 311,574	\$ 304,885	\$ 6,689
Legal services	55,000	57,200	55,918	1,282
Commissioner of revenue	305,450	315,450	276,714	38,736
Treasurer	215,011	219,345	219,339	6
Independent auditor	37,000	37,000	8,145	28,855
Data processing	146,205	148,896	149,624	(728)
Risk management	134,300	141,568	92,406	49,162
Total general and financial administration	\$ 1,191,894	\$ 1,231,033	\$ 1,107,031	\$ 124,003
Board of elections:				
Electoral board and officials	\$ 37,513	\$ 40,513	\$ 39,746	\$ 767
Registrar	73,527	76,027	73,950	2,077
Total board of elections	\$ 111,040	\$ 116,540	\$ 113,696	\$ 2,844
Total general government administration	\$ 1,378,762	\$ 1,429,961	\$ 1,296,408	\$ 133,553
Judicial administration:				
Courts:				
Circuit court	\$ 148,689	\$ 148,689	\$ 147,404	\$ 1,285
General district court	6,225	6,225	5,056	1,169
Magistrate	-	-	-	-
Juvenile and domestic relations district court	17,044	17,044	403	16,641
Clerk of the circuit court	212,981	212,981	212,747	234
Victim witness	26,387	28,225	31,451	(3,226)
Court services unit	60,208	60,208	28,564	31,644
Merrimac center	49,800	49,800	47,515	2,285
Total courts	\$ 521,334	\$ 523,172	\$ 473,139	\$ 50,033
Commonwealth's attorney:				
Commonwealth's attorney	\$ 198,173	\$ 203,148	\$ 200,144	\$ 3,004
Total judicial administration	\$ 719,507	\$ 726,320	\$ 673,283	\$ 53,036
Public Safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,318,523	\$ 1,341,936	\$ 1,196,687	\$ 145,249
Town police	-	-	-	-
County dispatcher	40,533	40,533	34,769	5,764
School resource officer	97,586	97,586	92,955	4,631
School crossing guard	-	-	-	-
Forfeited assets	-	-	5,143	(5,143)
Total law enforcement and traffic control	\$ 1,456,642	\$ 1,480,055	\$ 1,329,555	\$ 150,500

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 200,000	\$ 227,337	\$ 225,117	\$ 2,220
Rescue service	139,460	152,456	152,028	428
Total fire and rescue services	<u>\$ 339,460</u>	<u>\$ 379,793</u>	<u>\$ 377,145</u>	<u>\$ 2,648</u>
Correction and detention:				
Regional jail	\$ 713,959	\$ 869,449	\$ 869,449	\$ -
Inspections:				
Building	\$ 115,387	\$ 115,387	\$ 107,364	\$ 8,023
Other protection:				
Animal control	\$ 90,455	\$ 90,455	\$ 74,776	\$ 15,679
Medical examiner	350	350	40	310
Emergency services	102,798	102,798	100,079	2,719
E-911	108,032	108,032	98,578	9,454
Friends for life	-	-	6,502	(6,502)
Total other protection	<u>\$ 301,635</u>	<u>\$ 301,635</u>	<u>\$ 279,976</u>	<u>\$ 21,659</u>
Total public safety	<u>\$ 2,927,083</u>	<u>\$ 3,146,319</u>	<u>\$ 2,963,489</u>	<u>\$ 182,831</u>
Public works:				
Sanitation and waste removal:				
Refuse collection - convenience centers	\$ 94,803	\$ 94,803	\$ 83,222	\$ 11,581
Landfill maintenance	102,900	102,900	2,950	99,950
VPPSA	752,037	764,799	693,501	71,298
Total sanitation and waste removal	<u>\$ 949,740</u>	<u>\$ 962,502</u>	<u>\$ 779,672</u>	<u>\$ 182,830</u>
Maintenance of general buildings and grounds:				
General properties	\$ 557,944	\$ 611,935	\$ 584,965	\$ 26,970
Airport	154,039	179,098	178,917	181
Total maintenance of general buildings and grounds	<u>\$ 711,983</u>	<u>\$ 791,033</u>	<u>\$ 763,883</u>	<u>\$ 27,150</u>
Total public works	<u>\$ 1,661,723</u>	<u>\$ 1,753,535</u>	<u>\$ 1,543,555</u>	<u>\$ 209,980</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 157,261	\$ 157,261	\$ 157,261	\$ -
Total health	<u>\$ 157,261</u>	<u>\$ 157,261</u>	<u>\$ 157,261</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 31,909	\$ 31,909	\$ 31,909	\$ -

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 1,136,595	\$ 1,136,595	\$ 990,455	\$ 146,140
Other service organizations	2,000	2,000	-	2,000
Virginia Housing Development	2,292	2,292	2,292	-
Bay aging transport	43,085	43,085	42,185	900
Comprehensive Services Act	802,669	802,669	358,817	443,852
Special Welfare	-	-	4,977	(4,977)
Vocational rehabilitation center	4,553	4,553	4,553	-
Humane society	8,075	8,075	8,075	-
Total welfare	\$ 2,031,178	\$ 2,031,178	\$ 1,443,263	\$ 587,915
Total health and welfare	\$ 2,188,439	\$ 2,188,439	\$ 1,600,524	\$ 587,915
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 4,994	\$ 4,994	\$ 4,994	\$ -
Virginia High School League activities	2,850	2,850	-	2,850
Contribution to County School Board	7,271,109	7,271,109	7,267,111	3,998
Total education	\$ 7,278,953	\$ 7,278,953	\$ 7,272,105	\$ 6,848
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 42,626	\$ 47,626	\$ 42,608	\$ 5,018
Sports complex	23,000	20,567	20,567	-
YMCA	47,500	47,500	47,500	-
Total parks and recreation	\$ 113,126	\$ 115,693	\$ 110,675	\$ 5,018
Cultural enrichment:				
Museum	\$ 4,275	\$ 4,275	\$ 4,275	\$ -
Jamestown contribution	70,739	70,739	22,052	48,687
Total cultural enrichment	\$ 75,014	\$ 75,014	\$ 26,327	\$ 48,687
Library:				
Regional library	\$ 102,600	\$ 102,600	\$ 102,682	\$ (82)
Total parks, recreation, and cultural	\$ 290,740	\$ 293,307	\$ 239,684	\$ 53,623
Community development:				
Planning and community development:				
Economic development	\$ 6,110	\$ 6,110	\$ 22,282	\$ (16,172)
Planning	98,116	98,116	98,115	1
Board of zoning appeals	3,775	3,775	2,893	882
Zoning administration	895,925	89,592	83,191	6,401
Total planning and community development	\$ 1,003,926	\$ 197,593	\$ 206,480	\$ (8,887)
Environmental management:				
Soil and water conservation district	\$ 5,600	\$ 5,600	\$ 4,750	\$ 850
Environmental enforcement	-	-	-	-

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Environmental management: (Continued)				
Forestry services	\$ 4,384	\$ 4,384	\$ 4,303	\$ 81
Environmental Enforcement/Wetlands	13,050	13,050	12,990	60
Total environmental management	<u>\$ 23,034</u>	<u>\$ 23,034</u>	<u>\$ 22,043</u>	<u>\$ 991</u>
Cooperative extension program:				
Extension office	\$ 43,750	\$ 43,750	\$ 9,288	\$ 34,462
Total community development	<u>\$ 1,070,710</u>	<u>\$ 264,377</u>	<u>\$ 237,812</u>	<u>\$ 26,565</u>
Debt service:				
Principal retirement	\$ 875,444	\$ 887,400	\$ 1,218,176	\$ (330,776)
Interest and other fiscal charges	1,181,800	1,181,880	715,224	466,656
Bond Issuance Costs	-	-	98,056	(98,056)
Total debt service	<u>\$ 2,057,244</u>	<u>\$ 2,069,280</u>	<u>\$ 2,031,456</u>	<u>\$ 37,824</u>
Total General Fund	<u>\$ 19,573,161</u>	<u>\$ 19,150,491</u>	<u>\$ 17,858,315</u>	<u>\$ 1,292,176</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County capital projects	\$ 698,854	\$ 892,647	\$ 644,792	\$ 247,855
Total capital projects	<u>\$ 698,854</u>	<u>\$ 892,647</u>	<u>\$ 644,792</u>	<u>\$ 247,855</u>
Total County Capital Improvements Fund	<u>\$ 698,854</u>	<u>\$ 892,647</u>	<u>\$ 644,792</u>	<u>\$ 247,855</u>
Total Primary Government	<u>\$ 20,272,015</u>	<u>\$ 20,043,138</u>	<u>\$ 18,503,107</u>	<u>\$ 1,540,031</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs:				
Elementary and secondary schools	\$ 8,423,763	\$ 9,168,586	\$ 8,923,577	\$ 245,009
Operating costs:				
Administration, attendance and health services	\$ 730,528	\$ 730,523	\$ 712,253	\$ 18,270
Pupil transportation	856,294	956,294	934,418	21,876
Operation and maintenance of school plant	1,287,973	1,322,944	1,350,906	(27,962)
Total operating costs	<u>\$ 2,874,795</u>	<u>\$ 3,009,761</u>	<u>\$ 2,997,576</u>	<u>\$ 12,185</u>
Total education	<u>\$ 11,298,558</u>	<u>\$ 12,178,347</u>	<u>\$ 11,921,153</u>	<u>\$ 257,193</u>
Total School Operating Fund	<u>\$ 11,298,558</u>	<u>\$ 12,178,347</u>	<u>\$ 11,921,153</u>	<u>\$ 257,193</u>

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Textbook Fund:</b>				
Education:				
Instruction:				
Elementary and secondary schools	\$ 47,455	\$ 306,577	\$ 113,029	\$ 193,548
Total Textbook Fund	\$ <u>47,455</u>	\$ <u>306,577</u>	\$ <u>113,029</u>	\$ <u>193,548</u>
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 253,725	\$ 246,969	\$ 247,375	\$ (405)
Commodities	279,613	342,999	273,214	69,784
Total Cafeteria Fund	\$ <u>533,338</u>	\$ <u>589,968</u>	\$ <u>520,589</u>	\$ <u>69,379</u>
<b>School Capital Projects Fund:</b>				
Capital projects expenditures:				
Repairs and maintenance	\$ 285,000	\$ 285,000	\$ 171,678	\$ 113,322
Total capital projects	\$ <u>285,000</u>	\$ <u>285,000</u>	\$ <u>171,678</u>	\$ <u>113,322</u>
Total School Capital Projects Fund	\$ <u>285,000</u>	\$ <u>285,000</u>	\$ <u>171,678</u>	\$ <u>113,322</u>
Total Discretely Presented Component Unit - School Board	\$ <u>12,164,351</u>	\$ <u>13,359,892</u>	\$ <u>12,726,449</u>	\$ <u>633,443</u>

This section of the County of Middlesex, Virginia's Financial Statements presents detailed information as a perspective for understanding what the information contained in the financial statements, notes and required supplementary information convey about the overall financial position of the County of Middlesex, Virginia.

Table 1

County of Middlesex, Virginia  
Government-Wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Capital Outlays	Interest on Long-Term Debt	Total
2002-03	\$ 1,011,414	\$ 363,179	\$ 2,196,032	\$ 1,054,798	\$ 1,242,707	\$ 5,160,891	\$ 127,483	\$ 215,184	\$ 156,883	\$ 265,639	\$ 11,794,210
2003-04	1,088,000	378,602	2,630,238	1,427,697	1,115,348	5,321,906	153,495	210,254	-	1,020,095	13,345,635
2004-05	1,153,179	391,255	2,332,940	1,326,867	1,254,135	4,882,864	104,771	215,958	-	1,428,981	13,090,950
2005-06	1,227,037	653,275	2,132,900	1,377,871	1,417,466	5,886,579	170,413	295,589	-	1,415,722	14,576,852
2006-07	1,403,919	907,113	2,498,709	1,738,886	1,385,778	6,545,863	162,173	340,485	-	1,264,784	16,247,710
2007-08	1,534,437	859,285	2,743,335	1,972,545	1,769,112	6,592,497	215,643	316,946	-	1,354,087	17,357,887
2008-09	1,333,731	903,325	3,302,858	2,067,376	2,159,380	7,607,213	251,557	471,996	-	1,328,472	19,425,908
2009-10	1,667,597	723,111	3,009,235	1,410,745	2,180,137	7,104,144	193,651	283,556	-	1,305,599	17,877,775
2010-11	1,522,660	836,428	3,106,856	1,553,944	2,020,487	7,988,806	232,105	235,397	-	1,267,491	18,764,174
2011-12	1,291,402	829,480	2,872,445	1,477,432	1,603,094	7,837,679	252,265	237,812	644,792	1,564,059	18,610,460



Table 2

County of Middlesex, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2002-03	\$ 287,218	\$ 2,181,719	\$ -	\$	7,875,448	\$ 1,732,108	\$ 323,733	\$ 122,989	\$ 743,484	\$ 13,266,699
2003-04	286,254	1,973,815	-		8,164,283	1,903,328	233,759	110,420	743,005	13,414,864
2004-05	375,172	2,096,597	-		8,446,655	2,147,563	284,747	138,197	749,749	14,238,680
2005-06	432,172	2,099,357	-		8,756,050	2,385,289	309,981	315,730	768,102	15,066,681
2006-07	380,545	2,242,986	-		9,370,023	2,426,960	354,712	229,009	815,447	15,819,682
2007-08	531,653	2,615,005	-		10,528,167	2,378,949	219,960	99,377	810,056	17,183,167
2008-09	350,139	2,703,065	-		10,963,199	2,240,138	111,028	113,186	778,513	17,259,268
2009-10	360,648	2,735,584	-		12,026,611	1,674,067	95,638	216,040	1,324,139	18,432,727
2010-11	320,826	2,544,210	-		12,984,605	1,794,343	55,765	-	1,111,883	18,811,632
2011-12	214,077	3,154,006	-		12,825,584	2,023,959	393,052	126,033	1,165,550	19,902,261

Table 3

County of Middlesex, Virginia  
General Governmental Revenues by Source <sup>(1)</sup>  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental <sup>(2)</sup>	Total
2003	\$ 7,902,844	\$ 1,732,108	\$ 210,812	\$ 21,756	\$ 373,208	\$ 279,196	\$ 179,712	\$ 42,200	\$ 8,435,490	\$ 19,177,326
2004	8,004,398	1,903,328	185,625	46,657	254,863	313,851	163,001	44,000	8,266,496	19,182,219
2005	8,513,819	2,147,563	219,179	90,071	312,748	326,695	168,097	128,817	9,145,300	21,052,289
2006	8,876,242	2,385,289	257,045	46,066	336,448	392,939	372,817	50,809	9,129,560	21,847,215
2007	9,343,112	2,426,960	183,879	34,854	364,450	404,089	320,731	58,340	9,382,629	22,519,044
2008	10,305,154	2,378,949	172,590	19,027	249,055	618,124	153,383	196,158	9,598,934	23,691,374
2009	10,935,020	2,240,138	113,813	45,827	140,626	484,057	170,397	170,221	8,859,153	23,159,252
2010	11,890,905	1,674,067	121,206	53,628	126,070	442,953	271,714	96,219	9,690,955	24,367,717
2011	12,902,699	1,780,100	99,613	44,837	131,821	282,980	198,821	119,976	8,344,413	23,905,260
2012	12,937,272	2,023,959	118,879	34,674	3,110,547	265,248	18,567	278,232	4,883,972	23,671,352

<sup>(1)</sup> Includes General, Special Revenue, and Capital Project funds of the Primary Government and its Discretely Presented Component Unit - School Board.

<sup>(2)</sup> Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 4

County of Middlesex, Virginia  
General Governmental Expenditures by Function <sup>(1)</sup>  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education <sup>(2)</sup>	Parks, Recreation, and Cultural	Community Development	Capital Projects	Debt Service	Total
2003	\$ 1,013,338	\$ 362,963	\$ 2,296,433	\$ 1,067,855	\$ 1,249,961	\$ 10,038,121	\$ 145,509	\$ 218,348	\$ 6,103,597	\$ 1,885,966	\$ 24,382,091
2004	1,043,407	377,214	2,649,413	1,523,618	1,132,281	10,339,422	139,582	208,147	5,414,753	2,307,007	25,134,844
2005	1,091,325	419,701	2,439,811	1,314,918	1,244,515	11,184,551	138,638	221,320	1,204,003	2,107,626	21,366,408
2006	1,235,187	452,754	2,265,284	1,345,663	1,425,618	11,329,405	155,567	295,589	1,500,065	2,062,276	22,067,408
2007	1,404,146	468,181	2,603,193	1,518,447	1,400,720	12,140,409	202,327	340,485	820,423	2,814,122	23,712,453
2008	1,491,029	616,057	2,774,444	1,896,680	1,768,359	12,712,079	216,668	316,946	1,926,481	2,001,275	25,720,018
2009	1,310,144	667,627	3,220,782	1,691,089	2,176,012	12,744,401	232,918	373,876	517,624	2,161,807	25,096,280
2010	1,291,007	630,324	3,087,176	1,381,551	2,159,469	12,588,815	217,699	259,109	62,987	2,217,281	23,895,418
2011	1,315,923	626,717	2,908,158	1,524,750	1,978,625	12,600,085	209,375	227,835	363,029	2,411,498	24,165,995
2012	1,296,408	673,283	2,963,489	1,543,555	1,600,524	12,731,443	239,684	237,812	644,792	2,031,456	23,962,445

<sup>(1)</sup> Includes General, Special Revenue, and Capital Project Funds of the Primary Government and its Discretely Presented Component Unit - School Board.

<sup>(2)</sup> Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 5

County of Middlesex, Virginia  
Property Tax Levies and Collections <sup>(1)</sup>  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections <sup>(3)</sup>	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes <sup>(2,3)</sup>	Percent of Delinquent Taxes to Tax Levy
2003	\$ 8,543,566	\$ 7,908,933	92.57%	\$ 507,721	\$ 8,416,654	98.51%	\$ 530,572	6.21%
2004	8,854,968	8,141,013	91.94%	405,822	8,546,835	96.52%	627,563	7.09%
2005	8,937,059	8,478,921	94.87%	536,129	9,015,050	100.87%	513,484	5.75%
2006	9,573,091	8,877,477	92.73%	555,601	9,433,078	98.54%	517,291	5.40%
2007	9,963,181	9,629,946	96.66%	307,769	9,937,715	99.74%	422,555	4.24%
2008	11,001,273	10,412,579	94.65%	483,889	10,896,468	99.05%	661,817	6.02%
2009	11,658,122	10,985,625	94.23%	538,055	11,523,680	98.85%	559,733	4.80%
2010	12,553,471	12,124,238	96.58%	325,615	12,449,853	99.17%	470,157	3.75%
2011	13,477,221	12,813,099	95.07%	633,646	13,446,745	99.77%	337,788	2.51%
2012	13,639,196	12,440,376	91.21%	333,594	12,773,970	93.66%	754,416	5.53%

<sup>(1)</sup> Exclusive of penalties and interest.

<sup>(2)</sup> Includes all year's taxes outstanding at year-end.

<sup>(3)</sup> Includes Commonwealth's reimbursements for personal property taxes and balance outstanding.

Table 6

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

Fiscal Year	Real Estate <sup>(1)</sup>	Personal Property and Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service <sup>(2)</sup>	Total
2003	\$ 932,290,500	\$ 94,122,628	\$ 169,601	\$ 2,683,737	\$ 32,532,207	\$ 1,061,798,673
2004	1,070,810,200	99,237,215	167,505	2,755,735	31,930,478	1,204,901,133
2005	1,216,592,350	99,908,722	194,591	2,832,101	34,279,218	1,353,806,982
2006	1,253,227,000	103,761,222	230,255	-	28,008,897	1,385,227,374
2007	1,287,765,081	102,519,714	227,634	-	18,574,792	1,409,087,221
2008	1,815,934,227	108,559,269	313,111	-	16,566,244	1,941,372,851
2009	2,361,923,641	104,646,192	254,063	-	36,703,825	2,503,527,721
2010	2,383,366,546	101,564,084	240,158	-	33,301,317	2,518,472,105
2011	2,251,385,965	80,205,876	85,040	-	32,479,070	2,364,155,951
2012	2,122,059,100	102,463,279	267,677	-	43,195,070	2,267,985,126

<sup>(1)</sup> Real estate is assessed at 100% of fair market value.

<sup>(2)</sup> Assessed values are established by the State Corporation Commission.

Table 7

County of Middlesex, Virginia  
Property Tax Rates <sup>(1)</sup>  
Last Ten Fiscal Years

Fiscal Year							Public Utility	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital		Real Estate	Personal Property
2003	\$ 0.59	\$ 3.50	\$ 0.59	\$ 3.50	\$ 1.25	\$	0.59	\$ 3.50
2004	0.59/0.48	3.50	0.59	3.50	1.25		0.59	3.50
2005	0.48	3.50	0.48	3.50	1.25		0.48	3.50
2006	0.48	3.50	0.48	3.50	1.25		0.48	3.50
2007	0.52	3.50	0.52	1.75	1.25		0.52	3.50
2008	0.52/0.35	3.50	0.52	1.75	0.00		0.52	3.50
2009	0.35	3.50	0.35	1.75	0.00		0.35	3.50
2010	0.35/0.43	3.50	0.35	1.75	0.00		0.35	3.50
2011	0.43	3.50	0.43	3.50	0.00		0.43	3.50
2012	0.43	3.50	0.43	3.50	0.00		0.43	3.50

<sup>(1)</sup> Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population <sup>(1)</sup>	Assessed Value <sup>(2)</sup>	Gross Bonded Debt <sup>(3)</sup>	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003	9,932	\$ 1,061,798,673	\$ 25,204,087	0.024	2,538
2004	9,932	1,204,901,133	27,005,577	0.022	2,719
2005	9,932	1,353,806,982	26,112,460	0.019	2,629
2006	9,932	1,385,227,374	25,278,426	0.018	2,545
2007	9,932	1,409,087,221	25,293,412	0.018	2,547
2008	9,932	1,941,372,851	24,662,348	0.013	2,483
2009	9,932	2,503,527,721	24,609,209	0.010	2,478
2010	9,932	2,518,472,105	23,439,136	0.009	2,360
2011	10,959	2,364,155,951	21,936,641	0.009	2,002
2012	10,854	2,267,985,126	24,227,984	0.011	2,232

<sup>(1)</sup> Bureau of Census

<sup>(2)</sup> From Table 6

<sup>(3)</sup> Includes all long-term general obligation bonded debt, lease revenue bonds, retirement obligations, literary fund loans, and appropriation loans. Excludes capital leases and compensated absences.

Table 9

County of Middlesex, Virginia  
Ratio of Annual Debt Service Expenditures for General Bonded  
Debt to Total General Governmental Expenditures  
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures <sup>(1)(2)</sup>	Ratio of Debt Service to General Governmental Expenditures
2003	\$ 622,865	\$ 1,263,101	\$ 1,885,966	\$ 18,278,494	10.32%
2004	609,312	1,444,348	2,053,660	19,720,091	10.41%
2005	919,606	1,188,020	2,107,626	20,162,405	10.45%
2006	851,019	1,211,257	2,062,276	20,567,343	10.03%
2007	865,014	1,174,108	2,039,122	22,892,030	8.91%
2008	981,064	1,020,211	2,001,275	23,793,557	8.41%
2009	1,088,139	1,073,668	2,161,807	24,578,656	8.80%
2010	1,170,073	1,047,208	2,217,281	23,832,431	9.30%
2011	1,177,977	1,233,521	2,411,498	23,802,966	10.13%
2012	887,918	1,045,482	1,933,400	23,962,445	8.07%

<sup>(1)</sup> Includes Primary Government and Component Unit School Board

<sup>(2)</sup> From Table 4, less Capital Projects expenditures.





**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 Middlesex, Virginia

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia as of and for the year ended June 30, 2012, which collectively comprise of the County of Middlesex, Virginia's basic financial statements and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 County of Middlesex, 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 Middlesex, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

***Davis & Associates***

Alexandria, Virginia  
November 15, 2012

**Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report**

To The Honorable Members of  
The Board of Supervisors  
County of Middlesex, Virginia

**Compliance**

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2012. The County of Middlesex, 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 Middlesex, Virginia's management. Our responsibility is to express an opinion on the County of Middlesex, 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 Middlesex, 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 Middlesex, Virginia's compliance with those requirements.

In our opinion, the County of Middlesex, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the County of Middlesex, 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 Middlesex, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Middlesex, Virginia's internal control over compliance.

*A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a control deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be

deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.

*Davis & Associates*

Alexandria, Virginia  
November 15, 2012

County of Middlesex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Health and Human Services:</b>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	950112	\$ 13,113
Temporary assistance for needy families	93.558	400112	102,113
Refugee and entrant assistance - state administered programs	93.566	500112	91
Low income home energy assistance	93.568	600412	7,569
CCDF cluster:			
Child care and development block grant	93.575	770111	26,896
Child care mandatory and matching funds of the child care and development fund	93.596	760112	34,385
ARRA - Child care and development block grant	93.713	740109/0780109	-
Chafee Education & Training Vouchers Programs	93.599	9160111	459
Child welfare services - state grants	93.645	900112/9001112	326
Foster care - Title IV-E	93.658	1011111/1100112	33,370
ARRA - Foster care - Title IV-E	93.658	1011111/1100112	-
Adoption assistance	93.659	1120112	74,430
ARRA - Adoption Assistance	93.659	1120112	-
Social services block grant	93.667	1000112	75,283
Chafee foster care independence program	93.674	9150111/9150112	1,806
Children's health insurance program	93.767	540112	2,152
Medical assistance program	93.778	1200112	49,693
			<u>421,686</u>
Total Department of Health and Human Services			\$ <u>421,686</u>
<b>Department of Agriculture:</b>			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Child nutrition cluster:			
Food Distribution ~ School	10.555	1790145707	\$ -
<i>Department of Education:</i>			
Child nutrition cluster:			
School breakfast program	10.553	1790140591	59,617
National school lunch program	10.555	1790140623	269,414
<i>Department of Social Services:</i>			
SNAP cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	10111/10112	82,663
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	30112/50112	-
			<u>411,694</u>
Total Department of Agriculture			\$ <u>411,694</u>

County of Middlesex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Homeland Security</b>			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
State homeland security program	97.073	7750100-52749	\$ -
<b>Department of Justice:</b>			
Pass Through Payments:			
<i>Compensation Board:</i>			
ARRA - Edward Byrne justice assistance grant	16.803	30712/30713/30716	\$ -
<b>Department of Transportation:</b>			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety program	20.600	60507-59250/50192	\$ -
<b>Department of Education:</b>			
Pass Through Payments:			
<i>Department of Education:</i>			
Adult education - basic grants to states	84.002	17901-42801	\$ 102,893
Title I, Part A cluster:			
Title I grants to local educational agencies	84.010	17901-42901	410,283
ARRA - Title I grants to local educational agencies	84.389	17901-42913	44,741
Special education cluster:			
Special education - grants to states	84.027	17901-43071	299,576
ARRA - Special education - grants to states	84.391	17901-61245	88,986
ARRA - Special education - preschool grants	84.392	17901-61247	-
Career and technical education - basic grants to states	84.048	17901-61095/61159	16,406
Special education - preschool grants	84.173	17901-62521	10,304
Safe and drug-free schools and communities - state grants	84.186	-	-
English language acquisition grants	84.365	17901-60521	-
Improving teacher quality state grants	84.367	17901-61480	74,251
ARRA - Technological Education	84.386	17901-60897	-
ARRA - State fiscal stabilization fund - education state grants	84.394	17901-62532	129,890
Education technology state grants	84.318	17901-61600	198
Total Department of Education			\$ 1,177,528
Total Expenditures of Federal Awards			\$ 2,010,908

See accompanying notes to schedule of expenditures of federal awards.

County of Middlesex, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note C - Relationship to Financial Statements

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ <u>504,349</u>
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Component Unit Public Schools:

School Operating Fund	\$ 1,177,528
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School Cafeteria Fund	<u>329,031</u>
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Total component unit public school	\$ <u>1,506,559</u>
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Total federal expenditures per basic financial statements	\$ <u>2,010,908</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,010,908</u></u>
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County of Middlesex, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued:		<u>Unqualified</u>	
Internal control over financial reporting:			
Material weakness (es) identified?	___ yes	___ <u>x</u> ___	no
Significant deficiency (ies) identified?	___ yes	___ <u>x</u> ___	none reported
Noncompliance Material to financial statements noted?	___ yes	___ <u>x</u> ___	no

Federal Awards

Internal control over major programs:		<u>Unqualified</u>	
Material weakness (es) identified?	___ yes	___ <u>x</u> ___	no
Significant deficiency (ies) identified?	___ yes	___ <u>x</u> ___	none reported
Type of auditor’s report issued on compliance for major programs:			
Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes	___ <u>x</u> ___	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.391/84.173/84.392	Special Education Cluster (IDEA) ARRA, State Fiscal Stabilization Fund -
84.394	Education State Grants

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
Auditee qualified as low-risk auditee?	___ <u>x</u> ___	yes ___ no

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None



County of Middlesex, Virginia  
Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2012

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There were no prior year findings and questioned costs.