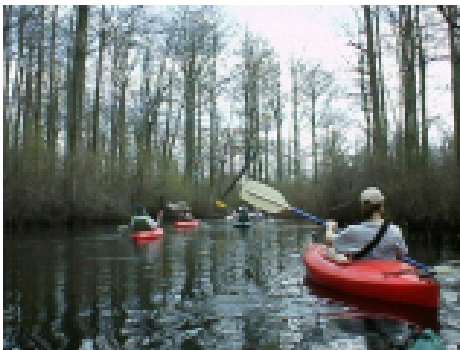




Annual Financial Report

For the Year Ended
June 30, 2011

County of Middlesex, Virginia



County Administrator
Post Office Box 428
Saluda, Virginia 23149

BOARD OF SUPERVISORS

John D. Miller, Jr., Chairperson

Peter W. Mansfield
Fred S. Crittenden

Carlton Revere
Wayne H. Jessie, Sr. , Vice Chairperson

COUNTY SCHOOL BOARD

Elizabeth Hurd, Chairperson

Elliot Reed, Vice Chairperson
Richard Shores

Garland Harrow
Thomas Walton, Jr.

COUNTY WELFARE BOARD

Bonnie Glascock, Chairperson

Ruby Easton
Mary Armentrout

Joan Harris
Peter W. Mansfield

OTHER OFFICIALS

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
Isabel Hall Atlee
Michael T. Hurd
Priscilla J. Davenport
Betty S. Bray
Guy L. Abbott
Donald "Rusty" Fairheart
Angela Beachy
Peggy Jordan
Charles M. Culley, Jr.

**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, 2011, 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, because of the matters discussed in Note 17 Subsequent Events, we cannot determine if the financial statements' presentation of the Public Safety activities and accounts is free of material misstatement. Otherwise, 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, 2011, 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, 2011 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, 2011

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, 2011. 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 \$9,883,481 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources by \$42,482 (Exhibit 5) after making contributions totaling \$7,376,387 to the School Board.

As of the close of the current fiscal year; the County's funds reported ending fund balances of \$6,681,037, a decrease of 42,482 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,785,467 or 26% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$1,141,634 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 \$9,883,481 at the close of the most recent fiscal year.

County of Middlesex, Virginia's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 12,926,025	\$ 12,997,191
Capital assets	24,760,834	25,642,766
Total assets	\$ 37,686,859	\$ 38,639,957
Current liabilities	\$ 5,685,836	\$ 5,544,757
Long-term liabilities outstanding	22,117,542	23,259,176
Total liabilities	\$ 27,803,378	\$ 28,803,933
Net assets:		
Invested in capital assets, net of related debt	\$ 2,643,292	\$ 2,732,968
Unrestricted	7,240,189	7,103,056
Total net assets	\$ 9,883,481	\$ 9,836,024

During the current fiscal year, the County's net assets increased by \$47,457. The following table summarizes the County's Statement of Activities.

County of Middlesex, Virginia's Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 320,826	\$ 360,648
Operating grants and contributions	2,544,210	2,735,584
General revenues:		
General property taxes	12,984,605	12,026,611
Other local taxes	1,794,343	1,674,067
Grants and other contributions not restricted	1,111,883	1,324,139
Other general revenues	55,765	311,678
Total revenues	\$ 18,811,632	\$ 18,432,727
Expenses:		
General government administration	\$ 1,522,660	\$ 1,667,597
Judicial administration	836,428	723,111
Public safety	3,106,856	3,009,235
Public works	1,553,944	1,410,745
Health and welfare	2,020,487	2,180,137
Education	7,988,806	7,104,144
Parks, recreation, and cultural	232,105	193,651
Community development	235,397	283,556
Interest and other fiscal charges	1,267,491	1,305,599
Total expenses	\$ 18,764,174	\$ 17,877,775
Change in net assets	\$ 47,457	\$ 554,952
Net assets, beginning of year	9,836,024	9,281,072
Net assets, end of year	\$ 9,883,481	\$ 9,836,024

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 \$6,681,037, a decrease of 42,482 in comparison with the prior year. Approximately 72% 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 were increases of \$294,566 and can be briefly summarized as follows:

- \$32,935 increase in health and welfare expenditures
- \$151,993 increase in public safety expenditures
- \$65,260 increase in public works in education expenditures
- \$34,621 increase in general government administration expenditures
- \$9,757 increase in various other expenditures

During the year, revenues and other financing sources were slightly less than budgetary estimates – the amount of this variance was (\$16,473). Expenditures and other financing uses displayed a favorable trend and were less than budgetary estimates by \$258,954.

Capital Asset and Debt Administration

- **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$24,760,834 (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 \$22,117,542. Of this amount, \$267,099 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 decreased by \$1,177,977.

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 6.2% percent compares to the state's average unemployment rate of 6.0%.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The fiscal year 2012 budget increased by approximately 5.65%, and the tax rates remained the same as in fiscal year 2011.

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, 2011

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority (IDA)
ASSETS			
Cash and cash equivalents	\$ 5,913,586	\$ 315,056	\$ 225,171
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,790,363	-	-
Accounts receivable	-	-	-
Notes receivable	85,000	-	263,803
Due from other governmental units	746,728	419,679	32,401
Other assets:			
Unamortized bond issue costs	390,348	-	-
Capital assets (net of accumulated depreciation):			
Land	1,222,170	248,545	-
Buildings and improvements	9,976,646	21,396	-
Infrastructure	6,930	-	-
Equipment and vehicles	414,784	351,111	-
Jointly owned assets	13,140,304	3,074,028	-
Total assets	<u>\$ 37,686,859</u>	<u>\$ 4,429,815</u>	<u>\$ 521,375</u>
LIABILITIES			
Accounts payable	\$ 91,164	\$ -	\$ -
Accrued liabilities	-	1,091,858	-
Accrued interest payable	388,105	-	-
Due to other governmental units	32,401	481,362	-
Unearned revenue	5,174,166	-	-
Long-term liabilities:			
Due within one year	1,244,183	6,879	25,000
Due in more than one year	20,873,359	76,252	60,000
Total liabilities	<u>\$ 27,803,378</u>	<u>\$ 1,656,351</u>	<u>\$ 85,000</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 2,643,292	\$ 3,663,080	\$ -
Unrestricted (deficit)	7,240,189	(889,616)	436,375
Total net assets	<u>\$ 9,883,481</u>	<u>\$ 2,773,464</u>	<u>\$ 521,375</u>

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, 2011

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	School Board	IDA	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,522,660	\$ 231,411	\$ 197,936	\$ -	\$ (1,093,313)	\$		
Judicial administration	836,428	44,837	340,788	-	(450,803)			
Public safety	3,106,856	44,578	724,963	-	(2,337,315)			
Public works	1,553,944	-	5,947	-	(1,547,997)			
Health and welfare	2,020,487	-	1,274,576	-	(745,911)			
Education	7,988,806	-	-	-	(7,988,806)			
Parks, recreation, and cultural	232,105	-	-	-	(232,105)			
Community development	235,397	-	-	-	(235,397)			
Interest on long-term debt	1,267,491	-	-	-	(1,267,491)			
Total primary government	<u>\$ 18,764,174</u>	<u>\$ 320,826</u>	<u>\$ 2,544,210</u>	<u>\$ -</u>	<u>\$ (15,899,138)</u>			
COMPONENT UNITS:								
School Board	\$ 13,275,926	\$ 226,580	\$ 5,277,216	\$ -		\$ (7,772,130)		-
Industrial Development Authority	10,530	24,789	-	-		-		14,259
Total component units	<u>\$ 13,286,456</u>	<u>\$ 251,369</u>	<u>\$ 5,277,216</u>	<u>\$ -</u>		<u>\$ (7,772,130)</u>		<u>14,259</u>
General revenues:								
General property taxes					\$ 12,984,605	\$ -	\$	-
Local sales and use taxes					669,562	-	-	-
Consumers' utility taxes					210,088	-	-	-
Motor vehicle licenses					296,191	-	-	-
Other local taxes					618,502	-	-	-
Unrestricted revenues from use of money and property					55,765	76,056		560
Miscellaneous					-	198,821		-
Grants and contributions not restricted to specific programs					1,111,883	-		-
Payment from Middlesex County					-	7,371,393		14,733
Total general revenues					<u>\$ 15,946,596</u>	<u>\$ 7,646,270</u>	<u>\$</u>	<u>15,293</u>
Change in net assets					47,457	(125,860)		29,552
Net assets - beginning					9,836,024	2,899,323		406,823
Net assets - ending					<u>\$ 9,883,481</u>	<u>\$ 2,773,463</u>	<u>\$</u>	<u>436,375</u>

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

County of Middlesex, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,507,092	\$ 1,406,494	\$ 5,913,586
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,790,363	-	5,790,363
Accounts receivable	-	-	-
Notes receivable	85,000	-	85,000
Due from other governmental units	746,728	-	746,728
Total assets	<u>\$ 11,129,183</u>	<u>\$ 1,406,494</u>	<u>\$ 12,535,677</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 91,164	\$ -	\$ 91,164
Due to other governmental units	32,401	-	32,401
Deferred revenue	5,731,075	-	5,731,075
Total liabilities	<u>\$ 5,854,640</u>	<u>\$ -</u>	<u>\$ 5,854,640</u>
Fund balances:			
Assigned for:			
Proffers	\$ 24,424	\$ -	\$ 24,424
E-911	464,652	-	464,652
Unassigned, reported in:			
General fund	4,785,467	-	4,785,467
Capital projects funds	-	1,406,494	1,406,494
Total fund balances	<u>\$ 5,274,543</u>	<u>\$ 1,406,494</u>	<u>\$ 6,681,037</u>
Total liabilities and fund balances	<u>\$ 11,129,183</u>	<u>\$ 1,406,494</u>	<u>\$ 12,535,677</u>

County of Middlesex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,681,037
--	----	-----------

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	\$	35,181,809	
Accumulated depreciation		<u>(10,420,975)</u>	24,760,834

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		556,909
--	--	---------

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	\$	(183,948)	
Bonds payable		(85,000)	
Note payable		(263,803)	
Lease revenue bonds		(21,730,257)	
Deferred interest on bond refunding		327,565	
Retirement incentive obligation loan		(182,099)	
Unamortized bond issue costs		390,348	
Accrued interest payable		<u>(388,105)</u>	(22,115,299)

Net assets of governmental activities	\$	<u><u>9,883,481</u></u>
---------------------------------------	----	-------------------------

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,902,699	\$ -	\$ 12,902,699
Other local taxes	1,780,100	-	1,780,100
Permits, privilege fees, and regulatory licenses	99,613	-	99,613
Fines and forfeitures	44,837	-	44,837
Revenue from the use of money and property	55,765	40	55,805
Charges for services	44,578	-	44,578
Miscellaneous	11,822	-	11,822
Recovered costs	119,976	-	119,976
Intergovernmental revenues:			
Commonwealth	3,486,876	-	3,486,876
Federal	-	-	-
Total revenues	<u>\$ 18,546,266</u>	<u>\$ 40</u>	<u>\$ 18,546,306</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,315,923	\$ -	\$ 1,315,923
Judicial administration	626,717	-	626,717
Public safety	2,908,158	-	2,908,158
Public works	1,524,750	-	1,524,750
Health and welfare	1,978,625	-	1,978,625
Education	7,376,387	-	7,376,387
Parks, recreation, and cultural	209,375	-	209,375
Community development	227,835	-	227,835
Capital projects	-	9,520	9,520
Debt service:			
Principal retirement	1,194,829	-	1,194,829
Interest and other fiscal charges	1,216,669	-	1,216,669
Total expenditures	<u>\$ 18,579,268</u>	<u>\$ 9,520</u>	<u>\$ 18,588,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,002)</u>	<u>\$ (9,480)</u>	<u>\$ (42,482)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 264,237	\$ 264,237
Transfers out	(264,237)	-	(264,237)
Total other financing sources (uses)	<u>\$ (264,237)</u>	<u>\$ 264,237</u>	<u>\$ -</u>
Net change in fund balances	\$ (297,239)	\$ 254,757	\$ (42,482)
Fund balances - beginning	5,571,782	1,151,737	6,723,519
Fund balances - ending	<u>\$ 5,274,543</u>	<u>\$ 1,406,494</u>	<u>\$ 6,681,037</u>

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, 2011

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

Net change in fund balances – total governmental funds	\$	(42,482)
--	----	----------

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	\$	(109,655)	
Depreciation expense		<u>(1,006,956)</u>	(1,116,611)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		96,149
--	--	--------

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:

Principal retirement on bonds payable	\$	100,000	
Principal retirement on lease revenue bonds		1,027,446	
Principal retirement on retirement incentive obligation loan		19,674	
Principal retirement on note payable		<u>30,857</u>	1,177,977

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	\$	-	
Increase in compensated absences		(36,343)	
Amortization of bond issuance costs		(32,529)	
Increase in accrued interest		<u>1,296</u>	(67,576)

Change in net assets of governmental activities	\$	<u>47,457</u>
---	----	---------------

County of Middlesex, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 7,833
Total assets	<u>\$ 7,833</u>
LIABILITIES	
Amounts held for social services clients	\$ 7,817
Amounts held for others	<u>16</u>
Total liabilities	<u>\$ 7,833</u>

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, 2011.

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, 2011.

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 \$720,763 to the Authority for the fiscal year ended June 30, 2011.

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 \$733,624 to the Authority for the fiscal year ended June 30, 2011.

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, 2011.

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, 2011 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:

<u>Assets</u>	<u>Years</u>
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.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds at June 30, 2011:

<u>Fund</u>	<u>Amount</u>
Capital Projects	\$ 264,237

Deficit Fund Equity

The following fund had a deficit in its fund equity:

School Capital Projects fund	\$ 1,310,511
------------------------------	--------------

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, 2011 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, 2011 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</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 16,479
Virginia State Non-Arbitrage Pool	20,377
Money Market Mutual Fund	<u>1,160,443</u>
Total	<u>\$ 1,197,299</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>1,160,443</u>	\$ <u>1,160,443</u>
Total	\$ <u><u>1,160,443</u></u>	\$ <u><u>1,160,443</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 rest 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, 2011 is \$85,000.

The following is the repayment schedule for the note:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	25,000	2,205
2013	25,000	1,502
2014	15,000	895
2015	15,000	419
2016	5,000	87
Total	<u>\$ 85,000</u>	<u>\$ 5,108</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,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 32,400	\$ 13,190
2013	34,020	11,570
2014	35,721	9,868
2015	37,507	8,083
2016-2018	<u>124,155</u>	<u>12,619</u>
Total	<u>\$ 263,803</u>	<u>\$ 55,330</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, 2011 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	\$ 481,362	\$ -	\$ -
County of Middlesex	-	-	32,401
Commonwealth of Virginia:			
Social Services	72,134	-	-
Sheriff's Office	50,436	-	-
Commonwealth Attorney	13,313	-	-
Clerk of the Court	17,087	-	-
Judicial	8,347	-	-
Treasurer	7,900	-	-
Sales Tax	81,906	-	-
Recordation Tax	14,243	-	-
Federal Government:			
School fund grants	-	419,678	-
Total due from other governmental units	<u>\$ 746,728</u>	<u>\$ 419,678</u>	<u>\$ 32,401</u>

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	-	481,362
Total due to other governmental units	<u>\$ 32,401</u>	<u>\$ 481,362</u>

NOTE 7

CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land	\$ 1,222,170	\$ -	\$ -	\$ 1,222,170
Total capital assets not subject to depreciation	\$ 1,222,170	\$ -	\$ -	\$ 1,222,170
Capital assets subject to depreciation:				
Buildings and improvements	\$ 13,916,104	\$ -	\$ -	\$ 13,916,104
Equipment and vehicles	1,368,392	125,024	-	1,493,416
Infrastructure	16,170	-	-	16,170
Jointly owned assets	18,533,949	-	-	18,533,949
Total capital assets subject to depreciation	\$ 33,834,615	\$ 125,024	\$ -	\$ 33,959,639
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,564,201	\$ 375,257	\$ -	\$ 3,939,458
Equipment and vehicles	963,415	115,217	-	1,078,632
Infrastructure	6,930	2,310	-	9,240
Jointly owned assets	4,879,473	514,172	-	5,393,645
Total accumulated depreciation	\$ 9,414,019	\$ 1,006,956	\$ -	\$ 10,420,975
Total capital assets subject to depreciation, net	\$ 24,420,596	\$ (881,932)	\$ -	\$ 23,538,664
Governmental activities capital assets, net	\$ 25,642,766	\$ (881,932)	\$ -	\$ 24,760,834
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<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	1,486,792	25,390	-	1,512,182
Jointly owned assets	4,312,341	-	-	4,312,341
Total capital assets subject to depreciation	\$ 6,439,348	\$ 25,390	\$ -	\$ 6,464,738
Less accumulated depreciation for:				
Buildings and improvements	\$ 616,857	\$ 1,962	\$ -	\$ 618,819
Equipment and vehicles	1,073,605	87,466	-	1,161,071
Jointly owned assets	1,135,320	102,993	-	1,238,313
Total accumulated depreciation	\$ 2,825,782	\$ 192,421	\$ -	\$ 3,018,203
Total capital assets subject to depreciation, net	\$ 3,613,566	\$ (167,031)	\$ -	\$ 3,446,535
Component unit school board capital assets, net	\$ 3,862,111	\$ (167,031)	\$ -	\$ 3,695,080

NOTE 7 CAPITAL ASSETS - continued

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

Governmental activities:		
General government administration	\$	84,748
Judicial administration		209,711
Public safety		99,622
Public works		29,194
Health and welfare		5,526
Education		565,574
Parks, recreation and cultural		12,581
		<hr/>
Total Governmental activities	\$	1,006,956
		<hr/>
Component Unit School Board	\$	192,421
		<hr/>

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 \$5,731,075 is comprised of the following

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,581,323 at June 30, 2011.

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, 2011.

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 147,605	\$ 51,104	\$ 14,761	\$ 183,948	\$ 26,006
Note payable	294,660	-	30,857	263,803	32,400
Lease revenue bonds	9,288,227	-	466,813	8,821,414	496,038
Deferred interest on bond refunding	(327,565)	-	-	(327,565)	-
Total incurred by County	\$ 9,402,927	\$ 51,104	\$ 512,431	\$ 8,941,600	\$ 554,444
Incurred by School Board:					
School bonds payable	\$ 185,000	\$ -	\$ 100,000	\$ 85,000	\$ 85,000
School lease revenue bonds	13,469,476	-	560,633	12,908,843	583,690
Deferred interest on bond refunding	-	-	-	-	-
Retirement incentive obligation loan	201,773	-	19,674	182,099	21,049
Total incurred by School Board	\$ 13,856,249	\$ -	\$ 680,307	\$ 13,175,942	\$ 689,739
Total Governmental Obligations	\$ 23,259,176	\$ 51,104	\$ 1,192,738	\$ 22,117,542	\$ 1,244,183

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
2012	\$ 496,038	\$ 374,915	\$ 32,400	\$ 13,190
2013	457,850	351,100	34,020	11,570
2014	469,943	330,398	35,721	9,868
2015	337,178	301,288	37,507	8,082
2016	319,318	283,960	39,383	6,208
2017	322,906	270,303	41,352	4,238
2018	339,671	257,960	43,420	2,173
2019	354,055	243,945	-	-
2020	362,937	229,169	-	-
2021	382,598	214,148	-	-
2022	401,213	198,185	-	-
2023	414,653	182,862	-	-
2024	429,722	165,614	-	-
2025	353,588	147,684	-	-
2026	370,677	132,218	-	-
2027	390,761	116,547	-	-
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	\$ 8,821,414	\$ 4,141,971	\$ 263,803	\$ 55,329

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

School Obligations						
Year Ending June 30	Lease Revenue Bonds		General Obligation Bonds		Retirement Incentive Obligation Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 583,690	\$ 501,978	\$ 85,000	\$ 2,720	\$ 21,049	\$ 12,729
2013	599,258	480,019	-	-	22,520	11,258
2014	624,650	460,733	-	-	24,094	9,684
2015	630,006	453,086	-	-	25,778	8,000
2016	650,572	435,108	-	-	27,580	6,198
2017	669,807	412,280	-	-	29,508	4,270
2018	700,987	381,567	-	-	31,570	2,208
2019	734,677	345,499	-	-	-	-
2020	779,002	308,053	-	-	-	-
2021	772,688	273,131	-	-	-	-
2022	807,565	241,602	-	-	-	-
2023	832,770	207,118	-	-	-	-
2024	866,503	171,839	-	-	-	-
2025	911,412	134,425	-	-	-	-
2026	949,323	95,888	-	-	-	-
2027	989,239	54,919	-	-	-	-
2028	123,268	31,257	-	-	-	-
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	\$ 12,908,843	\$ 5,062,547	\$ 85,000	\$ 2,720	\$ 182,099	\$ 54,347

Long-term obligations at June 30, 2011 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	\$ 150,000
\$250,000 lease revenue bond issued May 1, 1993, due in varying annual installments through May 1, 2012, interest payable semi-annually at various rates from 5.10% to 5.50%.	40,000
\$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.	7,031,659
\$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 \$327,565.	341,933
\$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.	930,257
Total lease revenue bonds	\$ 8,493,849
\$350,000 note payable issued on November 2, 2007, due in varying annual installments through January 15, 2018, interest at 5%.	\$ 263,803
Compensated Absences (payable from the General Fund)	\$ 183,948
Total debt incurred by County	\$ 8,941,600

NOTE 9 LONG TERM OBLIGATIONS - continued

Primary Government: (Continued)

Details of long-term indebtedness: (Continued)

School Bonds:

\$4,500,000 VPSA school bonds, issued June 1992, due in various annual installments through December 15, 2011, interest at various rates from 6.1% to 6.4% payable semiannually. \$ 85,000

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% \$ 182,099

School Lease Revenue Bonds Payable:

\$10,000,000 lease revenue bond series 1999, issued November 1, 1999, Remaining due in varying annual installments through August 1, 2011, interest payable semi-annually at 5.6% \$ 375,000

\$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. 310,000

\$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. 8,445,000

\$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. 2,128,341

\$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. 150,502

Total School lease revenue bonds payable \$ 12,908,843

Total debt incurred by School Board \$ 13,175,942

Total Governmental Obligations \$ 22,117,542

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, 2011.

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 66,699	\$ 7,896	\$ 23,464	\$ 51,131	\$ 6,879
OPEB liability	21,100	27,400	16,500	32,000	-
Total Component Unit-School Board	<u>\$ 87,799</u>	<u>\$ 35,296</u>	<u>\$ 39,964</u>	<u>\$ 83,131</u>	<u>\$ 6,879</u>

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

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 10 years of service credit or age 50 with at least five 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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-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 2011 was 6.2% of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2011 was 9.2% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the Primary Government's annual pension cost of \$143,220 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
2011 \$	143,220	100% \$	0
2010 \$	116,411	100% \$	0
2009 \$	117,462	100% \$	0

For fiscal year 2011, the School Board's annual pension cost of \$64,968 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
2011 \$	64,968	100% \$	0
2010 \$	87,049	100% \$	0
2009 \$	89,124	100% \$	0

The FY 2011 required contribution was determined as part of the June 30, 2009 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, 2010, the most recent actuarial valuation date, the Primary Government plan was 98.36% funded. The actuarial accrued liability for benefits was \$7,821,414, and the actuarial value of assets was \$7,692,811, resulting in an unfunded actuarial accrued liability (UAAL) of \$128,603. The covered payroll (annual payroll of active employees covered by the plan) was \$2,309,997, and ratio of the UAAL to the covered payroll was 5.57%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board plan was 75.46% funded. The actuarial accrued liability for benefits was \$2,714,172, and the actuarial value of assets was \$2,048,077, resulting in an unfunded actuarial accrued liability (UAAL) of \$666,095. The covered payroll (annual payroll of active employees covered by the plan) was \$706,173, and ratio of the UAAL to the covered payroll was 94.32%.

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, 2011, 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
Peggy Walton, Clerk of the Circuit Court	103,000
Priscilla J. Davenport, Commissioner of the Revenue	3,000
Guy L. Abbott, 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
- has 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)	\$ 27,400
Estimated Contributions made	(16,500)
Increase in net OPEB obligation	10,900
Net OPEB obligation-beginning of year	21,100
Net OPEB obligation-end of year	\$ 32,000

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 2011 and the preceding year 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:					
6/30/2011	\$	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 trend. 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.

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, 2011, 2010, and 2009 were \$55,650, \$45,806, and \$69,079, respectively, and equaled the required contributions for each year.

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.

On August 25, 2011, Mr. Guy Abbott, the constitutionally elected Sheriff of Middlesex County, Virginia was indicted on 25 felony counts. These charges included embezzlement of County funds. There is no indication that there was any misappropriation of Commonwealth of Virginia funds. At the time of the performance of fieldwork – certain financial records of the Sheriff's office were in the custody of law enforcement officials as a result of the ongoing criminal investigation. On November 8, 2011, Mr. Abbott lost in his re-election attempt and will leave office in January 2012.

**REQUIRED SUPPLEMENTARY INFORMATION NOTE TO REQUIRED
SUPPLEMENTARY INFORMATION**

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

County of Middlesex, Virginia

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 12,306,170	\$ 12,306,170	\$ 12,902,699	\$	596,529
Other local taxes	2,169,521	2,196,581	1,780,100		(416,481)
Permits, privilege fees, and regulatory licenses	99,050	99,050	99,613		563
Fines and forfeitures	90,600	90,600	44,837		(45,763)
Revenue from the use of money and property	60,000	60,000	55,765		(4,235)
Charges for services	52,150	54,290	44,578		(9,712)
Miscellaneous	7,300	7,300	11,822		4,522
Recovered costs	22,000	41,049	119,976		78,927
Intergovernmental revenues:					
Commonwealth	3,624,888	3,707,699	3,486,876		(220,823)
Federal	-	-	-		-
Total revenues	\$ 18,431,679	\$ 18,562,739	\$ 18,546,266	\$	(16,473)
EXPENDITURES					
Current:					
General government administration	\$ 1,291,083	\$ 1,325,704	\$ 1,315,923	\$	9,781
Judicial administration	703,356	711,437	626,717		84,720
Public safety	2,886,640	3,038,633	2,908,158		130,475
Public works	1,548,411	1,613,671	1,524,750		88,921
Health and welfare	2,204,614	2,237,549	1,978,625		258,924
Education	7,005,539	7,005,539	7,376,387		(370,848)
Parks, recreation, and cultural	220,908	220,908	209,375		11,533
Community development	266,066	267,742	227,835		39,907
Debt service:					
Principal retirement	1,197,977	1,197,977	1,177,977		20,000
Interest and other fiscal charges	1,219,062	1,219,062	1,233,521		(14,459)
Total expenditures	\$ 18,543,656	\$ 18,838,222	\$ 18,579,268	\$	258,954
Excess (deficiency) of revenues over (under)					
Expenditures	\$ (111,977)	\$ (275,483)	\$ (33,002)	\$	242,481
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ -	\$ -	\$ (264,237)	\$	(264,237)
Total other financing sources (uses)	\$ -	\$ -	\$ (264,237)	\$	(264,237)
Net change in fund balances	\$ (111,977)	\$ (275,483)	\$ (297,239)	\$	(21,756)
Fund balances - beginning	111,977	275,483	5,571,782		5,296,299
Fund balances - ending	\$ -	\$ -	\$ 5,274,543	\$	5,274,543

County of Middlesex, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2011

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
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
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, 2011

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 40	\$ 40
Total revenues	\$ -	\$ -	\$ 40	\$ 40
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 9,520	\$ (9,520)
Total expenditures	\$ -	\$ -	\$ 9,520	\$ (9,520)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (9,480)	\$ (9,480)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 264,237	\$ 264,237
Total other financing sources (uses)	\$ -	\$ -	\$ 264,237	\$ 264,237
Net change in fund balances	\$ -	\$ -	\$ 254,757	\$ 254,757
Fund balances - beginning	-	-	1,151,737	1,151,737
Fund balances - ending	\$ -	\$ -	\$ 1,406,494	\$ 1,406,494

County of Middlesex, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets				
Cash and cash equivalents	\$ 8,893	\$ 1,963	\$ 3,039	\$ 7,817
Total assets	\$ 8,893	\$ 1,963	\$ 3,039	\$ 7,817
Liabilities				
Amounts held for social services clients	\$ 8,893	\$ 1,963	\$ 3,039	\$ 7,817
Total liabilities	\$ 8,893	\$ 1,963	\$ 3,039	\$ 7,817
Safety Net Fund:				
Assets				
Cash and cash equivalents	\$ 4,558	\$ 25,012	\$ 29,554	\$ 16
Total assets	\$ 4,558	\$ 25,012	\$ 29,554	\$ 16
Liabilities				
Amounts held for others	\$ 4,558	\$ 25,012	\$ 29,554	\$ 16
Total liabilities	\$ 4,558	\$ 25,012	\$ 29,554	\$ 16
Total - All Fiduciary Funds:				
ASSETS				
Cash and cash equivalents	\$ 13,451	\$ 26,975	\$ 32,593	\$ 7,833
Total assets	\$ 13,451	\$ 26,975	\$ 32,593	\$ 7,833
LIABILITIES				
Amounts held for social services clients	\$ 8,893	\$ 1,963	\$ 3,039	\$ 7,817
Amounts held for others	4,558	25,012	29,554	16
Total liabilities	\$ 13,451	\$ 26,975	\$ 32,593	\$ 7,833

DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD

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, 2011

	School Operating <u>Fund</u>	Textbook <u>Fund</u>	School Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,330,938	\$ 259,122	\$ -	\$ 35,507	\$ 1,625,567
Due from other governmental units	419,678	-	-	-	419,678
Total assets	<u>\$ 1,750,616</u>	<u>\$ 259,122</u>	<u>\$ -</u>	<u>\$ 35,507</u>	<u>\$ 2,045,245</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 1,091,050	\$ -	\$ -	\$ 808	\$ 1,091,858
Due to other governmental units	481,362	-	-	-	481,362
Reconciled overdraft payable	-	-	1,310,511	-	1,310,511
Total liabilities	<u>\$ 1,572,412</u>	<u>\$ -</u>	<u>\$ 1,310,511</u>	<u>\$ 808</u>	<u>\$ 2,883,731</u>
Fund balances:					
Unassigned:					
Designated for subsequent expenditure	\$ 178,204	\$ 259,122	\$ -	\$ 34,699	\$ 472,025
Unassigned	-	-	(1,310,511)	-	(1,310,511)
Total fund balances	<u>\$ 178,204</u>	<u>\$ 259,122</u>	<u>\$ (1,310,511)</u>	<u>\$ 34,699</u>	<u>\$ (838,486)</u>
Total liabilities and fund balances	<u>\$ 1,750,616</u>	<u>\$ 259,122</u>	<u>\$ -</u>	<u>\$ 35,507</u>	<u>\$ 2,045,245</u>

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

Total fund balances per above \$ (838,486)

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>(3,018,203)</u>	3,695,080

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (83,131)

Net assets of governmental activities \$ 2,773,463

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, 2011

	School Operating <u>Fund</u>	Textbook <u>Fund</u>	School Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES					
Revenue from the use of money and property	\$ 75,972	\$ 84	\$ -	\$ -	\$ 76,056
Charges for services	-	-	-	226,580	226,580
Miscellaneous	198,821	-	-	-	198,821
Recovered costs	-	-	-	-	-
Intergovernmental revenues:					
Local government	7,371,393	-	-	-	7,371,393
Commonwealth	3,567,032	62,867	-	9,961	3,639,860
Federal	926,512	-	-	291,165	1,217,677
Total revenues	<u>\$ 12,139,730</u>	<u>\$ 62,951</u>	<u>\$ -</u>	<u>\$ 527,706</u>	<u>\$ 12,730,387</u>
EXPENDITURES					
Current:					
Education	\$ 11,961,526	\$ 70,183	\$ -	\$ 563,382	\$ 12,595,091
Capital projects	-	-	98,792	-	98,792
Total expenditures	<u>\$ 11,961,526</u>	<u>\$ 70,183</u>	<u>\$ 98,792</u>	<u>\$ 563,382</u>	<u>\$ 12,693,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 178,204</u>	<u>\$ (7,232)</u>	<u>\$ (98,792)</u>	<u>\$ (35,676)</u>	<u>\$ 36,504</u>
Net change in fund balances	\$ 178,204	\$ (7,232)	\$ (98,792)	\$ (35,676)	\$ 36,504
Fund balances - beginning	-	266,355	(1,211,719)	70,375	(874,989)
Fund balances - ending	<u>\$ 178,204</u>	<u>\$ 259,122</u>	<u>\$ (1,310,511)</u>	<u>\$ 34,699</u>	<u>\$ (838,486)</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 36,504

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	\$ 539,561	
Depreciation expense	<u>(706,593)</u>	(167,032)

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	\$ 15,568	
(Increase) decrease in OPEB liability	<u>(10,900)</u>	4,668

Change in net assets of governmental activities		<u>\$ (125,860)</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, 2011

	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	\$ 29,700	\$ 29,700	\$ 75,972	\$ 46,272	\$ -	\$ -	\$ 84	\$ 84	\$ -	\$ 129,889	\$ -	\$ (129,889)
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	114,519	123,251	198,821	75,570	-	-	-	-	-	-	-	-
Recovered costs	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues:												
Local Government	6,950,850	6,950,850	7,371,393	420,543	46,845	313,200	-	(313,200)	-	-	-	-
Commonwealth	3,634,891	4,120,197	3,567,032	(553,165)	16,203	16,203	62,867	46,664	-	-	-	-
Federal	747,466	1,153,831	926,512	(227,319)	-	-	-	-	-	-	-	-
Total revenues	\$ 11,477,426	\$ 12,377,829	\$ 12,139,730	\$ (238,099)	\$ 63,048	\$ 329,403	\$ 62,951	\$ (266,452)	\$ -	\$ 129,889	\$ -	\$ (129,889)
EXPENDITURES												
Current:												
Education	\$ 11,477,426	\$ 12,377,682	\$ 11,961,526	\$ 416,156	\$ 63,048	\$ 329,403	\$ 70,183	\$ 259,220	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	-	-	-	-	-	129,889	98,792	31,097
Total expenditures	\$ 11,477,426	\$ 12,377,682	\$ 11,961,526	\$ 416,156	\$ 63,048	\$ 329,403	\$ 70,183	\$ 259,220	\$ -	\$ 129,889	\$ 98,792	\$ 31,097
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 147	\$ 178,204	\$ 178,057	\$ -	\$ -	\$ (7,232)	\$ (7,232)	\$ -	\$ -	\$ (98,792)	\$ (98,792)
OTHER FINANCING SOURCES (USES)												
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(147)	-	(147)	-	-	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ (147)	\$ -	\$ (147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 178,204	\$ 178,204	\$ -	\$ -	\$ (7,232)	\$ (7,232)	\$ -	\$ -	\$ (98,792)	\$ (98,792)
Fund balances - beginning	-	-	-	-	-	-	266,355	266,355	-	-	(1,211,719)	(1,211,719)
Fund balances - ending	\$ -	\$ -	\$ 178,204	\$ 178,204	\$ -	\$ -	\$ 259,122	\$ 259,122	\$ -	\$ -	\$ (1,310,511)	\$ (1,310,511)

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, 2011

	School Cafeteria Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
REVENUES					
Charges for services	\$ 272,153	\$ 272,153	\$ 226,580	\$	(45,573)
Intergovernmental revenues:					
Local Government	-	69,382	-		(69,382)
Commonwealth	11,185	11,185	9,961		(1,224)
Federal	250,000	250,000	291,165		41,165
Total revenues	\$ 533,338	\$ 602,720	\$ 527,706	\$	(75,014)
EXPENDITURES					
Current:					
Education	\$ 533,338	\$ 602,720	\$ 563,382	\$	39,338
Total expenditures	\$ 533,338	\$ 602,720	\$ 563,382	\$	39,338
Excess (deficiency) of revenues over (under)					
Expenditures	\$ -	\$ -	\$ (35,676)	\$	(35,676)
Net change in fund balances	\$ -	\$ -	\$ (35,676)	\$	(35,676)
Fund balances – beginning	-	-	70,375		70,375
Fund balances - ending	\$ -	\$ -	\$ 34,699	\$	34,699

County of Middlesex, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 225,171
Due from other governmental units	32,401
Notes receivable	32,400
Total current assets	<u>\$ 289,972</u>

Noncurrent assets:

Other assets:

Notes receivable	\$ 231,403
Total noncurrent assets	<u>\$ 231,403</u>

Total assets	<u>\$ 521,375</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	\$ 60,000
Total noncurrent liabilities	<u>\$ 60,000</u>
Total liabilities	<u>\$ 85,000</u>

NET ASSETS

Unrestricted	\$ 436,375
Total net assets	<u>\$ 521,375</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, 2011

OPERATING REVENUES

Charges for services:

Bond fees	\$ 24,789
Total operating revenues	<u>\$ 24,789</u>

OPERATING EXPENSES

Other charges	<u>\$ 35</u>
Operating income (loss)	<u>\$ 24,754</u>

NONOPERATING REVENUES (EXPENSES)

Intergovernmental revenue	\$ 14,733
Investment earnings	560
Interest expense	<u>(10,495)</u>
Total nonoperating revenues (expenses)	<u>\$ 4,798</u>

Change in net assets	\$ 29,552
----------------------	-----------

Total net assets - beginning	<u>406,823</u>
Total net assets - ending	<u><u>\$ 436,375</u></u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 24,789
Payments for operating activities	35
Net cash provided (used) by operating activities	<u>\$ 24,754</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to utility plant	
Proceeds from the sale of assets	\$ 0
Principal payments on notes	(30,000)
Payments on notes receivable	30,857
Interest Income	14,733
Interest payments	(10,495)
Net cash provided (used) by capital and related financing activities	<u>\$ 5,095</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 560
Net cash provided (used) by investing activities	<u>\$ 560</u>

Net increase (decrease) in cash and cash equivalents	\$ 30,409
--	-----------

Cash and cash equivalents - beginning	<u>194,762</u>
Cash and cash equivalents - ending	<u>\$ 225,171</u>

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

Operating income (loss)	<u>\$ 24,754</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>\$ 24,754</u></u>
--	-------------------------

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes				
Real property taxes	\$ 9,747,870	\$ 9,747,870	\$ 10,149,869	\$ 401,999
Real and personal public service corporation taxes	120,000	120,000	139,660	19,660
Personal property taxes	2,354,100	2,354,100	2,473,619	119,519
Mobile home taxes	-	-	-	-
Airplane Tax	1,200	1,200	1,461	261
Machinery and tools taxes	3,000	3,000	2,976	(24)
Penalties	50,000	50,000	76,933	26,933
Interest	30,000	30,000	58,181	28,181
Total general property taxes	\$ 12,306,170	\$ 12,306,170	\$ 12,902,699	\$ 596,529
Other local taxes:				
Local sales and use taxes	\$ 980,000	\$ 980,000	\$ 669,562	\$ (310,438)
Consumers' utility taxes	250,000	250,000	210,088	(39,912)
Electric consumption taxes	45,000	45,000	43,898	(1,102)
Business license taxes	169,530	169,530	146,234	(23,296)
Motor vehicle taxes	309,200	310,060	296,191	(13,869)
Bank stock taxes	45,291	45,291	40,882	(4,409)
Taxes on recordation and wills	210,000	210,000	192,411	(17,589)
Airport Improvement Tax	160,500	186,700	180,834	(5,866)
Total other local taxes	\$ 2,169,521	\$ 2,196,581	\$ 1,780,100	\$ (416,481)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 12,328	\$ 2,328
Land use application fees	400	400	325	(75)
Transfer fees	500	500	462	(38)
Zoning fees	6,000	6,000	8,760	2,760
Permits and other licenses	82,150	82,150	77,738	(4,412)
Total permits, privilege fees, and regulatory licenses	\$ 99,050	\$ 99,050	\$ 99,613	\$ 563
Fines and forfeitures:				
Court fines and forfeitures	\$ 90,600	\$ 90,600	\$ 44,837	\$ (45,763)
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 7,226	\$ 2,226
Revenue from use of property	55,000	55,000	48,539	(6,461)
Total revenue from use of money and property	\$ 60,000	\$ 60,000	\$ 55,765	\$ (4,235)
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,300	\$ 1,300	\$ 3,901	\$ 2,601
Charges for courthouse maintenance	8,000	8,000	3,897	(4,103)
Local gun permit fees	4,800	4,800	2,916	(1,884)
Charges for courthouse security	26,000	26,000	15,556	(10,444)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for Commonwealth's Attorney	\$ 500	\$ 500	\$ 620	\$ 120
Charges for boarding of dogs	800	800	235	(565)
Charges for passports	2,000	4,140	2,550	(1,590)
Charges for other court fees	-	-	-	-
Charges for parks and recreation	-	-	-	-
Charges for map books	400	400	252	(148)
Charges for airport fees	-	-	-	-
Charges for planning and community development	8,350	8,350	14,651	6,301
Total charges for services	\$ 52,150	\$ 54,290	\$ 44,578	\$ (9,712)
Miscellaneous revenue:				
Miscellaneous	\$ 7,300	\$ 7,300	\$ 11,822	\$ 4,522
Friends for life	-	-	-	-
Total miscellaneous revenue	\$ 7,300	\$ 7,300	\$ 11,822	\$ 4,522
Recovered costs:				
Miscellaneous Refunds	\$ 2,500	\$ 2,500	\$ 8,632	\$ 6,132
VPA Refunds	8,000	8,000	30,925	22,925
Treasurer and Administrative Fees	11,500	11,500	45,650	34,150
Insurance RIRI	-	16,005	18,641	2,636
Reimbursement COBRA	-	-	10,645	10,645
Credit Card Administrative	-	-	2,439	2,439
Restitution through Courts	-	3,044	3,044	-
Total recovered costs	\$ 22,000	\$ 41,049	\$ 119,976	\$ 78,927
Total revenue from local sources	\$ 14,806,791	\$ 14,855,040	\$ 15,059,391	\$ 204,351
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ -	\$ -	\$ -	\$ -
Motor Vehicles Carrier Tax	700	700	622	(78)
Rolling stock tax	300	300	-	(300)
Mobile home titling tax	14,000	14,000	13,893	(107)
Motor vehicle rental tax	-	-	-	-
State recordation tax	-	-	-	-
Communications tax	500,000	500,000	387,732	(112,268)
Personal property tax relief funds	709,600	709,600	709,636	36
Total noncategorical aid	\$ 1,224,600	\$ 1,224,600	\$ 1,111,883	\$ (112,717)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 104,385	\$ 104,385	\$ 138,759	\$ 34,374
Sheriff	674,587	684,460	612,449	(72,011)
Commissioner of revenue	65,110	65,110	80,615	15,505
Treasurer	65,383	65,383	73,480	8,097
Registrar/electoral board	42,000	42,000	35,941	(6,059)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Shared expenses: (continued)				
Victims Witness Protection	19,055	25,386	21,191	(4,195)
General District Court	1,000	1,000	1,545	545
Clerk of the Circuit Court	137,668	137,668	140,546	2,878
Total Shared expenses	\$ 1,109,188	\$ 1,125,392	\$ 1,104,526	\$ (20,866)
Other categorical aid:				
Public assistance and welfare administration	\$ 800,000	\$ 824,998	\$ 932,231	\$ 107,233
E-911 wireless grant	45,000	45,000	33,944	(11,056)
Comprehensive services act	441,100	441,100	256,736	(184,364)
Asset forfeiture	-	-	-	-
Sale of Cemetery Books	-	-	37	37
Four for life grant	-	13,475	13,475	-
School resource officer	-	-	-	-
Litter control grant	5,000	5,000	5,910	910
Fire programs	-	28,134	28,134	-
Airport grant	-	-	-	-
Total other categorical aid	\$ 1,291,100	\$ 1,357,707	\$ 1,270,467	\$ (87,240)
Total categorical aid	\$ 2,400,288	\$ 2,483,099	\$ 2,374,993	\$ (108,106)
Total revenue from the Commonwealth	\$ 3,624,888	\$ 3,707,699	\$ 3,486,876	\$ (220,823)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ -	\$ -
Ground transportation safety	-	-	-	-
Byrne JAG grant - ARRA	-	-	-	-
Homeland security grant	-	-	-	-
Total categorical aid	\$ -	\$ -	\$ -	\$ -
Total revenue from the federal government	\$ -	\$ -	\$ -	\$ -
Total General Fund	\$ 18,431,679	\$ 18,562,739	\$ 18,546,266	\$ (16,473)
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from the use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ -	\$ -
Total revenue from local sources	\$ -	\$ -	\$ -	\$ -
Total County Capital Improvements Fund	\$ -	\$ -	\$ -	\$ -
Total Primary Government	\$ 18,431,679	\$ 18,562,739	\$ 18,546,266	\$ (16,473)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 29,700	\$ 29,700	\$ 75,972	\$ 46,272
Total revenue from use of money and property	\$ 29,700	\$ 29,700	\$ 75,972	\$ 46,272
Charges for services:				
Tuition and payments from other divisions	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue:				
Other miscellaneous	\$ 114,519	\$ 123,251	\$ 198,821	\$ 75,570
Recovered costs:				
Local adult education	\$ -	\$ -	\$ -	\$ -
Total recovered costs	\$ -	\$ -	\$ -	\$ -
Total revenue from local sources	\$ 144,219	\$ 152,951	\$ 274,793	\$ 121,842
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	6,950,850	6,950,850	7,371,393	420,543
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,095,697	\$ 1,095,697	\$ 945,700	\$ (149,997)
Basic school aid	1,331,338	1,331,338	1,232,951	(98,387)
Remedial education	7,859	7,859	7,859	-
Regular foster care	16,579	16,579	2,354	(14,225)
General adult education	-	227,380	58,792	(168,588)
Gifted and talented	13,878	13,878	13,723	(155)
Remedial summer school	33,307	33,307	32,935	(372)
Mentor Teacher Program	539	539	2,073	1,534
Special education	201,694	201,694	199,440	(2,254)
VPSA Technology Grants	128,000	210,318	179,020	(31,298)
Enrollment Loss	-	-	1,485	1,485
Regular Tuition	-	-	45,681	45,681
Vocational standards of quality payments	50,578	50,578	50,012	(566)
Social security and retirement fringe benefits	135,387	135,387	133,874	(1,513)
Vocational equipment	-	-	29,751	29,751
Vocational regional adult	23,207	23,207	76,468	53,261
State lottery payments	-	-	-	-
Early reading intervention	3,904	3,904	3,123	(781)
Technology funds	4,844	4,844	-	(4,844)
School Improvement	-	175,608	-	(175,608)
Reduced K-3 class size	42,583	42,583	41,407	(1,176)
At risk payments	30,054	30,054	29,736	(318)
Standards of learning algebra readiness	3,982	3,982	4,802	820

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 1,942	\$ 1,942	\$ 1,942	\$ -
National board certification	-	-	-	-
Project Graduation	-	-	3,611	3,611
Career Switcher	-	-	1,000	1,000
Mentor teacher	-	-	-	-
Composite Index	509,519	509,519	469,293	(40,226)
Total categorical aid	\$ 3,634,891	\$ 4,120,197	\$ 3,567,032	\$ (553,165)
Total revenue from the Commonwealth	\$ 3,634,891	\$ 4,120,197	\$ 3,567,032	\$ (553,165)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 303,770	\$ 385,713	\$ 455,776	\$ 70,063
Title I - ARRA	-	102,875	45,971	(56,904)
Title VI-B, special education flow-through	325,975	327,232	220,107	(107,125)
Title VI-B - ARRA	-	177,667	135,034	(42,633)
Vocational education	30,000	30,000	1,985	(28,015)
Preschool special education	8,829	8,829	8,183	(646)
Preschool special education - ARRA	-	-	-	-
Title II, Part D	3,500	5,422	4,059	(1,363)
Title II, Part A	75,392	110,365	49,293	(61,072)
Title III, Part A	-	-	-	-
Middle School corps	-	-	5,000	5,000
Drug free school	-	-	5,907	5,907
Education	-	-	(58,786)	(58,786)
Adult basic education	-	5,728	53,983	48,255
State fiscal stabilization funds - education - ARRA	-	-	-	-
Total categorical aid	\$ 747,466	\$ 1,153,831	\$ 926,512	\$ (227,319)
Total revenue from the federal government	\$ 747,466	\$ 1,153,831	\$ 926,512	\$ (227,319)
Total School Operating Fund	\$ 11,477,426	\$ 12,377,829	\$ 12,139,730	\$ (238,099)
School Cafeteria fund:				
Revenue from local sources:				
Charges for services:				
Local Government	\$ -	\$ 69,382	\$ -	\$ (69,382)
Cafeteria sales	\$ 272,153	\$ 272,153	\$ 226,580	\$ (45,573)
Total revenue from local sources	\$ 272,153	\$ 341,535	\$ 226,580	\$ (114,955)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 11,185	\$ 11,185	\$ 9,961	\$ (1,224)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 250,000	\$ 250,000	\$ 291,165	\$ 41,165
Commodities	-	-	-	-
Total categorical aid	\$ 261,185	\$ 261,185	\$ 301,126	\$ 39,941
Total School Cafeteria Fund	\$ 533,338	\$ 602,720	\$ 527,706	\$ (75,014)
Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Local Government	\$ 46,845	\$ 313,200	\$ -	\$ (313,200)
Revenue from the use of money	-	-	84	84
Total revenue from use of money and property	\$ 46,845	\$ 313,200	\$ 84	\$ (313,116)
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	\$ 16,203	\$ 16,203	\$ 62,867	\$ 46,664
Total Textbook Fund	\$ 63,048	\$ 329,403	\$ 62,951	\$ (266,452)
Capital Projects Fund:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 129,889	\$ -	\$ (129,889)
Total revenue from use of money and property	\$ -	\$ 129,889	\$ -	\$ (129,889)
Total revenue from local sources	\$ -	\$ 129,889	\$ -	\$ (129,889)
Total School Capital Improvements Fund	\$ -	\$ 129,889	\$ -	\$ (129,889)
Total Discretely Presented Component Unit - School Board	\$ 12,073,812	\$ 13,439,841	\$ 12,730,386	\$ (709,455)

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration				
Legislative:				
Board of supervisors	\$ 78,303	\$ 78,303	\$ 74,098	\$ 4,205
General and financial administration:				
County administrator	\$ 300,258	\$ 301,408	\$ 297,636	\$ 3,772
Legal services	55,000	55,000	51,153	3,847
Commissioner of revenue	268,506	282,506	319,443	(36,937)
Treasurer	214,076	217,076	216,712	364
Independent auditor	38,000	38,000	36,900	1,100
Data processing	137,725	142,566	126,924	15,642
Risk management	94,305	105,935	98,238	7,697
Total general and financial administration	\$ 1,107,870	\$ 1,142,491	\$ 1,147,006	\$ (4,515)
Board of elections:				
Electoral board and officials	\$ 33,875	\$ 30,375	\$ 24,080	\$ 6,295
Registrar	71,035	74,535	70,739	3,796
Total board of elections	\$ 104,910	\$ 104,910	\$ 94,819	\$ 10,091
Total general government administration	\$ 1,291,083	\$ 1,325,704	\$ 1,315,923	\$ 9,781
Judicial administration:				
Courts:				
Circuit court	\$ 146,787	\$ 146,787	\$ 143,406	\$ 3,381
General district court	4,500	4,500	4,885	(385)
Magistrate	1,820	1,820	-	1,820
Juvenile and domestic relations district court	5,025	5,025	2,871	2,154
Clerk of the circuit court	208,772	208,772	208,063	709
Victim witness	19,056	25,387	24,239	1,148
Court services unit	56,750	58,500	30,555	27,945
Merrimac center	56,400	56,400	17,343	39,057
Total courts	\$ 499,110	\$ 507,191	\$ 431,362	\$ 75,829
Commonwealth's attorney:				
Commonwealth's attorney	\$ 204,246	\$ 204,246	\$ 195,355	\$ 8,891
Total judicial administration	\$ 703,356	\$ 711,437	\$ 626,717	\$ 84,720
Public Safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,230,334	\$ 1,285,074	\$ 1,275,023	\$ 10,051
Town police	-	40,534	40,574	(40)
County deputy	-	-	-	-
School resource officer	100,114	100,114	97,418	2,696
School crossing guard	-	-	-	-
Forfeited assets	-	-	-	-
Total law enforcement and traffic control	\$ 1,330,448	\$ 1,425,722	\$ 1,413,015	\$ 12,707

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 200,000	\$ 228,134	\$ 227,086	\$ 1,048
Rescue service	139,460	165,637	166,065	(428)
Total fire and rescue services	<u>\$ 339,460</u>	<u>\$ 393,771</u>	<u>\$ 393,151</u>	<u>\$ 620</u>
Correction and detention:				
Regional jail	<u>\$ 805,218</u>	<u>\$ 805,218</u>	<u>\$ 720,763</u>	<u>\$ 84,455</u>
Inspections:				
Building	<u>\$ 114,926</u>	<u>\$ 115,522</u>	<u>\$ 113,879</u>	<u>\$ 1,643</u>
Other protection:				
Animal control	\$ 84,774	\$ 84,774	\$ 80,876	\$ 3,898
Medical examiner	350	350	-	350
Emergency services	99,668	101,168	102,695	(1,527)
E-911	111,796	112,108	83,779	28,329
Friends for life	-	-	-	-
Total other protection	<u>\$ 296,588</u>	<u>\$ 298,400</u>	<u>\$ 267,350</u>	<u>\$ 31,050</u>
Total public safety	<u>\$ 2,886,640</u>	<u>\$ 3,038,633</u>	<u>\$ 2,908,158</u>	<u>\$ 130,475</u>
Public works:				
Sanitation and waste removal:				
Refuse collection - convenience centers	\$ 97,782	\$ 97,782	\$ 83,740	\$ 14,042
Landfill maintenance	2,900	2,900	2,095	805
VPPSA	726,491	750,991	733,624	17,367
Total sanitation and waste removal	<u>\$ 827,173</u>	<u>\$ 851,673</u>	<u>\$ 819,459</u>	<u>\$ 32,214</u>
Maintenance of general buildings and grounds:				
General properties	\$ 567,617	\$ 566,117	\$ 514,019	\$ 52,098
Airport	153,621	195,881	191,272	4,609
Total maintenance of general buildings and grounds	<u>\$ 721,238</u>	<u>\$ 761,998</u>	<u>\$ 705,291</u>	<u>\$ 56,707</u>
Total public works	<u>\$ 1,548,411</u>	<u>\$ 1,613,671</u>	<u>\$ 1,524,750</u>	<u>\$ 88,921</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 152,309	\$ 153,025	\$ 153,025	\$ -
Total health	<u>\$ 152,309</u>	<u>\$ 153,025</u>	<u>\$ 153,025</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 31,909</u>	<u>\$ 31,909</u>	<u>\$ 31,909</u>	<u>\$ -</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 1,159,722	\$ 1,191,941	\$ 1,140,309	\$ 51,632
Other service organizations	-	-	-	-
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	596,277	206,392
Vocational rehabilitation center	4,553	4,553	4,553	-
Humane society	8,075	8,075	8,075	-
Total welfare	\$ 2,020,396	\$ 2,052,615	\$ 1,793,691	\$ 258,924
Total health and welfare	\$ 2,204,614	\$ 2,237,549	\$ 1,978,625	\$ 258,924
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	6,997,695	6,997,695	7,371,393	(373,698)
Total education	\$ 7,005,539	\$ 7,005,539	\$ 7,376,387	\$ (370,848)
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 26,033	\$ 26,033	\$ 22,438	\$ 3,595
Sports complex	25,500	25,500	22,049	3,451
YMCA	47,500	47,500	47,500	-
Total parks and recreation	\$ 99,033	\$ 99,033	\$ 91,987	\$ 7,046
Cultural enrichment:				
Museum	\$ 4,275	\$ 4,275	\$ 4,275	\$ -
Jamestown contribution	15,000	15,000	10,513	4,487
Total cultural enrichment	\$ 19,275	\$ 19,275	\$ 14,788	\$ 4,487
Library:				
Regional library	\$ 102,600	\$ 102,600	\$ 102,600	\$ -
Total parks, recreation, and cultural	\$ 220,908	\$ 220,908	\$ 209,375	\$ 11,533
Community development:				
Planning and community development:				
Economic development	\$ 6,110	\$ 6,110	\$ 2,248	\$ 3,862
Planning	93,245	93,813	91,061	2,752
Board of zoning appeals	3,975	3,975	1,340	2,635
Zoning administration	91,132	91,240	77,291	13,949
Total planning and community development	\$ 194,462	\$ 195,138	\$ 171,940	\$ 23,198
Environmental management:				
Soil and water conservation district	\$ 5,600	\$ 5,600	\$ 5,600	\$ -
Environmental enforcement	17,810	18,810	12,553	6,257

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Environmental management: (Continued)				
Forestry services	\$ 4,384	\$ 4,384	\$ 4,303	\$ 81
Total environmental management	\$ 27,794	\$ 28,794	\$ 22,456	\$ 6,338
Cooperative extension program:				
Extension office	\$ 43,810	\$ 43,810	\$ 33,439	\$ 10,371
Total community development	\$ 266,066	\$ 267,742	\$ 227,835	\$ 39,907
Debt service:				
Principal retirement	\$ 1,197,977	\$ 1,197,977	\$ 1,177,977	\$ 20,000
Interest and other fiscal charges	1,219,062	1,219,062	1,233,521	(14,459)
Total debt service	\$ 2,417,039	\$ 2,417,039	\$ 2,411,498	\$ 5,541
Total General Fund	\$ 18,543,656	\$ 18,838,222	\$ 18,579,268	\$ 258,954
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital projects	\$ -	\$ -	\$ 264,237	\$ (264,237)
Total capital projects	\$ -	\$ -	\$ 264,237	\$ (264,237)
Total County Capital Improvements Fund	\$ -	\$ -	\$ 264,237	\$ (264,237)
Total Primary Government	\$ 18,543,656	\$ 18,838,222	\$ 18,843,505	\$ (5,283)
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction costs:				
Elementary and secondary schools	\$ 8,529,987	\$ 9,777,738	\$ 9,217,654	\$ 560,084
Operating costs:				
Administration, attendance and health services	\$ 725,612	\$ 374,522	\$ 374,522	\$ -
Pupil transportation	876,083	879,678	858,039	21,639
Operation and maintenance of school plant	1,345,744	1,345,744	1,511,311	(165,567)
Total operating costs	\$ 2,947,439	\$ 2,599,944	\$ 2,743,872	\$ (143,928)
Total education	\$ 11,477,426	\$ 12,377,682	\$ 11,961,526	\$ 416,156
Total School Operating Fund	\$ 11,477,426	\$ 12,377,682	\$ 11,961,526	\$ 416,156

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Textbook Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 63,048	\$ 329,403	\$ 70,183	\$ 259,220
Total Textbook Fund	\$ 63,048	\$ 329,403	\$ 70,183	\$ 259,220
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 238,338	\$ 238,338	\$ 248,570	\$ (10,232)
Commodities	295,000	364,382	314,812	49,570
Total Cafeteria Fund	\$ 533,338	\$ 602,720	\$ 563,382	\$ 39,338
School Capital Projects Fund:				
Capital projects expenditures:				
Repairs and maintenance	\$ -	\$ 129,890	\$ 98,792	\$ 31,098
Total capital projects	\$ -	\$ 129,890	\$ 98,792	\$ 31,098
Total School Capital Projects Fund	\$ -	\$ 129,890	\$ 98,792	\$ 31,098
Total Discretely Presented Component Unit - School Board	\$ 12,073,812	\$ 13,439,695	\$ 12,693,883	\$ 745,812

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.

County of Middlesex, Virginia
Government-Wide Expenses by Function
Last Nine Fiscal Years (1)

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

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

County of Middlesex, Virginia
Government-Wide Revenues
Last Nine Fiscal Years (1)

PROGRAM REVENUES					GENERAL REVENUES						
Fiscal Year	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	Total	
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	

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

County of Middlesex, Virginia
General Governmental Revenues by Source (1)
Last Eleven Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2001	\$ 6,998,054	\$ 1,575,689	\$ 175,287	\$ 6,347	\$ 896,900	\$ 340,844	\$ 131,137	\$ 59,538	\$ 7,694,978	\$ 17,878,774
2002	7,400,466	1,695,454	170,806	12,908	571,828	258,686	186,633	44,972	7,799,534	18,141,287
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

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

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

County of Middlesex, Virginia
General Governmental Expenditures by Function (1)
Last Eleven Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Debt Service	Total
2001	\$ 829,811	\$ 315,258	\$ 3,671,063	\$ 1,062,395	\$ 1,302,375	\$ 9,164,649	\$ 133,088	\$ 202,081	\$ 928,355	\$ 1,358,901	18,967,976
2002	813,839	332,764	2,032,423	1,041,567	1,348,440	9,792,853	142,328	219,646	10,028,449	3,661,747	29,414,056
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

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

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

Table 5

County of Middlesex, Virginia
Property Tax Levies and Collections (1)
Last Eleven Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections (3)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2,3)	Percent of Delinquent Taxes to Tax Levy
2001	\$ 7,361,029	\$ 7,110,471	96.60%	\$ 204,137	\$ 7,314,608	99.37%	\$ 717,037	9.74%
2002	7,789,721	7,734,665	99.29%	164,487	7,899,152	101.40%	614,443	7.89%
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%

(1) Exclusive of penalties and interest.

(2) Includes all year's taxes outstanding at year-end.

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

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service (2)	Total
2001	\$ 890,768,984	\$ 80,231,135	\$ 183,203	\$ 2,570,576	\$ 36,151,296	\$ 1,009,905,194
2002	910,651,706	86,077,668	163,517	2,445,287	33,959,464	1,033,297,642
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

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

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

County of Middlesex, Virginia
Property Tax Rates (1)
Last Eleven Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Utility	
						Real Estate	Personal Property
2001	0.52/0.55	\$ 3.50	\$ 0.52	\$ 3.50	\$ 1.25	\$ 0.52	\$ 3.50
2002	0.55/0.59	3.50	0.55	3.50	1.25	0.55	3.50
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	-	0.52	3.50
2009	0.35	3.50	0.35	1.75	-	0.35	3.50
2010	0.35/0.43	3.50	0.35	1.75	-	0.35	3.50
2011	0.43	3.50	0.43	3.50	-	0.43	3.50

(1) 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 Eleven Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to assessed Value	Net Bonded Debt per Capita
2001	9,932	\$ 1,009,905,194	\$ 14,220,771	0.014	1,432
2002	9,932	1,033,297,642	25,801,796	0.025	2,598
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	2,364,155,952	21,936,641	0.009	2,002

(1) Bureau of Census

(2) From Table 6

(3) 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.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)(2)	Ratio of Debt Service to General Governmental Expenditures
2001	\$ 344,635	\$ 1,014,266	\$ 1,358,901	\$ 18,039,621	7.53%
2002	2,475,407	1,186,340	3,661,747	19,385,607	18.89%
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%

(1) Includes Primary Government and Component Unit School Board

(2) 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, 2011, which collectively comprise of the County of Middlesex, Virginia's basic financial statements and have issued our report thereon dated November 15, 2011. 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, 2011

**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, 2011. 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, 2011.

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, 2011

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	950109/0950110	\$ 12,669
Temporary assistance for needy families	93.558	400109/0400110	101,928
Refugee and entrant assistance - state administered programs	93.566	500109/500110	163
Low income home energy assistance	93.568	600409/00600410	6,659
CCDF cluster:			
Child care and development block grant	93.575	770109/0770110	42,194
Child care mandatory and matching funds of the child care and development fund	93.596	760109/0770110	45,704
ARRA - Child care and development block grant	93.713	740109/0780109	-
Child welfare services - state grants	93.645	900109/090110	432
Foster care - Title IV-E	93.658	1100109/1100110	75,680
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	4,739
Adoption assistance	93.659	1120109/11201110	45,845
ARRA - Adoption Assistance	93.659	1120109/11201110	3,163
Social services block grant	93.667	1000109/1000110	79,764
Chafee foster care independence program	93.674	9150109/9150110	2,146
Children's health insurance program	93.767	540109/0540110	2,507
Medical assistance program	93.778	1200109/1200110	54,616
Total Department of Health and Human Services			<u>\$ 478,209</u>
Department of Agriculture:			
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	59,909
National school lunch program	10.555	1790140623	231,256
<i>Department of Social Services:</i>			
SNAP cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	10109/0010110	92,706
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	40109/0040110	-
Total Department of Agriculture			<u>\$ 383,871</u>

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
State homeland security program	97.073	7750100-52749	\$ <u>-</u>
Department of Justice:			
Pass Through Payments:			
<i>Compensation Board:</i>			
ARRA - Edward Byrne justice assistance grant	16.803	30712/30713/30716	\$ <u>-</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety program	20.600	60507-59250/50192	\$ <u>-</u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Adult education - basic grants to states	84.002	17901-42801	\$ 197
Title I, Part A cluster:			
Title I grants to local educational agencies	84.010	17901-42901	455,776
ARRA - Title I grants to local educational agencies	84.389	17901-42913	45,971
Special education cluster:			
Special education - grants to states	84.027	17901-43071	220,107
ARRA - Special education - grants to states	84.391	17901-61245	135,034
ARRA - Special education - preschool grants	84.392	17901-61247	-
Career and technical education - basic grants to states	84.048	17901-61095/61159	1,985
Special education - preschool grants	84.173	17901-62521	8,183
Safe and drug-free schools and communities - state grants	84.186		5,907
English language acquisition grants	84.365	17901-60521	-
Improving teacher quality state grants	84.367	17901-61480	49,293
ARRA - Technological Education	84.386	17901-60897	-
ARRA - State fiscal stabilization fund - education state grants	84.394	17901-62532	-
Education technology state grants	84.318	17901-61600	<u>4,059</u>
Total Department of Education			\$ <u>926,512</u>
Total Expenditures of Federal Awards			\$ <u><u>1,788,592</u></u>

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, 2011

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, 2011. 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>478,209</u>
Component Unit Public Schools:	
School Operating Fund	\$ 926,512
School Cafeteria Fund	<u>383,871</u>
Total component unit public school	\$ <u>1,310,383</u>
Total federal expenditures per basic financial statements	\$ <u>1,217,677</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,788,592</u></u>

County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified
 Internal control over financial reporting:
 Material weakness (es) identified? _____ yes x no
 Significant deficiency (ies) identified? _____ yes x none reported
 Noncompliance Material to financial statements noted? _____ yes x no

Federal Awards

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ x yes _____ no

Section II - Financial Statement Findings

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, 2011

There were no prior year findings and questioned costs.