

COUNTY OF MIDDLESEX, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2002

ROBINSON, FARMER, COX ASSOCIATES

*A Professional limited liability company
Certified Public Accountants*

Charlottesville t Christiansburg t Richmond t Staunton



COUNTY OF MIDDLESEX, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2002

COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

Kenneth W. Williams, Chairman

John D. Miller, Jr.
Frederick S. Crittenden

Lenora O. Weber
Wayne H. Jessie, Sr.

COUNTY SCHOOL BOARD

John M. Moore, Chairman

Elliot Reed
James W. Goforth

Elizabeth Hurd
Richard Shores

Jan Creekmore, Clerk

COUNTY WELFARE BOARD

John Fackler, Chairperson

Elizabeth Anderson
Wayne Jessie

Joan Harris
Lenora O. Weber

OTHER OFFICIALS

Judge of the Circuit Court William H. Shaw, III
Clerk of the Circuit Court Peggy Walton
Judge of the General District Court R. Bruce Long
Judge of Juvenile & Domestic Relation District Court Isabel Atlee
Commonwealth's Attorney James H. Ward, Jr.
Commissioner of the Revenue Mary L. Ebinger
Treasurer Betty S. Bray
Sheriff Guy L. Abbott
Superintendent of Schools Michael S. Myers
Director of Department of Social Services Kathryn F. Fitchett
Clerk of the School Board Jan Creekmore
County Administrator Charles M. Culley, Jr.

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ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF SUPERVISORS COUNTY OF MIDDLESEX, VIRGINIA

We have audited the accompanying general purpose financial statements and the combining financial statements of the County of Middlesex, Virginia, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the County of Middlesex'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, Specifications for Audits of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

As described more fully in Note 1, the general purpose financial statements referred to above do not include a general fixed assets account group which should be included to conform with accounting principles generally accepted in the United States of America.

In our opinion, except that the omission of the general fixed asset account group described above results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Middlesex, Virginia, as of June 30, 2002, and the results of operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the County of Middlesex, Virginia, as of June 30, 2002 and the results of operation of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2002 on our consideration of the County of Middlesex, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County of Middlesex, Virginia, and on the combining financial statements taken as whole. 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 other supporting schedules are not a required part of the financial statements and on the combining financial statements. The accompanying financial information listed as supporting schedules in table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and on the combining financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

Robinson, Terry, Cox Associates

Charlottesville, Virginia
September 6, 2002

General Purpose Financial Statements

COUNTY OF MIDDLESEX, VIRGINIA

Combined Balance Sheet

All Funds, Account Groups, and Discretely Presented Component Unit

At June 30, 2002

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 4,982,403	\$ 119,063	\$ 8,210,417
Receivables (net of allowances for uncollectibles):			
Taxes	336,307	-	-
Accounts	60,432	13,704	-
Due from other funds	12,180	-	-
Due from component unit	61,072	-	-
Due from other governmental units	292,030	-	-
Other debits:			
Amount to be provided for the retirement of general long-term debt	-	-	-
Total assets and other debits	<u>\$ 5,744,424</u>	<u>\$ 132,767</u>	<u>\$ 8,210,417</u>
LIABILITIES			
Accounts payable	\$ 108,467	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	12,180	-
Due to primary government	-	-	-
Amounts held for others	-	-	-
Deferred revenue	336,497	-	-
General obligation bonds payable	-	-	-
State Literary Fund loan payable	-	-	-
Lease revenue bond payable	-	-	-
Capital lease obligations	-	-	-
Accrued compensated absences	-	-	-
Retirement incentive costs	-	-	-
Accrued landfill costs	-	-	-
Total liabilities	<u>\$ 444,964</u>	<u>\$ 12,180</u>	<u>\$ -</u>
EQUITY			
Fund balances:			
Unreserved:			
Designated:			
Capital projects	\$ -	\$ -	\$ 669,015
Subsequent year's expenditures	-	120,587	-
School construction	-	-	-
Courthouse construction	-	-	7,541,402
Undesignated	<u>5,299,460</u>	<u>-</u>	<u>-</u>
Total equity	<u>\$ 5,299,460</u>	<u>\$ 120,587</u>	<u>\$ 8,210,417</u>
Total liabilities and equity	<u>\$ 5,744,424</u>	<u>\$ 132,767</u>	<u>\$ 8,210,417</u>

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

Exhibit 1

Fiduciary Funds Trust and Agency	Account Group General Long-term Debt	Totals (Memorandum Only) Primary Government	Component Unit School Board	Totals (Memorandum Only) Reporting Entity
\$ 6,030	\$ -	\$ 13,317,913	\$ 6,188,497	\$ 19,506,410
-	-	336,307	-	336,307
-	-	74,136	-	74,136
-	-	12,180	-	12,180
-	-	61,072	-	61,072
-	-	292,030	385,013	677,043
-	10,347,743	10,347,743	15,983,556	26,331,299
<u>\$ 6,030</u>	<u>\$ 10,347,743</u>	<u>\$ 24,441,381</u>	<u>\$ 22,557,066</u>	<u>\$ 46,998,447</u>
\$ -	\$ -	\$ 108,467	\$ 458,927	\$ 567,394
-	-	-	821,331	821,331
-	-	12,180	-	12,180
-	-	-	61,072	61,072
6,030	-	6,030	-	6,030
-	-	336,497	-	336,497
-	-	-	1,665,000	1,665,000
-	-	-	12,500	12,500
-	9,905,000	9,905,000	13,900,000	23,805,000
-	199,431	199,431	-	199,431
-	204,022	204,022	86,760	290,782
-	-	-	319,296	319,296
-	39,290	39,290	-	39,290
<u>\$ 6,030</u>	<u>\$ 10,347,743</u>	<u>\$ 10,810,917</u>	<u>\$ 17,324,886</u>	<u>\$ 28,135,803</u>
\$ -	\$ -	\$ 669,015	\$ -	\$ 669,015
-	-	120,587	47,490	168,077
-	-	-	5,184,690	5,184,690
-	-	7,541,402	-	7,541,402
-	-	5,299,460	-	5,299,460
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,630,464</u>	<u>\$ 5,232,180</u>	<u>\$ 18,862,644</u>
<u>\$ 6,030</u>	<u>\$ 10,347,743</u>	<u>\$ 24,441,381</u>	<u>\$ 22,557,066</u>	<u>\$ 46,998,447</u>

COUNTY OF MIDDLESEX, VIRGINIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds and Discretely Presented Component Unit
 Year Ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
General property taxes	\$ 7,400,466	\$ -	\$ -
Other local taxes	1,528,433	167,021	-
Permits, privilege fees and regulatory licenses	170,806	-	-
Fines and forfeitures	12,908	-	-
Revenue from use of money and property	243,414	-	67,741
Charges for services	36,783	-	-
Miscellaneous	130,202	-	11,029
Recovered costs	44,972	-	-
Intergovernmental:			
Commonwealth	2,019,916	-	-
Federal	536,370	-	-
Total revenues	\$ 12,124,270	\$ 167,021	\$ 78,770
Expenditures:			
Current:			
General government administration	\$ 813,839	\$ -	\$ -
Judicial administration	332,764	-	-
Public safety	2,032,423	-	-
Public works	1,041,567	-	-
Health and welfare	1,348,440	-	-
Education	13,163	-	-
Parks, recreation, and cultural	142,328	-	-
Community development	219,646	-	-
Capital projects	260,586	-	309,706
Debt service:			
Principal retirement	2,178,447	-	-
Interest and other fiscal charges	376,939	-	-
Total expenditures	\$ 8,760,142	\$ -	\$ 309,706
Excess (deficiency) of revenues over expenditures	\$ 3,364,128	\$ 167,021	\$ (230,936)
Other financing sources (uses):			
Debt proceeds	\$ 2,135,000	\$ -	\$ 7,770,000
Operating transfers in	376,578	-	307,020
Operating transfers out	-	(376,578)	-
Operating transfers from/to primary government	(5,635,994)	-	-
Total other financing sources (uses)	\$ (3,124,416)	\$ (376,578)	\$ 8,077,020
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ 239,712	\$ (209,557)	\$ 7,846,084
Fund balances at beginning of year	5,059,748	330,144	364,333
Fund balances at end of year	\$ 5,299,460	\$ 120,587	\$ 8,210,417

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

Exhibit 2

<u>Totals</u> <u>"Memorandum</u> <u>Only"</u>	<u>Component</u> <u>Unit</u>	<u>Totals</u> <u>"Memorandum</u> <u>Only"</u>
<u>Primary</u> <u>Government</u>	<u>School</u> <u>Board</u>	<u>Reporting</u> <u>Entity</u>
\$ 7,400,466	\$ -	\$ 7,400,466
1,695,454	-	1,695,454
170,806	-	170,806
12,908	-	12,908
311,155	260,673	571,828
36,783	221,903	258,686
141,231	45,402	186,633
44,972	-	44,972
2,019,916	4,427,286	6,447,202
536,370	815,962	1,352,332
<u>\$ 12,370,061</u>	<u>\$ 5,771,226</u>	<u>\$ 18,141,287</u>
\$ 813,839	\$ -	\$ 813,839
332,764	-	332,764
2,032,423	-	2,032,423
1,041,567	-	1,041,567
1,348,440	-	1,348,440
13,163	9,779,690	9,792,853
142,328	-	142,328
219,646	-	219,646
570,292	9,458,157	10,028,449
2,178,447	296,960	2,475,407
376,939	809,401	1,186,340
<u>\$ 9,069,848</u>	<u>\$ 20,344,208</u>	<u>\$ 29,414,056</u>
<u>\$ 3,300,213</u>	<u>\$ (14,572,982)</u>	<u>\$ (11,272,769)</u>
\$ 9,905,000	\$ 2,400,000	\$ 12,305,000
683,598	-	683,598
(376,578)	-	(376,578)
(5,635,994)	5,328,974	(307,020)
<u>\$ 4,576,026</u>	<u>\$ 7,728,974</u>	<u>\$ 12,305,000</u>
\$ 7,876,239	\$ (6,844,008)	\$ 1,032,231
5,754,225	12,076,188	17,830,413
<u>\$ 13,630,464</u>	<u>\$ 5,232,180</u>	<u>\$ 18,862,644</u>

COUNTY OF MIDDLESEX, VIRGINIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General, Special Revenue and Capital Projects Funds
 And Discretely Presented Component Unit School Board
 Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
General property taxes	\$ 7,918,129	\$ 7,400,466	\$ (517,663)	\$ -	\$ -	\$ -
Other local taxes	1,654,334	1,528,433	(125,901)	180,000	167,021	(12,979)
Permits, privilege fees and regulatory licenses	147,900	170,806	22,906	-	-	-
Fines and forfeitures	13,479	12,908	(571)	-	-	-
Revenue from use of money and property	261,000	243,414	(17,586)	-	-	-
Charges for services	45,550	36,783	(8,767)	-	-	-
Miscellaneous	133,164	130,202	(2,962)	-	-	-
Recovered costs	41,876	44,972	3,096	-	-	-
Intergovernmental:						
Commonwealth	2,059,317	2,019,916	(39,401)	-	-	-
Federal	3,000	536,370	533,370	-	-	-
Total revenues	\$ 12,277,749	\$ 12,124,270	\$ (153,479)	\$ 180,000	\$ 167,021	\$ (12,979)
Expenditures:						
Current:						
General government administration	\$ 963,704	\$ 813,839	\$ 149,865	\$ -	\$ -	\$ -
Judicial administration	339,773	332,764	7,009	-	-	-
Public safety	2,664,826	2,032,423	632,403	-	-	-
Public works	1,143,190	1,041,567	101,623	-	-	-
Health and welfare	1,569,998	1,348,440	221,558	-	-	-
Education	13,163	13,163	-	-	-	-
Parks, recreation, and cultural	141,453	142,328	(875)	-	-	-
Community development	275,562	219,646	55,916	-	-	-
Capital projects	216,360	260,586	(44,226)	-	-	-
Debt service:						
Principal retirement	270,527	2,178,447	(1,907,920)	-	-	-
Interest and other fiscal charges	113,637	376,939	(263,302)	-	-	-
Total expenditures	\$ 7,712,193	\$ 8,760,142	\$ (1,047,949)	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures	\$ 4,565,556	\$ 3,364,128	\$ (1,201,428)	\$ 180,000	\$ 167,021	\$ (12,979)
Other financing sources (uses):						
Bond proceeds	\$ -	\$ 2,135,000	\$ 2,135,000	\$ -	\$ -	\$ -
Operating transfers in	470,082	376,578	(93,504)	-	-	-
Operating transfers out	-	-	-	(376,578)	(376,578)	-
Operating transfers from/to primary government	(5,754,794)	(5,635,994)	118,800	-	-	-
Total other financing sources (uses)	\$ (5,284,712)	\$ (3,124,416)	\$ 2,160,296	\$ (376,578)	\$ (376,578)	\$ -
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ (719,156)	\$ 239,712	\$ 958,868	\$ (196,578)	\$ (209,557)	\$ (12,979)
Fund balances at beginning of year	719,156	5,059,748	4,340,592	196,578	330,144	133,566
Fund balances at end of year	\$ -	\$ 5,299,460	\$ 5,299,460	\$ -	\$ 120,587	\$ 120,587

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

Capital Projects Funds			Component Unit School Board		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	67,741	67,741	2,200	260,673	258,473
-	-	-	261,116	221,903	(39,213)
-	11,029	-	13,500	45,402	31,902
-	-	-	-	-	-
-	-	-	4,766,167	4,427,286	(338,881)
-	-	-	922,616	815,962	(106,654)
\$ -	\$ 78,770	\$ 67,741	\$ 5,965,599	\$ 5,771,226	\$ (194,373)
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,315,810	9,779,690	536,120
-	-	-	-	-	-
-	-	-	-	-	-
178,000	309,706	(131,706)	-	9,458,157	(9,458,157)
-	-	-	297,709	296,960	749
-	-	-	799,854	809,401	(9,547)
\$ 178,000	\$ 309,706	\$ (131,706)	\$ 11,413,373	\$ 20,344,208	\$ (8,930,835)
\$ (178,000)	\$ (230,936)	\$ (63,965)	\$ (5,447,774)	\$ (14,572,982)	\$ (9,125,208)
\$ -	\$ 7,770,000	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000
257,020	307,020	50,000	-	-	-
-	-	-	-	-	-
-	-	-	5,389,249	5,328,974	(60,275)
\$ 257,020	\$ 8,077,020	\$ 50,000	\$ 5,389,249	\$ 7,728,974	\$ 2,339,725
\$ 79,020	\$ 7,846,084	\$ (13,965)	\$ (58,525)	\$ (6,844,008)	\$ (6,785,483)
517,455	364,333	(153,122)	58,525	12,076,188	12,017,663
\$ 596,475	\$ 8,210,417	\$ (167,087)	\$ -	\$ 5,232,180	\$ 5,232,180

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
as of June 30, 2002

Note 1—Summary of Significant Accounting Policies:

The County of Middlesex is governed by an elected five member Board of Supervisors. The county provides a full range of services for its citizens. These services include police and fire protection; sanitation services; recreational activities; cultural events; education and social services.

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, 2002.

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. There 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, 2002.

C. Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

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

C. Other Related Organizations

Middle Peninsula Regional Jail Authority

The Middle Peninsula Regional Jail Authority is considered a jointly governed organization and 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 \$641,915 to the Authority for the fiscal year ended June 30, 2002.

Virginia Peninsulas Public Service Authority

The Virginia Peninsula Public Service Authority is considered a jointly governed organization and 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 its operations.

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board is considered a jointly governed organization and 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 \$23,000 as operating grants to the Middle Peninsula Northern Neck Community Services Board for the fiscal year ended June 30, 2002.

D. Financial Statement Presentation

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

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

D. Financial Statement Presentation (Continued)

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds are grouped in the financial statements as follows:

1. Governmental Funds - account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

General Fund - accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in another fund.

Special Revenue Funds - account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions on administrative action. Special Revenue Funds consist of the E-911 Fund.

Capital Projects Funds - account for financial resources to be used for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The Capital Project Funds consists of the General Capital Projects Fund.

2. 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 modified accrual basis of accounting described in the Governmental Funds presentation. The Special Welfare Fund is the only Agency Funds of the County.
3. Account Groups - are used to account for general obligation long-term debt and general fixed assets. The government does not record fixed assets and, accordingly, a general fixed assets account group is not reported. The general long-term debt account group is used to account for general long-term obligations of the County except for those accounted for in the Proprietary Funds, which are expected to be financed from governmental funds.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

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

D. Financial Statement Presentation (Continued)

4. Combined/Combining Financial Statements - These statements are referred to as General Purpose Financial Statements and provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. All funds and account groups of a specific fund classification are combined and presented as one in the financial statements. For example, all funds classified as Capital Projects Funds are combined and presented under the caption "Capital Projects Funds."
5. Budgetary Comparison Statements - The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, compare budget and actual data for all governmental funds for which budgets were adopted. A review of the budgetary comparisons presented herein will disclose how accurately the governing body was able to forecast the revenues and expenditures of the County.
6. Total Columns on the Combined Statements - Overview - The total columns on the combined statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

E. Basis of Accounting

1. Governmental Funds - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. 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. Taxes collected during the year and taxes due at June 30 collected within 60 days after that date are recognized as revenue in the accompanying financial statements. 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 30 to 60 days 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, such as entitlement programs, are recognized in the period to which the grant applies.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

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

E. Basis of Accounting (Continued)

Expenditures, other than compensated absences and interest on long-term debt, are recorded as the related fund liabilities are incurred. Compensated absences are recorded as a general long-term obligation when incurred and recorded as an expenditure of the appropriate fund when paid. Interest on long-term debt is recognized when due except for an amount due on July 1, which is accrued.

2. Fiduciary Funds - Agency funds do not involve the measurement of results of operations. They are accounted for using the modified accrual basis of accounting. Accordingly, assets and liabilities are recognized when they occur regardless of the timing and related cash flows.

The budgets are presented on the same basis of accounting as the basic financial statements described above. The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

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

E. Basis of Accounting (Continued)

7. Appropriations lapse on June 30, for all County units.
8. All budget data presented in the accompanying financial statements is the revised budget for the year.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$293,000 at June 30, 2002 and is composed solely of property taxes.

Note 2—Cash And Investments:

Cash and Cash Equivalents: Cash and cash equivalents consist of all cash on hand and in banks, highly liquid investments and certificates of deposit.

Deposits - All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments: Statutes authorize local governments and other public bodies 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).

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the County's name.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 2—Cash And Investments: (Continued)

At year end, the County’s investment balances at fair value were as follows:

	<u>Category</u>			<u>Not Categorized</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
SNAP bond pool funds	\$ -	\$ -	\$ -	\$ 12,771,325
Local Government Investment Pool	-	-	-	<u>2,445,343</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,216,668</u>

Total cash and cash equivalents for primary government:

Deposits	\$ 3,330,394
Cash on hand and cash items	774
Investments	<u>9,986,745</u>
Total	<u>\$ 13,317,913</u>

Cash and Cash equivalents for component unit - School Board:

Deposits	\$ 958,574
Investments	<u>5,229,923</u>
Total	<u>\$ 6,188,497</u>
Total cash and cash equivalents	<u>\$ 19,506,410</u>

Note 3—Property Taxes 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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 4—Due From Other Governmental Units:

Primary government:

Commonwealth of Virginia	
Local Sales taxes	\$ 127,912
Public assistance	45,072
Comprehensive Services Act	62,726
Other	<u>56,320</u>
 Total	 \$ <u><u>292,030</u></u>

Component Unit School Board:

Commonwealth of Virginia	
State sales taxes	\$ 193,962
Fringe benefits	14,800
Federal pass-through	
School funds	<u>176,251</u>
 Total	 \$ <u><u>385,013</u></u>

Note 5—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 \$336,497 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$336,497 at June 30, 2002.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 6—Long-Term Obligations:

Primary Government:

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the primary government for the year ended June 30, 2002.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Lease revenue bonds	\$ -	\$ 9,905,000	\$ -	\$ 9,905,000
Appropriation loan	427,015	-	427,015	-
Capital lease obligations	1,950,862	-	1,751,431	199,431
Accrued landfill costs	44,924	-	5,634	39,290
Accrued compensated absences*	<u>158,825</u>	<u>45,197</u>	<u>-</u>	<u>204,022</u>
 Total	 <u>\$ 2,581,626</u>	 <u>\$ 9,950,197</u>	 <u>\$ 2,184,080</u>	 <u>\$ 10,347,743</u>

* Accrued compensated absences is allocated as follows:

General government operations	\$ 138,242
Social Services	<u>65,780</u>
Total	<u>\$ 204,022</u>

<u>Year Ended</u> <u>June 30</u>	<u>Revenue Lease Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ 160,000	\$ 159,450
2004	155,000	473,390
2005	285,000	468,585
2006	295,000	459,750
2007	305,000	449,425
2012	1,735,000	2,037,337
2017	1,380,000	1,633,987
2022	1,285,000	1,321,769
2027	1,660,000	955,587
2032	2,145,000	480,419
2033	<u>500,000</u>	<u>26,250</u>
Totals	<u>\$ 9,905,000</u>	<u>\$ 8,465,949</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of lease revenue bonds:

\$7,770,000 lease revenue bond issued April 1, 2002, due in varying annual installments through August 2032, interest at various rates from 3.1% to 5.25% payable semi-annually	\$ 7,770,000
\$1,750,000 lease revenue bond issued April 1, 2002, due in varying annual installments through August 2032, interest at various rates from 3.1% to 5.0% payable semi-annually	1,750,000
\$385,000 lease revenue bond issued April 1, 2002, due in varying annual installments through August 2032, interest at various rates from 3.1% to 5.0% payable semi-annually	<u>385,000</u>
Total	<u>\$ 9,905,000</u>

Capital lease obligations

The County has entered into various capital lease agreements for the purchase of a transfer station, computer equipment and communications equipment. Title to the assets passes to the County upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements. Annual requirements to amortize lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2003	\$ 36,000
2004	35,219
2005	34,424
2006	23,600
2007	20,775
2008	19,950
2009	19,125
2010	23,300
2011	22,200
2012	<u>21,100</u>
Total minimum lease payments	\$ 255,693
Less: Amounts representing interest	<u>(56,262)</u>
Net lease obligations	<u>\$ 199,431</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 6—Long-Term Obligations: (Continued)

Details of capital leases:

Transfer station, matures, May 1, 2012, interest from 5.25% to 5.50%	\$ 165,000
Computer equipment, matures September 1, 2005, interest at 6.18%	<u>34,431</u>
Total	<u>\$ 199,431</u>

Landfill Closure and Postclosure Care Cost:

The County closed its landfill operation on October 8, 1993, and contracted with the Virginia Peninsulas Public Service Authority to dispose of its solid waste. The landfill closure was completed during fiscal 1994 and, in accordance with federal and state laws and regulations, is required to monitor the landfill for ten (10) years. The County's annual liability is estimated to be \$9,941 for monitoring and \$2,500 for maintenance over an additional seven (7) years. The total estimated postclosure care liability is \$111,972, and was determined by engineers. During fiscal 2002, the County paid \$5,634 for postclosure monitoring and maintenance. The actual landfill postclosure costs may be higher due to inflation, changes in technology, or changes in regulations. The balance of the estimated post-closure cost at June 30, 2002 is \$39,290.

Component Unit School Board

Changes in Long-term Obligations

The following is a summary of changes in long-term obligations of the School Board for the year ended June 30, 2002.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Bonds payable	\$ 1,945,000	\$ -	\$ 280,000	\$ 1,665,000
Literary loans	18,750	-	6,250	12,500
Lease Revenue Bond Payable	11,500,000	2,400,000	-	13,900,000
Accrued compensated absences	74,980	11,780	-	86,760
Retirement incentive loans	<u>330,006</u>	<u>-</u>	<u>10,710</u>	<u>319,296</u>
Total	<u>\$ 13,868,736</u>	<u>\$ 2,411,780</u>	<u>\$ 296,960</u>	<u>\$ 15,983,556</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 6—Long-Term Obligations: (Continued)

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

<u>Year Ending June 30,</u>	<u>General Long-term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ 437,709	\$ 812,102
2004	428,510	865,900
2005	403,117	841,896
2006	399,034	819,162
2007	405,014	796,316
2008-2010	2,517,362	3,589,987
2011-2017	2,654,480	2,891,655
2018-2022	3,371,570	2,051,371
2023-2027	4,465,000	923,609
2028-2032	660,000	147,900
2033	<u>155,000</u>	<u>8,137</u>
Totals	<u>\$ 15,896,796</u>	<u>\$ 13,748,035</u>

Amount
Outstanding

Details of Long-term Indebtedness:

General obligation bonds:

School Bonds

\$4,750,000 refunding school bonds, issued December 1993, due in various annual installments through December 15, 2011, interest at various rates from 6.1% to 6.4% payable semiannually

\$ 1,665,000

State Literary Fund loan:

\$125,000, issued August 1, 1983, due in annual installments of \$6,250 through August 1, 2003; interest payable annually at 3%

12,500

Retirement Incentive Obligation Loan:

\$349,373 issued July 30, 1998, due in annual installments of \$33,778 (principal and interest) through July 30, 217, interest at 6.99%

319,296

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 6—Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness: (Continued)</u>	
Lease Revenue Bonds Payable:	
\$11,500,000 lease revenue bond issued January 15, 2000, due in varying annual installments through January, 2027, interest payable semi-annually at 5.6%	\$ 11,500,000
\$2,400,000 lease revenue bond issued April 1, 2002, due in varying annual installments through August, 2032, interest at various rates from 3.1% to 5.25% payable semi-annually	<u>2,400,000</u>
Total long-term indebtedness	<u>\$ 15,896,796</u>

Note 7—Claims, Judgments And Compensated Absences:

The County has accrued the liability arising from outstanding claims and judgments and compensated absences. County employees earn vacation and sick leave at various rates each month based upon the number of years of service. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation leave up to thirty days is paid upon termination. In addition, eligible County employees earn compensatory leave for hours worked each week in excess of forty. Accumulated compensatory leave is paid up to 280 hours upon termination. The County and School Board have outstanding accrued leave totaling \$204,022 and \$86,760, respectively.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 8—Defined Benefit Pension Plan:

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

A. Plan Description

Name of Plan: Virginia Retirement System
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. 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 2002 was 0%, of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2002 averaged 6.16% for professional employees and 8.25% for non-professional employees, of annual covered payroll.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 8—Defined Benefit Pension Plan:

C. Annual Pension Cost

For fiscal 2002, the County’s annual pension cost of \$0 (does not include the employee share assumed by the County which was \$82,409) was equal to the County’s required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2002, the County of Middlesex School Board’s annual pension cost for the Board’s non-professional employees was \$62,754, which was equal to the Board’s required and actual contributions. The required contribution was determined as a part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method. (does not include the employee share assumed by the School Board which was \$25,614).

The School Board professional employees are included in the VRS statewide cost-sharing pool. The Board’s required employer and employee contributions to this pool were \$183,148 and \$255,638, respectively. The School Board contribution rate for its professional employees averaged 6.16%.

The actuarial assumptions used for the fiscal year 2002 contributions are as follows for both the County and non-professional School Board employees:

	<u>County</u>	<u>School Board Non-Professional Employees</u>
Valuation date	June 30, 1999	June 30, 1999
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	0 years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases ¹	4.25% to 6.10%	4.25% to 6.10%
Cost-of-living adjustments	3.0%	3.0%

¹ Includes inflation at 3%

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 8—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The following trend information is presented for three years only.

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) ¹</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County	June 30, 2000	\$ 29,303	100%	-
	June 30, 2001	-	100%	-
	June 30, 2002	-	100%	-
School Board Non-Professional Employees	June 30, 2000	\$ 42,598	100%	-
	June 30, 2001	\$ 64,302	100%	-
	June 30, 2002	\$ 62,754	100%	-

¹ Employer portion only

Required Supplementary:

County Retirement Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
06-30-99	\$ 4,305,104	\$ 3,571,232	\$ (733,872)	120.5%	\$ 1,393,029	(52.7%)
06-30-00	5,025,614	3,652,878	(1,372,736)	137.6%	1,556,024	(88.2%)
06-30-01	5,543,135	3,988,432	(1,554,703)	139.0%	1,649,787	(94.2%)

School Board Non-Professional Retirement Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
06-30-99	\$ 726,209	\$ 1,293,401	\$ 567,192	56.1%	\$ 469,472	120.7%
06-30-00	882,399	1,296,511	414,113	68.1%	481,312	86.0%
06-30-01	1,020,614	1,377,762	357,148	74.1%	509,125	70.2%

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 9—Due From Component Unit/Due to Primary Government:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 73,252	\$ -
School Operating Fund	-	61,072
E-911 Fund	-	12,180
 Total	 <u>\$ 73,252</u>	 <u>\$ 73,252</u>

Note 10—Contingent Liabilities (Including Federally Assisted Programs And Compliance Audits):

- A. 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.
- B. At June 30, 2002 there were no matters of litigation involving the County which would materially affect the County's financial position should any court decision or pending matter not be favorable to the County.
- C. The County is under a court order to replace the existing courthouse facilities. The County purchased land near the current courthouse facilities and issued lease revenue bonds in the amount of \$7,700,000 in May, 2002 to finance the project. The estimated costs of constructing the facilities is not known.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2002 (Continued)

Note 11—Surety Bonds:

	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Betty S. Bray, Treasurer	\$ 300,000
Peggy Walton, Clerk of the Circuit Court	103,000
Mary L. Ebinger 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 12—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 coverages in the past three years.

Combining Financial Statements

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Agency Funds
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2002

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Special Welfare Fund:</u>				
Assets:				
Cash	\$ 5,438	\$ 29,123	\$ 28,531	\$ 6,030
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for others	\$ 5,438	\$ 29,123	\$ 28,531	\$ 6,030
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

COUNTY OF MIDDLESEX, VIRGINIA

Discretely Presented Component Unit School Board
 Combining Balance Sheet
 At June 30, 2002

	Governmental Funds			
	School Operating Fund	School Cafeteria Fund	School Textbook Rental Fund	School Capital Projects Fund
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 907,952	\$ 25,111	\$ 70,744	\$ 5,184,690
Receivables:				
Due from other governmental units	376,909	8,104	-	-
Other debits:				
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total assets and other debits	\$ <u>1,284,861</u>	\$ <u>33,215</u>	\$ <u>70,744</u>	\$ <u>5,184,690</u>
LIABILITIES				
Accounts payable	\$ 421,470	\$ -	\$ 37,457	\$ -
Accrued liabilities	802,319	19,012	-	-
Due to primary government	61,072	-	-	-
General obligation bonds payable	-	-	-	-
Lease revenue bond payable	-	-	-	-
State Literary Fund loans payable	-	-	-	-
Accrued compensated absences	-	-	-	-
Retirement incentive loan	-	-	-	-
Total liabilities	\$ <u>1,284,861</u>	\$ <u>19,012</u>	\$ <u>37,457</u>	\$ <u>-</u>
EQUITY				
Fund balances:				
Unreserved:				
Designated:				
Subsequent year's expenditures	\$ -	\$ 14,203	\$ 33,287	\$ -
School construction	-	-	-	5,184,690
Total equity	\$ <u>-</u>	\$ <u>14,203</u>	\$ <u>33,287</u>	\$ <u>5,184,690</u>
Total liabilities and equity	\$ <u>1,284,861</u>	\$ <u>33,215</u>	\$ <u>70,744</u>	\$ <u>5,184,690</u>

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

Exhibit B-1

<u>Account Group</u> <u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>Totals</u>
\$ -	\$ 6,188,497
-	385,013
<u>15,983,556</u>	<u>15,983,556</u>
<u>\$ 15,983,556</u>	<u>\$ 22,557,066</u>
\$ -	\$ 458,927
-	821,331
-	61,072
1,665,000	1,665,000
13,900,000	13,900,000
12,500	12,500
86,760	86,760
<u>319,296</u>	<u>319,296</u>
<u>\$ 15,983,556</u>	<u>\$ 17,324,886</u>
\$ -	\$ 47,490
<u>-</u>	<u>5,184,690</u>
<u>\$ -</u>	<u>\$ 5,232,180</u>
<u>\$ 15,983,556</u>	<u>\$ 22,557,066</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Discretely Presented Component Unit School Board
 Year Ended June 30, 2002

	Governmental Fund Types				Totals
	School Operating Fund	School Cafeteria Fund	School Textbook Rental Fund	School Capital Projects Fund	
Revenues:					
Revenue from use of money and property	\$ 17,437	\$ 295	\$ 252	\$ 242,689	\$ 260,673
Charges for services	7,100	214,803	-	-	221,903
Miscellaneous	45,402	-	-	-	45,402
Intergovernmental:					
Commonwealth	4,386,160	6,367	34,759	-	4,427,286
Federal	649,274	166,688	-	-	815,962
Total revenues	\$ 5,105,373	\$ 388,153	\$ 35,011	\$ 242,689	\$ 5,771,226
Expenditures:					
Current:					
Education	\$ 9,280,736	\$ 391,054	\$ 107,900	\$ -	\$ 9,779,690
Capital projects	-	-	-	9,458,157	9,458,157
Debt service:					
Principal retirement	296,960	-	-	-	296,960
Interest and other fiscal charges	809,401	-	-	-	809,401
Total expenditures	\$ 10,387,097	\$ 391,054	\$ 107,900	\$ 9,458,157	\$ 20,344,208
Excess (deficiency) of revenues over expenditures	\$ (5,281,724)	\$ (2,901)	\$ (72,889)	\$ (9,215,468)	\$ (14,572,982)
Other financing sources (uses):					
Loan proceeds	\$ -	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000
Operating transfers out	-	-	-	-	-
Operating transfers from/to primary government	5,281,323	-	47,651	-	5,328,974
Total other financing sources (uses)	\$ 5,281,323	\$ -	\$ 47,651	\$ 2,400,000	\$ 7,728,974
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ (401)	\$ (2,901)	\$ (25,238)	\$ (6,815,468)	\$ (6,844,008)
Fund balances at beginning of year	\$ 401	\$ 17,104	\$ 58,525	\$ 12,000,158	\$ 12,076,188
Fund balances at end of year	\$ -	\$ 14,203	\$ 33,287	\$ 5,184,690	\$ 5,232,180

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

COUNTY OF MIDDLESEX, VIRGINIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Discretely Presented Component Unit School Board
 Year Ended June 30, 2002

	School Operating Fund			School Cafeteria Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Revenue from use of money and property	\$ 1,000	\$ 17,437	\$ 16,437	\$ 1,200	\$ 295	\$ (905)
Charges for services	5,400	7,100	1,700	255,716	214,803	(40,913)
Miscellaneous	13,500	45,402	31,902	-	-	-
Intergovernmental:						
Commonwealth	4,722,923	4,386,160	(336,763)	6,676	6,367	(309)
Federal	752,616	649,274	(103,342)	170,000	166,688	(3,312)
Total revenues	\$ 5,495,439	\$ 5,105,373	\$ (390,066)	\$ 433,592	\$ 388,153	\$ (45,439)
Expenditures:						
Current:						
Education	\$ 9,739,474	\$ 9,280,736	\$ 458,738	\$ 433,592	\$ 391,054	\$ 42,538
Capital projects	-	-	-	-	-	-
Debt service:						
Principal retirement	297,709	296,960	749	-	-	-
Interest and other fiscal charges	799,854	809,401	(9,547)	-	-	-
Total expenditures	\$ 10,837,037	\$ 10,387,097	\$ 449,940	\$ 433,592	\$ 391,054	\$ 42,538
Excess (deficiency) of revenues over expenditures	\$ (5,341,598)	\$ (5,281,724)	\$ 59,874	\$ -	\$ (2,901)	\$ (2,901)
Other financing sources (uses):						
Loan proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Operating transfers from/to primary government	5,341,598	5,281,323	(60,275)	-	-	-
Total other financing sources (uses)	\$ 5,341,598	\$ 5,281,323	\$ (60,275)	\$ -	\$ -	\$ -
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ -	\$ (401)	\$ (401)	\$ -	\$ (2,901)	\$ (2,901)
Fund balances at beginning of year	\$ -	\$ 401	\$ 401	\$ -	\$ 17,104	\$ 17,104
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ 14,203	\$ 14,203

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

School Textbook Rental Fund			School Capital Projects Fund			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 252	\$ 252	\$ -	\$ 242,689	\$ 242,689	\$ 2,200	\$ 260,673	\$ 258,473
-	-	-	-	-	-	261,116	221,903	(39,213)
-	-	-	-	-	-	13,500	45,402	31,902
36,568	34,759	(1,809)	-	-	-	4,766,167	4,427,286	(338,881)
-	-	-	-	-	-	922,616	815,962	(106,654)
<u>\$ 36,568</u>	<u>\$ 35,011</u>	<u>\$ (1,557)</u>	<u>\$ -</u>	<u>\$ 242,689</u>	<u>\$ 242,689</u>	<u>\$ 5,965,599</u>	<u>\$ 5,771,226</u>	<u>\$ (194,373)</u>
\$ 142,744	\$ 107,900	\$ 34,844	\$ -	\$ -	\$ -	\$ 10,315,810	\$ 9,779,690	\$ 536,120
-	-	-	-	9,458,157	(9,458,157)	-	9,458,157	(9,458,157)
-	-	-	-	-	-	297,709	296,960	749
-	-	-	-	-	-	799,854	809,401	(9,547)
<u>\$ 142,744</u>	<u>\$ 107,900</u>	<u>\$ 34,844</u>	<u>\$ -</u>	<u>\$ 9,458,157</u>	<u>\$ (9,458,157)</u>	<u>\$ 11,413,373</u>	<u>\$ 20,344,208</u>	<u>\$ (8,930,835)</u>
<u>\$ (106,176)</u>	<u>\$ (72,889)</u>	<u>\$ 33,287</u>	<u>\$ -</u>	<u>\$ (9,215,468)</u>	<u>\$ (9,215,468)</u>	<u>\$ (5,447,774)</u>	<u>\$ (14,572,982)</u>	<u>\$ (9,125,208)</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 2,400,000	\$ 2,400,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
47,651	47,651	-	-	-	-	5,389,249	5,328,974	(60,275)
<u>\$ 47,651</u>	<u>\$ 47,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 5,389,249</u>	<u>\$ 7,728,974</u>	<u>\$ 2,339,725</u>
\$ (58,525)	\$ (25,238)	\$ 33,287	\$ -	\$ (6,815,468)	\$ (6,815,468)	\$ (58,525)	\$ (6,844,008)	\$ (6,785,483)
<u>\$ 58,525</u>	<u>\$ 58,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,000,158</u>	<u>\$ 12,000,158</u>	<u>\$ 58,525</u>	<u>\$ 12,076,188</u>	<u>\$ 12,017,663</u>
<u>\$ -</u>	<u>\$ 33,287</u>	<u>\$ 33,287</u>	<u>\$ -</u>	<u>\$ 5,184,690</u>	<u>\$ 5,184,690</u>	<u>\$ -</u>	<u>\$ 5,232,180</u>	<u>\$ 5,232,180</u>

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Supporting Schedules

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government:			
General Fund:			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 4,992,020	\$ 5,174,284	\$ 182,264
Real and personal public service corporation property taxes	190,000	187,609	(2,391)
Personal property taxes	2,520,000	1,798,557	(721,443)
Mobile home taxes	77,346	82,628	5,282
Machinery and tools taxes	6,440	5,623	(817)
Merchants capital	32,323	30,031	(2,292)
Penalties	60,000	75,776	15,776
Interest and costs	40,000	45,958	5,958
	<u>\$ 7,918,129</u>	<u>\$ 7,400,466</u>	<u>\$ (517,663)</u>
Total general property taxes			
Other local taxes:			
Local sales and use taxes	\$ 700,000	\$ 669,390	\$ (30,610)
Consumers' utility taxes	420,000	384,800	(35,200)
Business license taxes	500	150	(350)
Franchise license taxes	21,000	24,984	3,984
Motor vehicle licenses	227,000	232,357	5,357
Bank stock taxes	25,334	33,034	7,700
Taxes on recordation and wills	155,000	105,242	(49,758)
Airports	105,500	78,476	(27,024)
	<u>\$ 1,654,334</u>	<u>\$ 1,528,433</u>	<u>\$ (125,901)</u>
Total other local taxes			
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 6,000	\$ 6,595	\$ 595
Permits and other licenses	141,900	164,211	22,311
	<u>\$ 147,900</u>	<u>\$ 170,806</u>	<u>\$ 22,906</u>
Total permits, privilege fees and regulatory licenses			
Fines and Forfeitures:			
Court fines and forfeitures	\$ 13,479	\$ 12,908	\$ (571)
Revenue from use of money and property:			
Revenue from use of money	\$ 160,000	\$ 160,470	\$ 470
Revenue from use of property	101,000	82,944	(18,056)
	<u>\$ 261,000</u>	<u>\$ 243,414</u>	<u>\$ (17,586)</u>
Total revenue from use of money and property			

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government: (Continued)			
General Fund: (Continued)			
Revenue from local sources: (Continued)			
Charges for services:			
Sheriff fees	\$ 2,500	\$ 1,438	\$ (1,062)
Courthouse maintenance fees	8,000	5,643	(2,357)
Commonwealth Attorney fees	500	410	(90)
Gun permit fees	250	997	747
Street signs	100	-	(100)
Parks and recreation	12,600	12,380	(220)
Planning and community development	16,500	15,377	(1,123)
VJCCA	5,000	-	(5,000)
Other	100	538	438
	\$ 45,550	\$ 36,783	\$ (8,767)
Total charges for services			
Miscellaneous revenue:			
Miscellaneous	\$ 73,982	\$ 89,992	\$ 16,010
Insurance refunds	59,182	40,210	(18,972)
	\$ 133,164	\$ 130,202	\$ (2,962)
Total miscellaneous revenue			
Recovered costs:			
CSA Refunds	\$ -	\$ 3,972	\$ 3,972
Town police service agreement	41,876	41,000	(876)
	\$ 41,876	\$ 44,972	\$ 3,096
Total recovered costs			
Total revenue from local sources			
	\$ 10,215,432	\$ 9,567,984	\$ (647,448)
Revenue from the Commonwealth:			
Noncategorical aid:			
ABC profits	\$ 22,000	\$ 25,522	\$ 3,522
Wine taxes	11,000	13,234	2,234
Recordation taxes	-	51,368	51,368
Mobile home titling taxes	40,000	31,722	(8,278)
Personal property tax relief act	-	632,135	632,135
Rolling stock tax	5,500	3,398	(2,102)
	\$ 78,500	\$ 757,379	\$ 678,879
Total noncategorical aid			

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government: (Continued)			
General Fund: (Continued)			
Revenue from the Commonwealth: (Continued)			
Categorical aid:			
Shared expenses:			
Commonwealth's attorney	\$ 65,000	\$ 57,034	\$ (7,966)
Sheriff	531,969	502,750	(29,219)
Commissioner of the Revenue	77,000	69,086	(7,914)
Treasurer	82,500	79,789	(2,711)
Medical examiner	200	180	(20)
Registrar/electoral board	35,000	31,112	(3,888)
Clerk of the Circuit Court	119,000	109,987	(9,013)
	<u>910,669</u>	<u>849,938</u>	<u>(60,731)</u>
Total shared expenses	\$ 910,669	\$ 849,938	\$ (60,731)
Welfare:			
Welfare administration and assistance	\$ 768,900	\$ 212,556	\$ (556,344)
Other categorical aid:			
Emergency medical services	\$ 5,612	\$ 5,612	\$ -
Comprehensive Services Act	233,750	136,185	(97,565)
Fire programs	12,432	12,432	-
DARE	2,500	19	(2,481)
DUI grant	9,000	-	(9,000)
Abandoned vehicles	6,880	8,600	1,720
Animal license plates	138	138	-
Bullet proof vests	2,936	2,936	-
Asset forfeits	-	3,606	3,606
Environmental enforcement grant	28,000	25,000	(3,000)
Airport funds	-	5,515	5,515
	<u>301,248</u>	<u>200,043</u>	<u>(101,205)</u>
Total other categorical aid	\$ 301,248	\$ 200,043	\$ (101,205)
Total categorical aid	\$ 1,980,817	\$ 1,262,537	\$ (718,280)
Total revenue from the Commonwealth	\$ 2,059,317	\$ 2,019,916	\$ (39,401)
Revenue from the Federal Government:			
Categorical aid:			
Welfare and public assistance	\$ -	\$ 529,940	\$ 529,940
Alcohol grant	3,000	-	(3,000)
Transportation safety grant	-	4,500	4,500
Law enforcement block grant	-	1,930	1,930
	<u>3,000</u>	<u>536,370</u>	<u>533,370</u>
Total revenue from the Federal Government	\$ 3,000	\$ 536,370	\$ 533,370
Total General Fund	\$ 12,277,749	\$ 12,124,270	\$ (153,479)

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government: (Continued)			
Special Revenue Fund:			
E-911 Fund:			
Other local taxes:			
Revenue from local sources:			
Other local taxes:			
E-911 telephone taxes	\$ 180,000	\$ 167,021	\$ (12,979)
	<u> </u>	<u> </u>	<u> </u>
Capital Projects Funds:			
General Capital Projects Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 67,741	\$ 67,741
Miscellaneous revenue:			
Miscellaneous	-	11,029	11,029
	<u> </u>	<u> </u>	<u> </u>
Total General Capital Projects Fund	\$ -	\$ 78,770	\$ 78,770
	<u> </u>	<u> </u>	<u> </u>
Total Capital Projects Funds	\$ -	\$ 78,770	\$ 78,770
	<u> </u>	<u> </u>	<u> </u>
Grand Total Revenues -- Primary Government	\$ 12,457,749	\$ 12,370,061	\$ (87,688)
	<u> </u>	<u> </u>	<u> </u>
Component Unit School Board:			
Special Revenue Funds:			
School Operating Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Revenue from use of property	\$ 1,000	\$ 17,437	\$ 16,437
	<u> </u>	<u> </u>	<u> </u>
Total revenue from use of money and property	\$ 1,000	\$ 17,437	\$ 16,437
	<u> </u>	<u> </u>	<u> </u>
Charges for services:			
Charges for education	\$ 5,400	\$ 7,100	\$ 1,700
	<u> </u>	<u> </u>	<u> </u>
Miscellaneous revenue	\$ 13,500	\$ 45,402	\$ 31,902
	<u> </u>	<u> </u>	<u> </u>
Total revenue from local sources	\$ 19,900	\$ 69,939	\$ 50,039
	<u> </u>	<u> </u>	<u> </u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Component Unit School Board: (Continued)			
Governmental Funds:			
School Operating Fund: (Continued)			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 1,105,542	\$ 1,052,271	\$ (53,271)
Basic school aid	1,829,028	1,737,978	(91,050)
Special education	383,196	380,052	(3,144)
Vocational education	34,046	32,279	(1,767)
Fringe benefits	214,226	184,135	(30,091)
Gifted and talented	21,493	20,430	(1,063)
Remedial education	32,836	30,645	(2,191)
Reduce K-3	71,598	56,621	(14,977)
At risk	39,868	37,827	(2,041)
Other	991,090	853,922	(137,168)
Total categorical aid	<u>\$ 4,722,923</u>	<u>\$ 4,386,160</u>	<u>\$ (336,763)</u>
Revenue from the federal government:			
Categorical aid:			
Adult Basic Education	\$ 16,361	\$ 25,684	\$ 9,323
Title I	235,781	195,001	(40,780)
Title VI	-	11,387	11,387
Title II	10,000	5,743	(4,257)
Class size reduction	-	44,492	44,492
Jobs Training Partnership Act (JTPA)	-	42,318	42,318
Title VI -- B -- Special Education	203,000	219,928	16,928
Preschool grant	30,000	12,571	(17,429)
Vocational education	24,000	27,423	3,423
Literacy Challenge grant	22,223	63,132	40,909
Drug free schools and communities	10,000	1,595	(8,405)
Goals 2000	22,961	-	(22,961)
Other	178,290	-	(178,290)
Total revenue from the federal government	<u>\$ 752,616</u>	<u>\$ 649,274</u>	<u>\$ (103,342)</u>
Total School Operating Fund	<u>\$ 5,495,439</u>	<u>\$ 5,105,373</u>	<u>\$ (390,066)</u>
School Cafeteria Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Revenue from use of money	<u>\$ 1,200</u>	<u>\$ 295</u>	<u>\$ (905)</u>
Charges for services:			
Cafeteria sales	<u>\$ 255,716</u>	<u>\$ 214,803</u>	<u>\$ (40,913)</u>
Total revenue from local sources	<u>\$ 256,916</u>	<u>\$ 215,098</u>	<u>\$ (41,818)</u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Component Unit School Board: (Continued)			
Governmental Funds: (Continued)			
School Cafeteria Fund: (Continued)			
Revenue from the Commonwealth:			
Categorical aid:			
School food program grant	\$ 6,676	\$ 6,367	\$ (309)
Total revenue from the Commonwealth	<u>\$ 6,676</u>	<u>\$ 6,367</u>	<u>\$ (309)</u>
Revenue from the federal government:			
Categorical aid:			
School breakfast program	\$ -	\$ 37,822	\$ 37,822
School lunch program	<u>170,000</u>	<u>128,866</u>	<u>(41,134)</u>
Total revenue from the federal government	<u>\$ 170,000</u>	<u>\$ 166,688</u>	<u>\$ (3,312)</u>
Total School Cafeteria Fund	<u>\$ 433,592</u>	<u>\$ 388,153</u>	<u>\$ (45,439)</u>
School Textbook Rental Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Use of money	\$ -	\$ 252	\$ 252
Revenue from the Commonwealth:			
Categorical aid:			
Textbook payments	<u>\$ 36,568</u>	<u>\$ 34,759</u>	<u>\$ (1,809)</u>
Total School Textbook Rental Fund	<u>\$ 36,568</u>	<u>\$ 35,011</u>	<u>\$ (1,557)</u>
School Capital Projects Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Use of money	<u>\$ -</u>	<u>\$ 242,689</u>	<u>\$ 242,689</u>
Total School Capital Projects	<u>\$ -</u>	<u>\$ 242,689</u>	<u>\$ 242,689</u>
Grand Total Revenues -- Component Unit School Board	<u>\$ 5,965,599</u>	<u>\$ 5,771,226</u>	<u>\$ (194,373)</u>
Grand Total Revenues - Reporting Entity	<u>\$ 18,423,348</u>	<u>\$ 18,141,287</u>	<u>\$ (282,061)</u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002

Fund, Function, Activity, and Element	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
Board of supervisors	\$ 76,651	\$ 61,340	\$ 15,311
General and financial administration:			
County administrator	\$ 197,635	\$ 191,023	\$ 6,612
Legal services	47,400	39,988	7,412
Independent auditor	20,000	19,525	475
Commissioner of the revenue	182,517	157,033	25,484
Treasurer	202,752	178,114	24,638
Risk management	114,857	57,057	57,800
Data processing	58,500	54,502	3,998
Total general and financial administration	\$ 823,661	\$ 697,242	\$ 126,419
Board of Elections:			
Electoral board and officials	\$ 21,642	\$ 15,354	\$ 6,288
Registrar	41,750	39,903	1,847
Total board of elections	\$ 63,392	\$ 55,257	\$ 8,135
Total general government administration	\$ 963,704	\$ 813,839	\$ 149,865
Judicial administration:			
Courts:			
Circuit court	\$ 29,411	\$ 24,903	\$ 4,508
General district court	9,600	7,750	1,850
Juvenile and domestic relations district court	16,050	19,731	(3,681)
Clerk of the circuit court	158,298	156,898	1,400
Magistrate	6,575	-	6,575
Juvenile and domestic relations district court service	7,713	11,880	(4,167)
Merrimac Center	32,255	32,255	-
Total courts	\$ 259,902	\$ 253,417	\$ 6,485
Commonwealth's attorney:			
Commonwealth's attorney	\$ 79,871	\$ 79,347	\$ 524
Total judicial administration	\$ 339,773	\$ 332,764	\$ 7,009

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

Fund, Function, Activity, and Element	Budget	Actual	Variance Favorable (Unfavorable)
Primary Government: (Continued)			
General Fund: (Continued)			
Public safety:			
Law enforcement and traffic control:			
Sheriff	\$ 832,742	\$ 829,629	\$ 3,113
Town police	42,560	42,386	174
County deputy	44,382	38,179	6,203
Sheriff asset forfeits expenditures	10,637	10,505	132
School crossing guard	11,845	7,987	3,858
	<u>\$ 942,166</u>	<u>\$ 928,686</u>	<u>\$ 13,480</u>
Public safety:			
Fire and rescue services:			
Volunteer fire department	\$ 132,112	\$ 132,419	\$ (307)
Volunteer rescue squads	83,524	83,524	-
	<u>\$ 215,636</u>	<u>\$ 215,943</u>	<u>\$ (307)</u>
Correction and detention:			
Regional jail	\$ 641,915	\$ 641,915	\$ -
Inspections:			
Building	\$ 118,247	\$ 105,853	\$ 12,394
Other protection:			
Animal control	\$ 43,036	\$ 42,272	\$ 764
Medical examiner (coroner)	500	350	150
Emergency services (civil defense)	13,700	6,571	7,129
E-911	689,626	90,833	598,793
	<u>\$ 746,862</u>	<u>\$ 140,026</u>	<u>\$ 606,836</u>
Total other protection	<u>\$ 746,862</u>	<u>\$ 140,026</u>	<u>\$ 606,836</u>
Total public safety	<u>\$ 2,664,826</u>	<u>\$ 2,032,423</u>	<u>\$ 632,403</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
Street and road cleaning	\$ 500	\$ -	\$ 500

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Function, Activity, and Element</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government: (Continued)			
General Fund: (Continued)			
Public works: (Continued)			
Sanitation and waste removal:			
Refuse collection - convenience centers	\$ 87,987	\$ 84,306	\$ 3,681
Refuse collection - grounds maintenance	3,000	2,870	130
VPPSA	<u>631,601</u>	<u>596,605</u>	<u>34,996</u>
Total sanitation and waste removal	<u>\$ 722,588</u>	<u>\$ 683,781</u>	<u>\$ 38,807</u>
Maintenance of general buildings and grounds:			
General properties	\$ 300,047	\$ 247,963	\$ 52,084
Holly Point	2,500	1,552	948
Canoe house landing	3,000	925	2,075
Airport	<u>114,555</u>	<u>107,346</u>	<u>7,209</u>
Total maintenance of general buildings and grounds	<u>\$ 420,102</u>	<u>\$ 357,786</u>	<u>\$ 62,316</u>
Total public works	<u>\$ 1,143,190</u>	<u>\$ 1,041,567</u>	<u>\$ 101,623</u>
Health and welfare:			
Health:			
Local health department	\$ 128,172	\$ 120,031	\$ 8,141
Free health clinic	7,775	5,500	2,275
Laurel Shelter, Inc.	2,000	2,000	-
Local hospitals	<u>200</u>	<u>-</u>	<u>200</u>
Total health	<u>\$ 138,147</u>	<u>\$ 127,531</u>	<u>\$ 10,616</u>
Mental health and mental retardation:			
Chapter X board	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ -</u>
Welfare:			
Administration and assistance	\$ 949,970	\$ 814,013	\$ 135,957
Comprehensive Services	415,000	356,210	58,790
Area Agency on Aging	30,000	13,200	16,800
Rental assistance program	950	1,555	(605)
Vocational rehabilitation centers	4,793	4,793	-
Humane society	6,138	6,138	-
Disabilities Services Board	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total welfare	<u>\$ 1,408,851</u>	<u>\$ 1,197,909</u>	<u>\$ 210,942</u>
Total health and welfare	<u>\$ 1,569,998</u>	<u>\$ 1,348,440</u>	<u>\$ 221,558</u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Function, Activity, and Element</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government: (Continued)			
General Fund: (Continued)			
Education:			
Contributions to community colleges	\$ 10,163	\$ 10,163	\$ -
Virginia High School League Activities	3,000	3,000	-
Total education	<u>\$ 13,163</u>	<u>\$ 13,163</u>	<u>\$ -</u>
Parks, recreation and cultural:			
Parks and recreation:			
Administration	\$ 39,268	\$ 40,467	\$ (1,199)
Museum	3,000	3,000	-
Sports complex	26,250	25,926	324
Total parks and recreation	<u>\$ 68,518</u>	<u>\$ 69,393</u>	<u>\$ (875)</u>
Library:			
Regional library	<u>\$ 72,935</u>	<u>\$ 72,935</u>	<u>\$ -</u>
Total parks, recreation and cultural	<u>\$ 141,453</u>	<u>\$ 142,328</u>	<u>\$ (875)</u>
Community development:			
Planning and community development::			
Planning	\$ 92,461	\$ 77,130	\$ 15,331
Zoning administration	60,152	53,977	6,175
Economic development	23,785	6,367	17,418
Board of zoning appeals	5,350	2,693	2,657
Anniversary committee	10,250	8,335	1,915
Total planning and community development	<u>\$ 191,998</u>	<u>\$ 148,502</u>	<u>\$ 43,496</u>
Environmental management:			
Soil and water conservation district	\$ 3,800	\$ 3,800	\$ -
Environmental enforcement	44,822	41,549	3,273
Forestry service	2,492	2,492	-
Total environmental management	<u>\$ 51,114</u>	<u>\$ 47,841</u>	<u>\$ 3,273</u>
Cooperative extension program:			
Extension service	<u>\$ 32,450</u>	<u>\$ 23,303</u>	<u>\$ 9,147</u>
Total community development	<u>\$ 275,562</u>	<u>\$ 219,646</u>	<u>\$ 55,916</u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

<u>Fund, Function, Activity, and Element</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Primary Government: (Continued)			
General Fund: (Continued)			
Capital Projects:			
Purchase of land	\$ 96,360	\$ 96,360	\$ -
Courthouse design	120,000	178,580	(58,580)
Other	-	(14,354)	14,354
	<u>216,360</u>	<u>260,586</u>	<u>(44,226)</u>
Total capital projects	\$ 216,360	\$ 260,586	\$ (44,226)
Debt Service:			
Principal	\$ 270,527	\$ 2,178,447	\$ (1,907,920)
Interest	113,637	376,939	(263,302)
	<u>384,164</u>	<u>2,555,386</u>	<u>(2,171,222)</u>
Total debt service	\$ 384,164	\$ 2,555,386	\$ (2,171,222)
Total General Fund	<u>\$ 7,712,193</u>	<u>\$ 8,760,142</u>	<u>\$ (1,047,949)</u>
Capital Projects Funds:			
General Capital Projects Fund:			
Sheriff's office building	\$ 178,000	\$ 10,637	\$ 167,363
Playground equipment	-	3,535	(3,535)
Debt issuance costs		295,534	(295,534)
	<u>178,000</u>	<u>309,706</u>	<u>(131,706)</u>
Total General Capital Projects Funds	\$ 178,000	\$ 309,706	\$ (131,706)
Total Capital Projects Funds	<u>\$ 178,000</u>	<u>\$ 309,706</u>	<u>\$ 167,363</u>
Grand total expenditures - Primary Government	<u>\$ 7,890,193</u>	<u>\$ 9,069,848</u>	<u>\$ (880,586)</u>
Component Unit School Board:			
Governmental Funds:			
School Operating Fund:			
Education:			
Instruction	\$ 7,729,820	\$ 7,237,978	\$ 491,842
Administration, attendance and health	505,913	475,958	29,955
Transportation	665,587	715,508	(49,921)
Operation and maintenance of school plant	838,154	851,292	(13,138)
	<u>9,739,474</u>	<u>9,280,736</u>	<u>458,738</u>
Total education	\$ 9,739,474	\$ 9,280,736	\$ 458,738
Debt Service:			
Principal	\$ 297,709	\$ 296,960	\$ 749
Interest	799,854	809,401	(9,547)
	<u>1,097,563</u>	<u>1,106,361</u>	<u>(8,798)</u>
Total debt service	\$ 1,097,563	\$ 1,106,361	\$ (8,798)
Total School Operating Fund	<u>\$ 10,837,037</u>	<u>\$ 10,387,097</u>	<u>\$ 449,940</u>

Governmental Funds and Discretely Presented Component Unit School Board
 Schedule of Expenditures -- Budget and Actual
 Year Ended June 30, 2002 (Continued)

Fund, Function, Activity, and Element	Budget	Actual	Variance Favorable (Unfavorable)
Component Unit School Board:			
Governmental Funds:			
School Cafeteria Fund:			
Education:			
School food service	\$ 433,592	\$ 391,054	\$ 42,538
School Textbook Rental Fund:			
Education:			
Purchase of textbooks	\$ 142,744	\$ 107,900	\$ 34,844
School Capital Projects Fund:			
Capital projects	\$ -	\$ 9,343,119	\$ (9,343,119)
Bonds issuance costs, net	-	115,038	(115,038)
Total School Capital Projects Fund	\$ -	\$ 9,458,157	\$ (9,458,157)
Grand Total Expenditures -- Component Unit School Board	\$ 11,413,373	\$ 20,344,208	\$ (8,930,835)
Grand Total Expenditures - Reporting Entity	\$ 19,303,566	\$ 29,414,056	\$ (9,811,421)

COUNTY OF MIDDLESEX, VIRGINIA

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes (2)	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property
1993	\$ 4,534,936	\$ 699,370	\$ 114,636	\$ 2,230	271,675
1994	4,717,029	933,797	86,823	1,340	129,668
1995	5,070,333	1,035,052	115,570	304	93,565
1996	5,590,996	1,108,990	93,140	2,298	95,847
1997	7,731,262	1,140,403	103,371	285	247,575
1998	6,210,125	1,239,839	124,566	783	424,038
1999	6,497,192	1,433,400	115,600	1,101	262,139
2000	6,590,235	1,471,579	129,921	2,229	515,882
2001	6,998,054	1,575,689	175,287	6,347	896,900
2002	7,400,466	1,695,454	170,806	12,908	571,828

(1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board

(2) 1997 first year for semi-annual general property tax collections

<u>Charges for Services</u>	<u>Miscel- laneous</u>	<u>Recovered Costs</u>	<u>Inter- governmental</u>	<u>Total</u>
\$ 279,002	\$ 151,795	\$ 12,934	\$ 4,319,434	\$ 10,386,012
313,655	112,067	37,877	4,525,833	10,858,089
275,901	131,189	27,291	4,668,866	11,418,071
298,569	94,393	32,950	4,915,110	12,232,293
277,313	79,008	36,065	5,316,122	14,931,404
257,956	93,853	43,037	5,513,506	13,907,703
234,938	151,762	50,608	6,448,082	15,194,822
259,133	139,878	62,635	7,294,299	16,465,791
340,844	131,137	59,538	7,694,978	17,878,774
258,686	186,633	44,972	7,799,534	18,141,287

COUNTY OF MIDDLESEX, VIRGINIA

General Government Expenditures by Function (1)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>
1993	\$ 611,258	\$ 95,903	\$ 718,534	\$ 483,444	671,478
1994	698,480	102,055	813,417	847,218	744,175
1995	756,305	141,288	915,122	831,718	809,118
1996	665,497	150,405	1,173,755	888,803	867,357
1997	658,690	146,463	1,136,234	952,391	919,899
1998	712,516	153,745	1,125,545	878,394	1,111,470
1999	787,678	277,405	1,356,834	977,261	1,177,125
2000	873,385	326,358	1,700,914	1,001,658	1,389,300
2001	829,811	315,258	3,671,063	1,062,395	1,302,375
2002	813,839	332,764	2,032,423	1,041,567	1,348,440

(1) Includes General, Special Revenue and Capital Projects Funds, and Component Unit School Board

	<u>Education</u>	<u>Recreation and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$	5,966,159	\$ 39,053	\$ 150,782	\$ 3,440,808	\$ 757,127	\$ 12,934,546
	6,348,895	45,418	159,983	4,020,619	721,646	14,501,906
	6,759,249	84,644	172,321	348,272	749,232	11,567,269
	7,032,036	140,609	168,132	195,229	749,141	12,030,964
	7,502,080	165,301	170,619	161,272	731,710	12,544,659
	7,827,892	163,889	187,834	803,624	795,581	13,760,490
	8,414,118	105,857	192,982	556,095	760,047	14,605,402
	9,099,504	145,096	199,323	709,884	572,790	16,018,212
	9,164,649	133,088	202,081	928,355	1,358,901	18,967,976
	9,792,853	142,328	219,646	10,028,449	3,661,747	29,414,056

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy (3)</u>	<u>Current Tax Collections (4)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes (2,4)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1992	\$ 3,814,876	\$ 3,623,423	94.98%	\$ 205,940	\$ 3,829,363	100.38%	\$ 479,699	12.57%
1993	4,458,238	4,236,346	95.02%	199,186	4,435,532	99.49%	467,609	10.49%
1994	4,572,971	4,415,166	96.55%	181,074	4,596,240	100.51%	396,457	8.67%
1995	5,030,868	4,840,727	96.22%	125,707	4,966,434	98.72%	429,959	8.55%
1996	5,486,126	5,284,583	96.33%	156,725	5,441,308	99.18%	432,205	7.88%
1997	7,942,840	7,402,354	93.20%	229,093	7,631,447	96.08%	691,390	8.70%
1998	6,172,628	5,862,668	94.98%	241,270	6,103,938	98.89%	653,003	10.58%
1999	6,404,453	6,236,207	97.37%	228,590	6,464,797	100.94%	625,760	9.77%
2000	6,775,259	6,423,460	94.81%	248,253	6,671,713	98.47%	550,423	8.12%
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%

(1) Exclusive of penalties and interest

(2) Includes all years taxes outstanding at year-end

(3) 1997 first year for semi-annual general property tax collections

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

Assessed Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>(1) Personal Property</u>	<u>Machinery and Tools</u>	<u>Merchants' Capital</u>	<u>Public Utility Real Estate</u>	<u>Total</u>
1993	\$ 532,090,047	\$ 38,456,920	\$ 235,000	\$ 1,959,950	\$ 23,477,693	\$ 596,219,610
1994	545,621,624	39,762,217	168,500	1,701,550	22,787,546	610,041,437
1995	557,390,540	45,592,631	260,900	1,741,654	24,047,193	629,032,917
1996	753,638,902	49,500,327	207,292	1,622,319	32,718,760	837,687,600
1997	772,953,888	58,702,807	189,866	1,875,193	31,526,808	865,248,562
1998	792,433,100	63,779,228	169,603	2,094,142	30,591,975	889,068,048
1999	834,204,179	66,592,046	178,207	2,141,071	31,280,497	934,396,000
2000	847,159,721	71,552,584	188,743	2,476,672	32,754,798	954,132,518
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

(1) Includes mobile home taxes

Property Tax Rates (1)

Last Ten Fiscal Years

<u>Fiscal Years</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Merchants' Capital</u>	<u>Public Utility</u>
1992	0.52	3.00	0.52	3.00	1.25	0.52
1993	0.59	3.50	0.59	3.50	1.25	0.59
1994	0.59	3.50	0.59	3.50	1.25	0.59
1995	0.63	3.50	0.63	3.50	1.25	0.63
1996	0.50	3.50	0.63	3.50	1.25	0.50
1997	0.50	3.50	0.50	3.50	1.25	0.50
1998	0.50/0.52	3.50	0.52	3.50	1.25	0.52
1999	0.52	3.50	0.52	3.50	1.25	0.52
2000	0.52	3.50	0.52	3.50	1.25	0.52
2001	0.52/0.55	3.50	0.52	3.50	1.25	0.52
2002	0.55/.059	3.50	0.55	3.50	1.25	0.55

(1) Per \$100 of assessed value

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
				Service Monies Available			
1993	8,653	\$ 596,219,610	\$ 5,156,352	\$ -	\$ 5,156,352	0.009	\$ 596
1994	8,653	610,041,437	4,744,300	-	4,744,300	0.008	548
1995	8,653	629,032,917	4,342,450	-	4,342,450	0.007	502
1996	8,653	837,687,600	4,420,600	-	4,420,600	0.005	511
1997	8,653	865,248,562	3,993,750	-	3,993,750	0.005	462
1998	8,653	889,068,048	3,522,500	-	3,522,500	0.004	407
1999	8,653	934,396,000	3,038,316	-	3,038,316	0.003	351
2000	8,653	954,132,518	14,543,309	-	14,543,309	0.015	1,681
2001	9,932	1,009,905,194	14,220,771	-	14,220,771	0.014	1,432
2002	9,932	1,033,297,642	25,801,796	-	25,801,796	0.025	2,598

(1) Bureau of the Census

(2) From Schedule 6

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

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures

Last Ten Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1) (2) (3)	Ratio of Debt Service to General Governmental Expenditures
1993	\$ 401,665	\$ 355,462	\$ 757,127	\$ 9,493,738	7.98%
1994	412,052	309,594	721,646	10,481,287	6.89%
1995	404,970	313,991	718,961	11,218,997	6.41%
1996	421,850	261,014	682,864	11,835,735	5.77%
1997	444,861	255,455	700,316	12,383,387	5.66%
1998	490,446	273,741	764,187	12,956,866	5.90%
1999	461,250	179,025	640,275	14,049,307	4.56%
2000	344,865	196,531	541,396	15,308,328	3.54%
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%

(1) Includes Primary Government and Component Unit School Board

(2) From Schedule 4, less Capital Projects expenditures

(3) Includes General Fund and Component Unit School Board

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional Limited Liability Company

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

**To the Board of Supervisors
County of Middlesex, Virginia**

We have audited the financial statements of the County of Middlesex, Virginia as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. We conducted our audit in accordance with the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and 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.

Compliance

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 grants, noncompliances 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performed 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Middlesex, Virginia in a separate letter dated September 6, 2002.

This report is intended for the information 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.

Rebman, Terry, Co. Associates

Charlottesville, Virginia

September 6, 2002

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional Limited Liability Company

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

To the Board of Supervisors
County of Middlesex, Virginia

Compliance

We have audited the compliance of the County of Middlesex, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The County of Middlesex, Virginia's major federal programs are identified in the summary of auditors 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Robinson, Terry, Co. Associates

Charlottesville, Virginia

September 6, 2002

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Primary Government:		
Department of Justice:		
Pass - through payments:		
Department of Criminal Justice Services:		
Law Enforcement Block Grant	16.592	\$ <u>1,930</u>
Total Department of Justice		\$ <u>1,930</u>
Department of Agriculture:		
Pass - through payments:		
Department of Agriculture and Consumer Services:		
Department of Social Services: Food Stamp Administration	10.561	* \$ <u>77,508</u>
Total Department of Agriculture		\$ <u>77,508</u>
Department of Transportation:		
Pass-Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety (Section 402 Grants)	20.600	\$ <u>4,500</u>
Total Department of Transportation		\$ <u>4,500</u>
Department of Health and Human Services:		
Pass - through payments:		
Department of Social Services:		
Social services block grant	93.667	* \$ 91,641
Temporary assistance for needy families	93.558	* 107,750
Foster care	93.658	88,042
Adoption assistance	93.659	14,505
Child care	93.575	41,099
Child care and development block grant	93.596	45,590
Refugee assistance	93.566	199
Medical assistance program	93.778	46,598
Family preservation	93.556	14,429
Low income home energy assistance	93.568	<u>2,578</u>
Total Department of Health and Human Services		\$ <u>452,431</u>
Total Primary Government		\$ <u><u>536,369</u></u>
Component Unit School Board:		
Department of Agriculture:		
Pass - through payments:		
Department of Agriculture and Consumer Services:		
Food distribution	10.555	* \$ 27,915
Department of Education:		
National school breakfast program	10.553	* 36,791
National school lunch program	10.555	* <u>129,897</u>
Total Department of Agriculture		\$ <u>194,603</u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<u>Component Unit School Board: (Continued)</u>		
Department of Labor:		
Pass - through payments:		
Department of Education:		
School to work program	17.249	\$ <u>42,319</u>
Department of Education:		
Pass - through payments:		
Department of Education:		
Adult education - state administered program	84.002	\$ 25,684
Education Consolidation and Improvement Act of 1981:		
Title I:		
Financial assistance to meet special educational needs of disadvantaged children operated by local education agencies	84.010	195,001
Preschool Program	84.173	12,571
Title VI:		
Consolidation of federal programs for elementary and secondary education block grant	84.298	11,387
Title VI-B:		
Assistance to states for education of handicapped children	84.027	* 219,928
Vocational education:		
Basic grants to states	84.048	27,423
Title II - Eisenhower Math and Science	84.281	5,743
Literary Challenge Grant	84.318	63,132
Class size reduction	84.340	44,492
Drug free schools and communities	84.186	1,595
Goals 2000	84.276	<u>-</u>
Total Department of Education		\$ <u>606,956</u>
Total Component Unit School Board		\$ <u>843,878</u>
Total Expenditures of Federal Awards		\$ <u>1,380,247</u>

* Major program

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Accounting:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

Note B - Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA #	Name of Federal Program or Cluster
10.553, 10.555	Nutrition Cluster-National School Lunch Program
10.561	Food Stamp Administration
84.027	Title VI-B Flow Through
93.558	Temporary Assistance to Needy Families
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

Finding 2002-1

A significant number of the School Nutrition Program application did not have approval signatures. Although the applications lacked a signature for approval, our tests disclosed that proper determination of eligibility was made.

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2002

There were no items reported