

**COUNTY OF**  
**MIDDLESEX, VIRGINIA**



**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2003**



**COUNTY OF MIDDLESEX, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

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**COUNTY OF MIDDLESEX, VIRGINIA**

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**BOARD OF SUPERVISORS**

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Lenora O. Weber, Chairman

John D. Miller, Jr.  
Frederick S. Crittenden

Lenora O. Weber  
Wayne H. Jessie, Sr.

**COUNTY SCHOOL BOARD**

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Richard Shores, Chairman

Elliot Reed  
James W. Goforth

Elizabeth Hurd  
John M. Moore

**COUNTY WELFARE BOARD**

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John Fackler, Chairperson

Elizabeth Anderson  
Wayne Jessie

Joan Harris  
Fred S. Crittenden

**OTHER OFFICIALS**

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

William H. Shaw, III  
Peggy Walton  
R. Bruce Long  
Isabel Atlee  
James H. Ward, Jr.  
Mary L. Ebinger  
Betty S. Bray  
Guy L. Abbott  
Michael S. Myers  
Kathryn F. Fitchett  
Heather Lucas  
Charles M. Culley, Jr.



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying basic financial statements and the combining fund financial statements of the County of Middlesex, Virginia, as of and for the year ended, June 30, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the County of Middlesex, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County of Middlesex, Virginia, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the basic financial statements and the combining fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County as of June 30, 2003, and the results of operations of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", effective July 1, 2002. This results in a change to the County's method of accounting and a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2003 on our consideration of the County of Middlesex, Virginia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County of Middlesex, Virginia, taken as a whole. The accompanying financial information listed as Other Supplementary Information in the table of contents and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical tables listed in the Table of Contents are not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurances on such information.

*Robinson, Tamm, Cox Associates*

Charlottesville, Virginia  
December 4, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2003.

#### **Financial Highlights**

##### Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,452,208 (net assets).

##### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficiency of expenditures by \$332,545 (Exhibit 4) after making contributions totaling \$4,440,360 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$13,297,919, a decrease of \$332,545 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,175,056 or 40% of total general fund expenditures.
- Our combined long-term obligations decreased \$713,979 during the current fiscal year.

#### **Overview of the Financial Statements**

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

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

## **Overview of the Financial Statements: (Continued)**

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

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

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

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

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

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

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

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

## Overview of the Financial Statements: (Continued)

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

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

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

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$7,452,208 at the close of the most recent fiscal year.

<u>County of Middlesex's, Net Assets</u>	
	<u>Governmental Activities</u>
	<u>2003</u>
Current and other assets	\$ 13,951,888
Capital assets	<u>19,843,610</u>
Total assets	<u>\$ 33,795,498</u>
Long-term liabilities outstanding	\$ 24,907,079
Current liabilities	<u>1,436,211</u>
Total liabilities	<u>\$ 26,343,290</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 1,073,674
Restricted	8,122,863
Unrestricted	<u>(1,744,329)</u>
Total net assets	<u>\$ 7,452,208</u>

**Government-wide Financial Analysis: (Continued)**

At the end of the current fiscal year, the County's investment in capital assets net of related debt used to acquire those assets that is still outstanding represents 14% of total net assets. The county uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets increased by \$1,472,489 during the current fiscal year.

Governmental Activities - Governmental activities increased the County's net assets by \$1,472,489. Key elements of this increase are as follows:

**County of Middlesex, Virginia's Changes in Net Assets  
For the Year Ended June 30, 2003**

	<b>Governmental Activities</b>
	<b>2003</b>
Revenues:	
Program revenues:	
Charges for services	\$ 287,218
Operating grants and contributions	2,181,719
General revenues:	
General property taxes	7,875,448
Other local taxes	1,732,108
Grants and other contributions not restricted	743,484
Other general revenues	446,722
Total revenues	<u>\$ 13,266,699</u>
Expenses:	
General government administration	\$ 1,011,414
Judicial administration	363,179
Public safety	2,196,032
Public works	1,054,798
Health and welfare	1,242,707
Education	5,160,891
Parks, recreation, and cultural	127,483
Community development	215,184
Capital outlays	156,883
Interest and other fiscal charges	265,639
Total expenses	<u>\$ 11,794,210</u>
Change in net assets	\$ 1,472,489
Net assets, July 1, 2002	5,979,719
Net assets, June 30, 2003	<u><u>\$ 7,452,208</u></u>

## **Government-wide Financial Analysis: (Continued)**

- Property taxes increased by \$502,378 during the year. Most of this increase can be attributed to a general growth in assessments. Grants for governmental activities increased by \$368,917, mostly as a result of an aggressive grant application strategy undertaken by the County during the current fiscal year.

For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

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

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$13,297,919, a decrease of \$332,545 in comparison with the prior year. Approximately 39% of this total amount constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed:

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$1,117,168 and can be briefly summarized as follows:

- \$400,446 in increases for capital projects
- \$260,853 in increases for public safety
- \$142,867 in increases for education
- \$113,002 in other increases
- \$200,000 in increases for transfers to capital projects

Of this increase, \$156,078 was to be funded out from intergovernmental revenues. The remaining \$961,090 was to be budgeted from available fund balance and other revenue increases. During the year, however, expenditures were less than budgetary estimates by \$1,051,253, thus eliminating the need to draw upon existing fund balance.

## **Capital Asset and Debt Administration**

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2003 amounts to \$19,843,610 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The county is currently constructing a new courthouse with total costs as of June 30, 2003 of \$1,151,064.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$24,896,250. Of this amount \$1,391,250 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total debt decreased by \$713,979 during the current fiscal year.

Additional information on the County of Middlesex, Virginia's long-term debt can be found in Note 10 of this report.

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

- The unemployment rate for the County is currently 1.9 percent, which is an increase from a rate of 1.8 percent a year ago. This compares favorably to the state's average unemployment rate of 3.8 percent and compares favorably to the national average rate of 5.7 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2004 fiscal year.

The fiscal year 2004 budget increased from \$13,025,818 to \$13,237,281 or \$211,463(2%).

### **Requests for Information**

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

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2003

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>School Board</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 13,071,439	\$ 1,433,824
Receivables (net of allowance for uncollectibles):		
Property taxes	301,188	-
Accounts receivable	102,371	75
Due from component unit	144,653	-
Due from other governments	<u>332,237</u>	<u>295,995</u>
Total Current Assets	<u>\$ 13,951,888</u>	<u>\$ 1,729,894</u>
Noncurrent Assets		
Capital assets:		
Land	\$ 1,290,905	\$ 248,445
Buildings and equipment, net of depreciation	17,401,641	4,431,857
Construction in progress	<u>1,151,064</u>	<u>4,189,821</u>
Total Noncurrent Assets	<u>\$ 19,843,610</u>	<u>\$ 8,870,123</u>
Total Assets	<u>\$ 33,795,498</u>	<u>\$ 10,600,017</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 344,868	\$ 1,225,281
Compensated absences	141,688	90,811
Accrued landfill costs	10,510	
Due to primary government	-	144,653
Accrued interest payable	467,862	-
Long-term liabilities:		
Due within one year:		
Bonds, loans and capital leases payable	609,312	-
Due in more than one year:		
Bonds, loans and capital leases payable	<u>24,769,050</u>	<u>-</u>
Total Liabilities	<u>\$ 26,343,290</u>	<u>\$ 1,460,745</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 1,073,674	\$ 8,870,123
Restricted for:		
Construction	7,677,960	-
E-911 and other purposes	444,903	-
Unrestricted assets	<u>(1,744,329)</u>	<u>269,149</u>
Total Net Assets	<u>\$ 7,452,208</u>	<u>\$ 9,139,272</u>

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

Statement of Activities  
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,011,414	\$ -	\$ 200,563	\$ -	\$ (810,851)	\$ -
Judicial administration	363,179	37,257	188,070	-	(137,852)	-
Public safety	2,196,032	218,616	956,406	-	(1,021,010)	-
Public works	1,054,798	16,180	1,931	-	(1,036,687)	-
Health and welfare	1,242,707	-	834,749	-	(407,958)	-
Education	434,511	-	-	-	(434,511)	-
Parks, recreation, and cultural	127,483	-	-	-	(127,483)	-
Community development	215,184	15,165	-	-	(200,019)	-
Capital outlays	156,883	-	-	-	(156,883)	-
Interest on long-term debt	265,639	-	-	-	(265,639)	-
Total primary government	<u>\$ 7,067,830</u>	<u>\$ 287,218</u>	<u>\$ 2,181,719</u>	<u>\$ -</u>	<u>\$ (4,598,893)</u>	<u>\$ -</u>
COMPONENT UNIT:						
School Board	<u>\$ 10,461,337</u>	<u>\$ 224,546</u>	<u>\$ 5,510,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,726,504)</u>
General revenues:						
General property taxes				\$ 7,875,448	\$ -	\$ -
Other local taxes				1,732,108	-	-
Unrestricted revenues from use of money and property				323,733	49,475	49,475
Miscellaneous				122,989	56,723	56,723
Commonwealth of Virginia non-categorical aid				743,484	-	-
County contribution to the school board				(4,726,380)	4,726,380	4,726,380
Total general revenues and transfers				<u>\$ 6,071,382</u>	<u>\$ 4,832,578</u>	<u>\$ 4,832,578</u>
Change in net assets				\$ 1,472,489	\$ 106,074	\$ 106,074
Net assets - beginning				<u>5,979,719</u>	<u>9,033,198</u>	<u>9,033,198</u>
Net assets - ending				<u>\$ 7,452,208</u>	<u>\$ 9,139,272</u>	<u>\$ 9,139,272</u>

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

## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2003

	<u>Governmental Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,295,911	\$ 7,775,528	\$ 13,071,439
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	301,188	-	301,188
Accounts	102,321	50	102,371
Due from component unit	144,653	-	144,653
Due from other governmental units	<u>332,237</u>	<u>-</u>	<u>332,237</u>
Total assets	<u>\$ 6,176,310</u>	<u>\$ 7,775,528</u>	<u>\$ 13,951,888</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 247,250	\$ 97,618	\$ 344,868
Deferred revenue	<u>309,101</u>	<u>-</u>	<u>309,101</u>
Total liabilities	<u>\$ 556,351</u>	<u>\$ 97,618</u>	<u>\$ 653,969</u>
<b>FUND BALANCES</b>			
Unreserved:			
Designated:			
Capital projects	\$ -	\$ 1,041,071	\$ 1,041,071
Subsequent year's expenditures	444,903	-	444,903
Courthouse construction	-	6,636,889	6,636,889
Undesignated	<u>5,175,056</u>	<u>-</u>	<u>5,175,056</u>
Total fund balances	<u>\$ 5,619,959</u>	<u>\$ 7,677,960</u>	<u>\$ 13,297,919</u>
Total liabilities and fund balances	<u>\$ 6,176,310</u>	<u>\$ 7,775,528</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

\$ 19,843,610

Adjustment for amounts due to / due from primary government

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(467,862)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

309,101

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

#REF!

Net assets of General Government Activities

\$ #REF!

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2003

	<u>Governmental Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
Revenues:			
General property taxes	\$ 7,902,844	\$ -	\$ 7,902,844
Other local taxes	1,732,108	-	1,732,108
Permits, privilege fees and regulatory licenses	210,812	-	210,812
Fines and forfeitures	21,756	-	21,756
Revenue from use of money and property	188,633	135,100	323,733
Charges for services	54,650	-	54,650
Miscellaneous	85,404	37,585	122,989
Recovered cost	42,200	-	42,200
Intergovernmental:			
Commonwealth	2,336,068	-	2,336,068
Federal	589,135	-	589,135
Total revenues	<u>\$ 13,163,610</u>	<u>\$ 172,685</u>	<u>\$ 13,336,295</u>
Expenditures:			
Current:			
General government administration	\$ 1,013,338	\$ -	\$ 1,013,338
Judicial administration	362,963	-	362,963
Public safety	2,296,433	-	2,296,433
Public works	1,067,855	-	1,067,855
Health and welfare	1,249,961	-	1,249,961
Education	4,444,844	-	4,444,844
Parks, recreation, and cultural	145,509	-	145,509
Community development	218,348	-	218,348
Capital outlays and projects	181,516	802,107	983,623
Debt service:			
Principal retirement	622,865	-	622,865
Interest and other fiscal charges	1,263,101	-	1,263,101
Total expenditures	<u>\$ 12,866,733</u>	<u>\$ 802,107</u>	<u>\$ 13,668,840</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 296,877</u>	<u>\$ (629,422)</u>	<u>\$ (332,545)</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 96,965	\$ 96,965
Transfers out	(96,965)	-	(96,965)
Total other financing sources (uses)	<u>\$ (96,965)</u>	<u>\$ 96,965</u>	<u>\$ -</u>
Changes in fund balances	\$ 199,912	\$ (532,457)	\$ (332,545)
Fund balances at beginning of year	<u>5,420,047</u>	<u>8,210,417</u>	<u>13,630,464</u>
Fund balances at end of year	<u>\$ 5,619,959</u>	<u>\$ 7,677,960</u>	<u>\$ 13,297,919</u>

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2003

	<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (332,545)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment.</p>	
Capital outlay	\$ 2,113,037
Depreciation expense	<u>(598,404)</u> 1,514,633
Transfer of joint tenancy assets from Primary Government to the Component Unit	(318,625)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.	(27,396)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:</p>	
Principal retired on lease revenue bonds	\$ 160,000
Principal retired on school general obligation bonds	280,000
Principal retired on state literary fund loans	6,250
Principal retired on school lease revenue bonds	140,000
Principal retired on capital lease obligations	25,156
Retirement of accrued landfill costs	28,780
Principal retired on VRS early retirement obligation	<u>11,459</u> 651,645
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Change in accrued leave	\$ 62,334
Change in interest payable	<u>(77,557)</u> (15,223)
Change in net assets of governmental activities	<u>\$ 1,472,489</u>

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

Statement of Fiduciary Net Assets  
At June 30, 2003

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>6,663</u>
Total assets	\$ <u><u>6,663</u></u>
<b>LIABILITIES</b>	
Amounts held for social service clients	\$ <u>6,663</u>
Total liabilities	\$ <u><u>6,663</u></u>

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

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003

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### Note 1—Summary of Significant Accounting Policies:

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#### Narrative Profile

The County of Middlesex, located in the Middle Peninsula of the Commonwealth of Virginia is convenient to the Washington D.C., Richmond and the Hampton Roads area, was settled in 1642 and formed in 1669 from Lancaster County. The 84,480 acre county with over 135 miles of shoreline features generally level terrain with elevations ranging from sea level to 120 feet above sea level. Drainage is provided by the Rappahannock and Piankatank Rivers, Dragon Run Swamp and the Chesapeake Bay. According to the 2000 Census the county has a population of 9,932, a 15% increase from 1990. The population is projected to reach 11,498 by the year 2010.

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.

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

#### Financial Statement Presentation

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

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

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

#### Government-wide and Fund Financial Statements

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

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

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

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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

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

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

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

#### A. 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, 2003.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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#### B. Individual Component Unit Disclosures: (Continued)

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, 2003.

#### C. Other Related Organizations

##### Included in the County's Comprehensive Annual Financial Report

None

##### Excluded from the County's Comprehensive Annual Financial Report

##### 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 \$561,925 to the Authority for the fiscal year ended June 30, 2003.

##### 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, 2003.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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

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

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

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

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

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

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

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

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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#### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

##### 1. Governmental Funds

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

##### a. General Fund

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

##### b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

##### 2. Fiduciary Funds

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

#### E. Budgets and Budgetary Accounting

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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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#### E. Budgets and Budgetary Accounting: (Continued)

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).
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 \$229,384 at June 30, 2003 and is composed solely of property taxes.

#### G. Cash and Cash Equivalents

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

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

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

#### H. Investments

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

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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I. Receivables and payables

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

J. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2003 was \$1,075,019.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

K. Compensated Absences

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

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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

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#### L. Long-term Obligations

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

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

#### M. Use of Estimates

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

### 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, 2003 (Continued)

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**Note 2—Cash and Investments: (Continued)**

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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	\$ -	\$ -	\$ -	\$ 7,488,156
Local Government Investment Pool	-	-	-	2,154,953
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,643,109</u>

Total cash and cash equivalents for primary government:

Deposits	\$ 4,195,850
Cash on hand cash items	998
Investments	<u>8,881,254</u>
Total	<u>\$ 13,078,102</u>

Cash and Cash equivalents for component unit - School Board:

Deposits	\$ 671,969
Investments	<u>761,855</u>
Total	<u>\$ 1,433,824</u>

Total cash and cash equivalents \$ 14,511,926

**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, 2003 (Continued)

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**Note 4—Due From Other Governmental Units:**

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At June 30, 2003 the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
PPTRA	\$ 131	\$ -
Recordation tax	12,684	-
Shared expenses	88,320	-
State sales taxes	-	164,490
Fringe benefits	-	16,796
Local sales taxes	132,851	-
Public assistance	16,143	-
Comprehensive services	46,903	-
Rolling stock settlement	629	-
Federal Government:		
School funds	-	106,221
Public assistance	34,576	-
School food	-	8,488
Total	<u>\$ 332,237</u>	<u>\$ 295,995</u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>County:</b>				
Land	\$ 1,235,905	\$ 55,000	\$ -	\$ 1,290,905
Buildings	4,666,920	728,300	-	5,395,220
Equipment	501,401	178,675	-	680,076
Jointly owned assets	15,565,000	-	420,000	15,145,000
Construction in Progress	-	1,151,064	-	1,151,064
Total	\$ 21,969,226	\$ 2,113,039	\$ 420,000	\$ 23,662,265
Less accumulated depreciation	3,321,624	598,406	101,375	3,818,655
Net capital assets	<u>\$ 18,647,602</u>	<u>\$ 1,514,633</u>	<u>\$ 318,625</u>	<u>\$ 19,843,610</u>
<b>School Board:</b>				
Land	\$ 303,445	\$ -	\$ 55,000	\$ 248,445
Buildings	3,742,004	1,370,475	728,300	4,384,179
Equipment	1,663,645	16,200	-	1,679,845
Jointly owned assets	-	420,000	-	420,000
Construction in Progress	-	5,560,296	1,370,475	4,189,821
Total	\$ 5,709,094	\$ 7,366,971	\$ 2,153,775	\$ 10,922,290
Less accumulated depreciation	1,821,316	609,476	378,625	2,052,167
Net capital assets	<u>\$ 3,887,778</u>	<u>\$ 6,757,495</u>	<u>\$ 1,775,150</u>	<u>\$ 8,870,123</u>
Total entity	\$ 22,535,380	\$ 8,272,128	\$ 2,093,775	\$ 28,713,733
Less accumulated depreciation	5,142,940	1,207,882	480,000	5,870,822
Net assets	<u>\$ 17,392,440</u>	<u>\$ 7,064,246</u>	<u>\$ 1,613,775</u>	<u>\$ 22,842,911</u>

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

Governmental activities:	
General government	\$ 41,447
Judicial administration	632
Public safety	80,254
Public works	27,179
Health and welfare	6,289
Education	430,027
Parks, recreation and cultural	12,578
Total governmental activities	<u>\$ 598,406</u>
Component Unit-School Board	<u>\$ 129,476</u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 6—Deferred Revenue:**

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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 \$309,101 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$309,101 at June 30, 2003.

**Note 7—Long-Term Obligations:**

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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, 2003.

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Lease revenue bonds	\$ 9,905,000	\$ -	\$ 160,000	\$ 9,745,000	\$ 155,000
School bonds payable	1,665,000	-	280,000	1,385,000	260,000
State literary fund loan	12,500	-	6,250	6,250	6,250
School lease revenue bonds	13,900,000	-	140,000	13,760,000	150,000
Capital lease obligations	199,431	-	25,156	174,275	25,802
Retirement incentive obligation loan	319,296	-	11,459	307,837	12,260
Total	<u>\$ 26,001,227</u>	<u>\$ -</u>	<u>\$ 622,865</u>	<u>\$ 25,378,362</u>	<u>\$ 609,312</u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

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

Year Ending June 30,	Lease Revenue Bonds		School General Obligation Bonds		State Literary Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 155,000	\$ 473,390	\$ 260,000	\$ 81,148	\$ 6,250	\$ 188
2005	285,000	466,571	195,000	66,270	-	-
2006	295,000	457,476	175,000	54,305	-	-
2007	305,000	446,557	165,000	43,248	-	-
2008	320,000	433,382	155,000	32,825	-	-
2009	340,000	419,675	135,000	23,486	-	-
2010	350,000	405,002	115,000	15,520	-	-
2011	365,000	389,300	100,000	8,640	-	-
2012	360,000	372,337	85,000	2,720	-	-
2013	350,000	354,088	-	-	-	-
2014	370,000	336,337	-	-	-	-
2015	230,000	317,588	-	-	-	-
2016	210,000	305,837	-	-	-	-
2017	220,000	294,950	-	-	-	-
2018	230,000	283,419	-	-	-	-
2019	245,000	271,247	-	-	-	-
2020	255,000	258,434	-	-	-	-
2021	270,000	244,981	-	-	-	-
2022	285,000	230,759	-	-	-	-
2023	300,000	215,769	-	-	-	-
2024	315,000	200,009	-	-	-	-
2025	330,000	183,481	-	-	-	-
2026	350,000	166,056	-	-	-	-
2027	365,000	147,734	-	-	-	-
2028	385,000	128,516	-	-	-	-
2029	405,000	108,019	-	-	-	-
2030	430,000	86,100	-	-	-	-
2031	450,000	63,000	-	-	-	-
2032	475,000	38,719	-	-	-	-
2033	500,000	13,125	-	-	-	-
<b>Total</b>	<b>\$ 9,745,000</b>	<b>\$ 8,111,858</b>	<b>\$ 1,385,000</b>	<b>\$ 328,162</b>	<b>\$ 6,250</b>	<b>\$ 188</b>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

Note 7—Long-Term Obligations: (Continued)

Year Ending June 30,	School Lease Revenue Bonds		Retirement Incentive Obligation Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 150,000	\$ 763,048	\$ 12,260	\$ 21,518	\$ 25,802	\$ 9,417
2005	195,000	754,965	13,117	20,661	26,488	7,936
2006	210,000	745,113	14,034	19,744	16,985	6,615
2007	225,000	734,305	15,014	18,764	15,000	5,775
2008	240,000	722,535	16,064	17,714	15,000	4,950
2009	365,000	706,975	17,187	16,591	15,000	4,125
2010	390,000	687,573	18,388	15,390	20,000	3,300
2011	410,000	667,183	19,674	14,104	20,000	2,200
2012	430,000	646,003	21,049	12,729	20,000	1,100
2013	450,000	623,035	22,520	11,258	-	-
2014	480,000	598,530	24,094	9,684	-	-
2015	500,000	572,253	25,778	8,000	-	-
2016	535,000	544,220	27,580	6,198	-	-
2017	560,000	514,208	29,508	4,270	-	-
2018	595,000	482,291	31,570	2,208	-	-
2019	625,000	448,625	-	-	-	-
2020	665,000	412,691	-	-	-	-
2021	705,000	373,756	-	-	-	-
2022	750,000	331,800	-	-	-	-
2023	790,000	286,800	-	-	-	-
2024	835,000	238,988	-	-	-	-
2025	890,000	188,219	-	-	-	-
2026	945,000	133,926	-	-	-	-
2027	1,005,000	75,676	-	-	-	-
2028	120,000	42,638	-	-	-	-
2029	125,000	36,488	-	-	-	-
2030	130,000	29,925	-	-	-	-
2031	140,000	23,100	-	-	-	-
2032	145,000	15,750	-	-	-	-
2033	155,000	8,138	-	-	-	-
Total	\$ <u>13,760,000</u>	\$ <u>12,408,757</u>	\$ <u>307,837</u>	\$ <u>198,833</u>	\$ <u>174,275</u>	\$ <u>45,418</u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 7—Long-Term Obligations: (Continued)**

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**Primary Government:**

	<b><u>Amount Outstanding</u></b>
<u>Details of Long-term Indebtedness:</u>	
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	1,625,000
\$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>350,000</u>
Total	<u>\$ 9,745,000</u>
School 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%	\$ 11,360,000
\$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 School lease revenue bonds payable	<u>\$ 13,760,000</u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 7—Long-Term Obligations: (Continued)**

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**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
General obligation bonds:	
<u>School Bonds:</u>	
\$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	\$ <u>1,385,000</u>
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%	\$ <u>6,250</u>
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%	\$ <u>307,837</u>
<u>Details of capital leases:</u>	
Transfer station, matures, May 1, 2012, interest from 5.25% to 5.50%	\$ 150,000
Computer equipment, matures September 1, 2005, interest at 6.18%	<u>24,275</u>
Total	\$ <u>174,275</u>
Total long-term debt	\$ <u><u>25,378,362</u></u>

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 8—Landfill Closure and Postclosure Care Cost:**

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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 2003, the County paid \$28,780 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, 2003 is \$10,510.

**Note 9—Claims, Judgments and Compensated Absences:**

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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 \$141,688 and \$90,811, respectively.

The balances at June 30, 2003 are:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2003</u>
Primary Government	\$ 204,022	\$ (62,334)	\$ 141,688
Component Unit School Board	<u>86,760</u>	<u>4,051</u>	<u>90,811</u>
Total	<u>\$ 290,782</u>	<u>\$ (58,283)</u>	<u>\$ 232,499</u>

**Note 10—Defined Benefit Pension Plan:**

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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

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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### Note 10—Defined Benefit Pension Plan: (Continued)

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#### A. Plan Description (Continued)

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 2003 was .50%, of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2003 averaged 3.77% for professional employees and 11% for non-professional employees, of annual covered payroll.

#### C. Annual Pension Cost

For fiscal 2003, the County's annual pension cost of \$7,021 (does not include the employee share assumed by the County which was \$83,960) was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2002 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 \$58,061, 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 \$26,391).

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 \$197,411 and \$261,819, respectively. The School Board contribution rate for its professional employees averaged 3.77%.

**COUNTY OF MIDDLESEX, VIRGINIA**

Notes to Financial Statements  
as of June 30, 2003 (Continued)

**Note 10—Defined Benefit Pension Plan: (Continued)**

**C. Annual Pension Cost: (Continued)**

The actuarial assumptions used for the fiscal year 2003 contributions are as follows for both the County and non-professional School Board employees:

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2002	June 30, 2002
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	28 Years	26 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	8.00%	8.00%
Projected salary increases: <sup>1</sup>		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

<sup>1</sup> Includes inflation at 3%

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, 2003	\$ 7,021	100%	\$ -
June 30, 2002	29,303	100%	-
June 30, 2001	-	100%	-
School Board:			
Non-professional:			
June 30, 2003	\$ 58,061	100%	\$ -
June 30, 2002	62,754	100%	-
June 30, 2001	64,302	100%	-

(1) Employer portion only

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

Note 10—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

Required Supplementary Information  
Schedule of Funding Progress

County:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2002	\$ 5,738,515	\$ 4,495,226	\$ (1,243,289)	127.66%	\$ 1,629,842	(76.28%)
6/30/2001	5,543,135	3,988,432	(1,554,703)	138.98%	1,649,787	(88.2%)
6/30/2000	5,025,614	3,652,878	(1,372,736)	137.58%	1,556,024	(94.2%)

School Board Non-Professionals:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2002	\$ 1,115,626	\$ 1,512,404	\$ 396,778	73.77%	\$ 510,168	77.77%
6/30/2001	1,020,614	1,377,762	357,148	74.08%	509,125	70.2%
6/30/2000	882,399	1,296,511	414,113	68.06%	481,312	86.0%

Note 11—Due From Component Unit/Due to Primary Government:

Fund	Receivable	Payable
General Fund	\$ 144,653	\$ -
School Operating Fund	-	144,653
Total	<u>\$ 144,653</u>	<u>\$ 144,653</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 12—Contingent Liabilities (Including Federally Assisted Programs And Compliance Audits):**

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- 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, 2003 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 \$6,235,926. During the current year the County incurred costs in the amount of \$1,151,064 on the construction of the courthouse.
- D. The Component Unit School Board is undergoing renovations to the High School. The School Board issued a \$2,400,000 lease revenue bond and part of a \$11,500,000 lease revenue bond to finance this project. The estimated cost of renovations to the High School is \$4,625,253. During the current year the School Board incurred costs in the amount of \$4,189,821 for renovations done to the High School.

**Note 13—Surety Bonds:**

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	<u>Primary Government</u>
Fund Balances at June 30, 2002	
Governmental activities:	
Governmental fund types	\$ <u>13,630,464</u>
Adjustments for:	
Capital assets, net	18,647,602
Long-term debt	(26,001,227)
Compensated absences	(204,022)
Accrued interest payable on long-term debt	(390,305)
Landfill post-closure costs	(39,290)
Deferred revenue	<u>336,497</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
as of June 30, 2003 (Continued)

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**Note 14—Risk Management:**

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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.

**Note 15—Accounting Changes:**

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During fiscal year 2003 the County adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The following table shows beginning net assets restated for the effects of implementing GASB Statement No. 34:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Fund Balances at June 30, 2002		
Governmental activities:		
Governmental fund types	\$ 13,630,464	\$ 5,232,180
Adjustments for:		
Capital assets, net	18,647,602	3,887,778
Long-term debt	(26,001,227)	-
Compensated absences	(204,022)	(86,760)
Accrued interest payable on long-term debt	(390,305)	-
Landfill post-closure costs	(39,290)	-
Deferred revenue	336,497	-
Net assets, restated as of July 1, 2002 (Exhibits 2 & 11)	\$ <u>5,979,719</u>	\$ <u>9,033,198</u>

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2003

	General Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 8,421,503	\$ 8,421,503	\$ 7,902,844	\$ (518,659)
Other local taxes	1,929,594	1,929,594	1,732,108	(197,486)
Permits, privilege fees and regulatory licenses	166,200	166,200	210,812	44,612
Fines and forfeitures	1,100	18,543	21,756	3,213
Revenue from use of money and property	206,000	206,000	188,633	(17,367)
Charges for services	36,300	36,300	54,650	18,350
Miscellaneous	33,740	286,446	85,404	(201,042)
Recovered cost	41,160	41,160	42,200	1,040
Intergovernmental:				
Commonwealth	2,080,518	2,236,596	2,336,068	99,472
Federal	-	-	589,135	589,135
Total revenues	<u>\$ 12,916,115</u>	<u>\$ 13,342,342</u>	<u>\$ 13,163,610</u>	<u>\$ (178,732)</u>
Expenditures:				
Current:				
General government administration	\$ 971,219	\$ 1,031,569	\$ 1,013,338	\$ 18,231
Judicial administration	360,058	375,895	362,963	12,932
Public safety	2,048,386	2,309,239	2,296,433	12,806
Public works	1,121,642	1,135,231	1,067,855	67,376
Health and welfare	1,489,216	1,493,041	1,249,961	243,080
Education	5,991,203	6,134,070	4,444,844	1,689,226
Parks, recreation, and cultural	135,170	149,268	145,509	3,759
Community development	241,058	246,361	218,348	28,013
Capital projects	30,000	430,446	181,516	248,930
Debt service:				
Principal retirement	185,156	185,156	622,865	(437,709)
Interest and other fiscal charges	427,710	427,710	1,263,101	(835,391)
Total expenditures	<u>\$ 13,000,818</u>	<u>\$ 13,917,986</u>	<u>\$ 12,866,733</u>	<u>\$ 1,051,253</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (84,703)</u>	<u>\$ (575,644)</u>	<u>\$ 296,877</u>	<u>\$ 872,521</u>
Other financing sources (uses):				
Transfers in	\$ 242,115	\$ 242,115	\$ -	\$ (242,115)
Transfers out	(207,115)	(407,115)	(96,965)	310,150
Total other financing sources (uses)	<u>\$ 35,000</u>	<u>\$ (165,000)</u>	<u>\$ (96,965)</u>	<u>\$ 68,035</u>
Changes in fund balances	\$ (49,703)	\$ (740,644)	\$ 199,912	\$ 940,556
Fund balances at beginning of year	<u>49,703</u>	<u>740,644</u>	<u>5,420,047</u>	<u>4,679,403</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,619,959</u>	<u>\$ 5,619,959</u>

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

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Capital Projects Fund  
 Year Ended June 30, 2003

	<b>Capital Projects Fund</b>			<b>Variance From Amended Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 135,100	\$ 135,100
Miscellaneous	-	-	37,585	37,585
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172,685</b>	<b>\$ 172,685</b>
Expenditures:				
Current:				
Capital projects	\$ -	\$ 210,935	\$ 802,107	\$ (591,172)
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ 210,935</b>	<b>\$ 802,107</b>	<b>\$ (591,172)</b>
Excess (deficiency) of revenues over expenditures	\$ -	\$ (210,935)	\$ (629,422)	\$ (418,487)
Other financing sources (uses):				
Transfers in	\$ -	\$ 200,000	\$ 96,965	\$ (103,035)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ 96,965</b>	<b>\$ (103,035)</b>
Changes in fund balances	\$ -	\$ (10,935)	\$ (532,457)	\$ (521,522)
Fund balances at beginning of year	-	10,935	8,210,417	8,199,482
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,677,960</u>	<u>\$ 7,677,960</u>

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

Agency Fund  
 Schedule of Changes in Assets and Liabilities  
 Year Ended June 30, 2003

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 6,030	\$ 25,629	\$ 24,996	\$ 6,663
Liabilities:				
Amounts held for social service clients	\$ 6,030	\$ 25,629	\$ 24,996	\$ 6,663

Other Supplementary Information

Combining Balance Sheet - Discretely Presented Component Unit - School Board  
 At June 30, 2003

	<u>School Operating Fund</u>	<u>School Construction Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 775,171	\$ 552,299	\$ 106,354	\$ 1,433,824
Accounts receivable	-	-	75	75
Due from other governmental units	<u>287,507</u>	<u>-</u>	<u>8,488</u>	<u>295,995</u>
Total assets	<u>\$ 1,062,678</u>	<u>\$ 552,299</u>	<u>\$ 114,917</u>	<u>\$ 1,729,894</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 34,942	\$ 286,115	\$ -	\$ 321,057
Accrued liabilities	883,083	-	21,141	904,224
Due to primary government	<u>144,653</u>	<u>-</u>	<u>-</u>	<u>144,653</u>
Total liabilities	<u>\$ 1,062,678</u>	<u>\$ 286,115</u>	<u>\$ 21,141</u>	<u>\$ 1,369,934</u>
<b>FUND BALANCES</b>				
Unreserved:				
Subsequent year's expenditures	\$ -	\$ -	\$ 93,776	\$ 93,776
School construction	<u>-</u>	<u>266,184</u>	<u>-</u>	<u>266,184</u>
Total fund balances	<u>\$ -</u>	<u>\$ 266,184</u>	<u>\$ 93,776</u>	<u>\$ 359,960</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 552,299</u>	<u>\$ 114,917</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

8,870,123

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net assets.

(90,811)

Net assets of General Government Activities

\$ 9,139,272

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2003

	<u>School Operating Fund</u>	<u>School Construction Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 16,111	\$ 33,080	\$ 284	\$ 49,475
Charges for services	10,408	-	214,138	224,546
Miscellaneous	56,723	-	-	56,723
Intergovernmental:				
County contribution to School Board	4,186,170	198,333	55,857	4,440,360
Commonwealth	4,449,731	-	50,730	4,500,461
Federal	835,581	-	174,245	1,009,826
Total revenues	<u>\$ 9,554,724</u>	<u>\$ 231,413</u>	<u>\$ 495,254</u>	<u>\$ 10,281,391</u>
Expenditures:				
Current:				
Education	\$ 9,584,669	\$ -	\$ 448,968	\$ 10,033,637
Capital projects	-	5,119,974	-	5,119,974
Total expenditures	<u>\$ 9,584,669</u>	<u>\$ 5,119,974</u>	<u>\$ 448,968</u>	<u>\$ 15,153,611</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (29,945)</u>	<u>\$ (4,888,561)</u>	<u>\$ 46,286</u>	<u>\$ (4,872,220)</u>
Other financing sources (uses):				
Transfers in	\$ 29,945	\$ -	\$ -	\$ 29,945
Transfers out	-	(29,945)	-	(29,945)
Total other financing sources (uses)	<u>\$ 29,945</u>	<u>\$ (29,945)</u>	<u>\$ -</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (4,918,506)	\$ 46,286	\$ (4,872,220)
Fund balances at beginning of year	-	5,184,690	47,490	5,232,180
Fund balances at end of year	<u>\$ -</u>	<u>\$ 266,184</u>	<u>\$ 93,776</u>	<u>\$ 359,960</u>

COUNTY OF MIDDLESEX, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2003

	School Operating Fund				School Cafeteria Fund			
	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:								
Revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 16,111	\$ 15,111	\$ 1,100	\$ 1,100	\$ 172	\$ (928)
Charges for services	10,400	10,400	10,408	8	239,712	239,712	214,138	(25,574)
Miscellaneous	8,500	8,500	56,723	48,223	-	-	-	-
Intergovernmental:								
County contribution to School Board	5,535,633	5,645,212	4,186,170	(1,459,042)	-	-	-	-
Commonwealth	4,405,266	4,405,266	4,449,731	44,465	6,676	6,676	6,449	(227)
Federal	676,681	741,525	835,581	94,056	170,000	170,000	174,245	4,245
<b>Total revenues</b>	<b>\$ 10,637,480</b>	<b>\$ 10,811,903</b>	<b>\$ 9,554,724</b>	<b>\$ (1,257,179)</b>	<b>\$ 417,488</b>	<b>\$ 417,488</b>	<b>\$ 395,004</b>	<b>\$ (22,484)</b>
Expenditures:								
Current:								
Education	\$ 9,413,370	\$ 9,587,793	\$ 9,584,669	\$ 3,124	\$ 417,488	\$ 417,488	\$ 406,871	\$ 10,617
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	438,510	438,510	-	438,510	-	-	-	-
Interest and other fiscal charges	636,166	785,600	-	785,600	-	-	-	-
<b>Total expenditures</b>	<b>\$ 10,488,046</b>	<b>\$ 10,811,903</b>	<b>\$ 9,584,669</b>	<b>\$ 1,227,234</b>	<b>\$ 417,488</b>	<b>\$ 417,488</b>	<b>\$ 406,871</b>	<b>\$ 10,617</b>
Excess (deficiency) of revenues over expenditures	\$ 149,434	\$ -	\$ (29,945)	\$ (29,945)	\$ -	\$ -	\$ (11,867)	\$ (11,867)
Other financing sources (uses):								
Transfers in	\$ -	\$ -	\$ 29,945	\$ 29,945	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,945</b>	<b>\$ 29,945</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Changes in fund balances	\$ 149,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,867)	\$ (11,867)
Fund balances at beginning of year	(149,434)	-	-	-	-	-	14,203	14,203
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,336</b>	<b>\$ 2,336</b>

School Textbook Fund				School Construction Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ 112	\$ 112	\$ -	\$ -	\$ 33,080	\$ 33,080
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
54,252	89,145	55,857	(33,288)	228,192	228,192	198,333	(29,859)
43,113	43,113	44,281	1,168	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 97,365</u>	<u>\$ 132,258</u>	<u>\$ 100,250</u>	<u>\$ (32,008)</u>	<u>\$ 228,192</u>	<u>\$ 228,192</u>	<u>\$ 231,413</u>	<u>\$ 3,221</u>
\$ 97,365	\$ 132,258	\$ 42,097	\$ 90,161	\$ -	\$ -	\$ -	\$ -
-	-	-	-	228,192	228,192	5,119,974	(4,891,782)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 97,365</u>	<u>\$ 132,258</u>	<u>\$ 42,097</u>	<u>\$ 90,161</u>	<u>\$ 228,192</u>	<u>\$ 228,192</u>	<u>\$ 5,119,974</u>	<u>\$ (4,891,782)</u>
\$ -	\$ -	\$ 58,153	\$ 58,153	\$ -	\$ -	\$ (4,888,561)	\$ (4,888,561)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	(29,945)	(29,945)
-	-	-	-	-	-	(29,945)	(29,945)
\$ -	\$ -	\$ 58,153	\$ 58,153	\$ -	\$ -	\$ (4,918,506)	\$ (4,918,506)
-	-	33,287	33,287	-	-	5,184,690	5,184,690
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,440</u>	<u>\$ 91,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,184</u>	<u>\$ 266,184</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit  
For the Year Ended June 30, 2003

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	<u>Component Unit School Board</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (4,872,220)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment.</p>	
Net change in fund balances - total governmental funds	
Capital additions	\$ 4,793,196
Depreciation expense	<u>(129,476)</u> 4,663,720
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave.	(4,051)
Adjustment for amounts due to / due from primary government in funding prior year accrued leave.	
Transfer of joint tenancy assets from Primary Government to the Component Unit	<u>318,625</u>
Change in net assets of governmental activities	<u>\$ 106,074</u>

Discretely Presented Component Unit School Board  
 Combining Balance Sheet - Non-Major Funds  
 At June 30, 2003

	<u>School Cafeteria Fund</u>	<u>School Textbook Rental Fund</u>	<u>Totals</u>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 14,989	\$ 91,365	\$ 106,354
Accounts receivable	-	75	75
Due from other governmental units	8,488	-	8,488
Total assets and other debits	<u>\$ 23,477</u>	<u>\$ 91,440</u>	<u>\$ 114,917</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 21,141	\$ -	\$ 21,141
Total liabilities	<u>\$ 21,141</u>	<u>\$ -</u>	<u>\$ 21,141</u>
<b>EQUITY</b>			
<b>Fund balances:</b>			
Unreserved:			
Designated:			
Subsequent year's expenditures	\$ 2,336	\$ 91,440	\$ 93,776
Total equity	<u>\$ 2,336</u>	<u>\$ 91,440</u>	<u>\$ 93,776</u>
Total liabilities and equity	<u>\$ 23,477</u>	<u>\$ 91,440</u>	<u>\$ 114,917</u>

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

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Discretely Presented Component Unit School Board - Non-Major Funds  
 Year Ended June 30, 2003

	<b>School Cafeteria Fund</b>	<b>School Textbook Rental Fund</b>	<b>Totals</b>
<b>Revenues:</b>			
Revenue from use of money and property	\$ 172	\$ 112	\$ 284
Charges for services	214,138	-	214,138
Intergovernmental:			
County contribution to the School Board	-	55,857	55,857
Commonwealth	6,449	44,281	50,730
Federal	174,245	-	174,245
<b>Total revenues</b>	<b>\$ 395,004</b>	<b>\$ 100,250</b>	<b>\$ 495,254</b>
<b>Expenditures:</b>			
Current:			
Education	\$ 406,871	\$ 42,097	\$ 448,968
<b>Total expenditures</b>	<b>\$ 406,871</b>	<b>\$ 42,097</b>	<b>\$ 448,968</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (11,867)</b>	<b>\$ 58,153</b>	<b>\$ 46,286</b>
<b>Fund balances at beginning of year</b>	<b>14,203</b>	<b>33,287</b>	<b>47,490</b>
<b>Fund balances at end of year</b>	<b>\$ 2,336</b>	<b>\$ 91,440</b>	<b>\$ 93,776</b>

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

Governmental Funds and Discretely Presented Component Unit  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2003

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,424,120	\$ 5,424,120	\$ 5,535,313	\$ 111,193
Real and personal public service corporation taxes	189,109	189,109	192,327	3,218
Personal property taxes	2,584,198	2,584,198	1,918,170	(666,028)
Mobile home taxes	86,276	86,276	92,066	5,790
Machinery and tools taxes	6,029	6,029	5,583	(446)
Merchant's capital	31,771	31,771	32,254	483
Penalties	60,000	60,000	77,911	17,911
Interest	40,000	40,000	49,220	9,220
Total general property taxes	<u>\$ 8,421,503</u>	<u>\$ 8,421,503</u>	<u>\$ 7,902,844</u>	<u>\$ (518,659)</u>
Other local taxes:				
Local sales and use taxes	\$ 756,500	\$ 756,500	\$ 677,188	\$ (79,312)
Consumer utility taxes	460,000	460,000	397,702	(62,298)
Business license taxes	100	100	175	75
Franchise license taxes	23,000	23,000	27,908	4,908
Bank stock taxes	30,572	30,572	37,058	6,486
Motor vehicle licenses	229,000	229,000	232,640	3,640
Airports	91,500	91,500	65,810	(25,690)
Tax on recordation and wills	156,807	156,807	122,797	(34,010)
E-911 telephone taxes	182,115	182,115	170,830	(11,285)
Total other local taxes	<u>\$ 1,929,594</u>	<u>\$ 1,929,594</u>	<u>\$ 1,732,108</u>	<u>\$ (197,486)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 6,532	\$ (468)
Permits and other licenses	159,200	159,200	204,280	45,080
Total permits, privilege fees and regulatory licenses	<u>\$ 166,200</u>	<u>\$ 166,200</u>	<u>\$ 210,812</u>	<u>\$ 44,612</u>
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 1,100	\$ 18,543	\$ 21,756	\$ 3,213
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 150,000	\$ 131,090	\$ (18,910)
Revenue from use of property	56,000	56,000	57,543	1,543
Total revenue from use of money and property	<u>\$ 206,000</u>	<u>\$ 206,000</u>	<u>\$ 188,633</u>	<u>\$ (17,367)</u>

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff fees	\$ 2,500	\$ 2,500	\$ 1,503	\$ (997)
Courthouse maintenance fees	8,000	8,000	5,588	(2,412)
Courthouse security fees	-	-	9,418	9,418
Charges for Commonwealth Attorney	500	500	493	(7)
Gun permit fees	500	500	3,724	3,224
Street signs	250	250	45	(205)
Planning and community development	18,950	18,950	14,831	(4,119)
VJCCA	5,000	5,000	-	(5,000)
Other	600	600	19,048	18,448
	<u>\$ 36,300</u>	<u>\$ 36,300</u>	<u>\$ 54,650</u>	<u>\$ 18,350</u>
Total charges for services				
Miscellaneous revenue:				
Miscellaneous	\$ 18,740	\$ 254,815	\$ 68,418	\$ (186,397)
Insurance refunds	15,000	31,631	16,986	(14,645)
	<u>\$ 33,740</u>	<u>\$ 286,446</u>	<u>\$ 85,404</u>	<u>\$ (201,042)</u>
Total miscellaneous revenue				
Recovered costs:				
Town police service agreement	\$ 41,160	\$ 41,160	\$ 42,200	\$ 1,040
	<u>\$ 41,160</u>	<u>\$ 41,160</u>	<u>\$ 42,200</u>	<u>\$ 1,040</u>
Total recovered costs				
Total revenue from local sources				
	<u>\$ 10,835,597</u>	<u>\$ 11,105,746</u>	<u>\$ 10,238,407</u>	<u>\$ (867,339)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 11,373	\$ 11,373	\$ 11,361	\$ (12)
Wine taxes	12,000	12,000	10,519	(1,481)
Motor vehicle carriers tax	6,000	6,000	1,933	(4,067)
Mobile home titling taxes	40,000	40,000	31,847	(8,153)
Rolling stock taxes	500	500	629	129
Recordation taxes	-	-	46,254	46,254
PPTRA	-	-	640,941	640,941
	<u>\$ 69,873</u>	<u>\$ 69,873</u>	<u>\$ 743,484</u>	<u>\$ 673,611</u>
Total noncategorical aid				

Governmental Funds and Discretely Presented Component Unit  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	\$ 67,645	\$ 62,864	\$ 67,806	\$ 4,942
Sheriff	517,929	552,087	597,290	45,203
Commissioner of the Revenue	90,999	82,749	85,511	2,762
Treasurer	92,139	83,499	85,970	2,471
Medical examiner	200	200	180	(20)
Registrar/electoral board	33,000	33,000	29,082	(3,918)
Clerk of the Circuit Court	125,360	120,264	120,264	-
Total shared expenses	<u>\$ 927,272</u>	<u>\$ 934,663</u>	<u>\$ 986,103</u>	<u>\$ 51,440</u>
Welfare:				
Welfare administration and assistance	<u>\$ 816,623</u>	<u>\$ 816,623</u>	<u>\$ 206,160</u>	<u>\$ (610,463)</u>
Other categorical aid:				
Emergency medical services	\$ -	\$ 10,605	\$ -	\$ (10,605)
Comprehensive services act	233,750	233,750	113,619	(120,131)
Fire funds	-	12,583	12,583	-
DARE	-	2,500	250	(2,250)
Two for life	-	5,544	5,544	-
DUI grant	-	8,000	-	(8,000)
Abandoned vehicles	5,000	5,000	4,500	(500)
Animal license plates	-	-	183	183
Environmental enforcement grant	28,000	28,000	-	(28,000)
E-911 wireless grant	-	107,955	255,587	147,632
Airport funds	-	-	1,931	1,931
Asset forfeits	-	-	6,124	6,124
Alcohol grant	-	1,500	-	(1,500)
Total other categorical aid	<u>\$ 266,750</u>	<u>\$ 415,437</u>	<u>\$ 400,321</u>	<u>\$ (15,116)</u>
Total categorical aid	<u>\$ 2,010,645</u>	<u>\$ 2,166,723</u>	<u>\$ 1,592,584</u>	<u>\$ (574,139)</u>
Total revenue from the Commonwealth	<u>\$ 2,080,518</u>	<u>\$ 2,236,596</u>	<u>\$ 2,336,068</u>	<u>\$ 99,472</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 514,970	\$ 514,970
DUI grant	-	-	9,920	9,920
Transportation safety grant	-	-	1,455	1,455
Alcohol grant	-	-	1,500	1,500
Emergency services	-	-	61,290	61,290
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 589,135</u>	<u>\$ 589,135</u>
Total General Fund	<u>\$ 12,916,115</u>	<u>\$ 13,342,342</u>	<u>\$ 13,163,610</u>	<u>\$ (178,732)</u>

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 108,432	\$ 108,432
Revenue from use of property	-	-	26,668	26,668
Total revenue from use of money and property	\$ -	\$ -	\$ 135,100	\$ 135,100
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 37,585	\$ 37,585
Total General Capital Projects Fund	\$ -	\$ -	\$ 172,685	\$ 172,685
Total Capital Improvements Fund	\$ -	\$ -	\$ 172,685	\$ 172,685
Grand Total Revenues -- Primary Government	\$ 12,916,115	\$ 13,342,342	\$ 13,336,295	\$ (6,047)
<b>Component Unit -- School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 1,000	\$ 1,000	\$ 16,111	\$ 15,111
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 16,111	\$ 15,111
Charges for services:				
Charges for education	\$ 10,400	\$ 10,400	\$ 10,408	\$ 8
Miscellaneous revenue	\$ 8,500	\$ 8,500	\$ 56,723	\$ 48,223
Total revenue from local sources	\$ 19,900	\$ 19,900	\$ 83,242	\$ 63,342
Intergovernmental revenue:				
County contribution to School Board	\$ 5,535,633	\$ 5,645,212	\$ 4,186,170	\$ (1,459,042)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,077,715	\$ 1,077,715	\$ 947,997	\$ (129,718)
Basic school aid	1,959,351	1,959,351	2,063,215	103,864
Special education	446,887	446,887	485,125	38,238
Vocational education	57,210	57,210	60,239	3,029
Fringe benefits	194,676	194,676	201,806	7,130
Gifted and talented	20,596	20,596	21,153	557
Remedial education	32,037	32,037	32,905	868
Reduced K-3	52,982	52,982	44,129	(8,853)
At risk	27,312	27,312	27,965	653
Other state funds	536,500	536,500	565,197	28,697
Total categorical aid	\$ 4,405,266	\$ 4,405,266	\$ 4,449,731	\$ 44,465
Total revenue from the Commonwealth	\$ 4,405,266	\$ 4,405,266	\$ 4,449,731	\$ 44,465

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Basic adult education	\$ 19,529	\$ 19,529	\$ 20,129	\$ 600
Title I	263,425	263,425	316,425	53,000
Title II - part A	10,000	74,844	70,462	(4,382)
Rural education	-	-	27,647	27,647
Title VI-B	237,167	237,167	255,529	18,362
Refugee and entrant assistance	-	-	2,341	2,341
Preschool handicapped	16,000	16,000	11,826	(4,174)
Title II - Eisenhower	-	-	281	281
Vocational education	26,890	26,890	29,191	2,301
School to work	38,189	38,189	43,741	5,552
Jobs training partnership act	-	-	13,908	13,908
Title VI	-	-	12,620	12,620
Literacy challenge	3,000	3,000	13,791	10,791
Goals 2000	11,787	11,787	11,982	195
Drug free schools	6,000	6,000	5,708	(292)
Other federal funds	44,694	44,694	-	(44,694)
Total revenue from the federal government	<u>\$ 676,681</u>	<u>\$ 741,525</u>	<u>\$ 835,581</u>	<u>\$ 94,056</u>
Total School Operating Fund	<u>\$ 10,637,480</u>	<u>\$ 10,811,903</u>	<u>\$ 9,554,724</u>	<u>\$ (1,257,179)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,100	\$ 1,100	\$ 172	\$ (928)
Charges for services:				
Cafeteria sales	239,712	239,712	214,138	(25,574)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	6,676	6,676	6,449	(227)
Revenue from the federal government:				
Categorical aid:				
School food program grant	170,000	170,000	174,245	4,245
Total School Cafeteria Fund	<u>\$ 417,488</u>	<u>\$ 417,488</u>	<u>\$ 395,004</u>	<u>\$ (22,484)</u>
School Textbook Rental Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 112	\$ 112

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2003 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
Component Unit -- School Board: (Continued)				
Revenue from local sources: (Continued)				
Intergovernmental revenue:				
County contribution to School Board	\$ 54,252	\$ 89,145	\$ 55,857	\$ (33,288)
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	<u>43,113</u>	<u>43,113</u>	<u>44,281</u>	<u>1,168</u>
Total School Textbook Rental Fund	<u>\$ 97,365</u>	<u>\$ 132,258</u>	<u>\$ 100,250</u>	<u>\$ (32,008)</u>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 33,080	\$ 33,080
Intergovernmental revenue:				
County contribution to School Board	<u>228,192</u>	<u>228,192</u>	<u>198,333</u>	<u>(29,859)</u>
Total School Capital Projects Fund	<u>\$ 228,192</u>	<u>\$ 228,192</u>	<u>\$ 231,413</u>	<u>\$ 3,221</u>
Grand Total Revenues -- Component Unit -- School Board	<u>\$ 11,380,525</u>	<u>\$ 11,589,841</u>	<u>\$ 10,281,391</u>	<u>\$ (1,308,450)</u>
Grand Total Revenues -- Reporting Entity	<u>\$ 24,296,640</u>	<u>\$ 24,932,183</u>	<u>\$ 23,617,686</u>	<u>\$ (1,314,497)</u>

Governmental Funds and Discretely Presented Component Unit School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2003

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
General government administration:				
Legislative:				
Board of supervisors	\$ 73,443	\$ 81,231	\$ 57,088	\$ 24,143
General and financial administration:				
County administrator	\$ 195,655	\$ 209,928	\$ 206,042	\$ 3,886
Legal services	45,400	45,400	39,845	5,555
Independent auditor	20,000	26,014	26,014	-
Commissioner of the revenue	186,162	183,379	173,525	9,854
Assessor	60,000	88,010	112,710	(24,700)
Treasurer	207,967	204,090	176,206	27,884
Risk management	48,800	59,725	99,321	(39,596)
Data processing	70,400	70,400	63,377	7,023
Total general and financial administration	\$ 834,384	\$ 886,946	\$ 897,040	\$ (10,094)
Board of Elections:				
Electoral board and officials	\$ 21,642	\$ 21,642	\$ 17,825	\$ 3,817
Registrar	41,750	41,750	41,385	365
Total board of elections	\$ 63,392	\$ 63,392	\$ 59,210	\$ 4,182
Total general government administration	\$ 971,219	\$ 1,031,569	\$ 1,013,338	\$ 18,231
Judicial administration:				
Courts:				
Circuit court	\$ 30,803	\$ 26,403	\$ 26,418	\$ (15)
General district court	9,500	9,500	7,883	1,617
Juvenile and domestic relations district court	20,740	33,958	27,975	5,983
Clerk of the circuit court	174,221	178,749	175,897	2,852
Magistrate	6,575	6,575	612	5,963
Juvenile and domestic relations district court service	7,713	7,713	3,814	3,899
Merrimac center	25,162	32,086	38,340	(6,254)
Total courts	\$ 274,714	\$ 294,984	\$ 280,939	\$ 14,045
Commonwealth's attorney:				
Commonwealth's attorney	\$ 85,344	\$ 80,911	\$ 82,024	\$ (1,113)
Total judicial administration	\$ 360,058	\$ 375,895	\$ 362,963	\$ 12,932

Governmental Funds and Discretely Presented Component Unit School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2003 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 823,618	\$ 939,372	\$ 918,855	\$ 20,517
Town police	41,160	41,160	41,160	-
County deputy	34,951	34,951	32,788	2,163
Sheriff asset forfeits expenditures	-	-	4,139	(4,139)
School crossing guard	11,845	11,845	7,503	4,342
Total law enforcement and traffic control	<u>\$ 911,574</u>	<u>\$ 1,027,328</u>	<u>\$ 1,004,445</u>	<u>\$ 22,883</u>
Fire and rescue services:				
Volunteer fire department	\$ 119,680	\$ 132,263	\$ 132,275	\$ (12)
Volunteer rescue squads	77,912	83,456	83,456	-
Total fire and rescue services	<u>\$ 197,592</u>	<u>\$ 215,719</u>	<u>\$ 215,731</u>	<u>\$ (12)</u>
Correction and detention:				
Regional jail	\$ 586,625	\$ 586,625	\$ 561,925	\$ 24,700
Inspections:				
Building	\$ 116,794	\$ 117,490	\$ 115,354	\$ 2,136
Other protection:				
Animal control	\$ 54,267	\$ 66,873	\$ 62,402	\$ 4,471
Medical examiner (coroner)	400	400	300	100
Two for life	-	-	1,987	(1,987)
Emergency services (civil defense)	49,442	61,026	125,103	(64,077)
E-911	131,692	233,778	209,186	24,592
Total other protection	<u>\$ 235,801</u>	<u>\$ 362,077</u>	<u>\$ 398,978</u>	<u>\$ (36,901)</u>
Total public safety	<u>\$ 2,048,386</u>	<u>\$ 2,309,239</u>	<u>\$ 2,296,433</u>	<u>\$ 12,806</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street and road cleaning	\$ 500	\$ 500	\$ 245	\$ 255
Sanitation and waste removal:				
Refuse collection - convenience centers	\$ 87,887	\$ 87,887	\$ 81,606	\$ 6,281
Refuse collection - grounds maintenance	3,000	3,000	710	2,290
VPPSA	651,111	651,111	622,790	28,321
Total sanitation and waste removal	<u>\$ 741,998</u>	<u>\$ 741,998</u>	<u>\$ 705,106</u>	<u>\$ 36,892</u>

Governmental Funds and Discretely Presented Component Unit School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2003 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 261,549	\$ 266,788	\$ 262,401	\$ 4,387
Holly point	2,500	2,500	400	2,100
Canoe house landing	3,000	3,000	2,670	330
Airport	112,095	120,445	97,033	23,412
Total maintenance of general buildings and grounds	<u>\$ 379,144</u>	<u>\$ 392,733</u>	<u>\$ 362,504</u>	<u>\$ 30,229</u>
Total public works	<u>\$ 1,121,642</u>	<u>\$ 1,135,231</u>	<u>\$ 1,067,855</u>	<u>\$ 67,376</u>
Health and welfare:				
Health:				
Local health department	\$ 128,172	\$ 128,172	\$ 121,501	\$ 6,671
Free health clinic	7,775	7,775	7,775	-
Laurel shelter, inc.	2,000	2,000	2,000	-
Local hospitals	200	200	-	200
Total health	<u>\$ 138,147</u>	<u>\$ 138,147</u>	<u>\$ 131,276</u>	<u>\$ 6,871</u>
Mental health and mental retardation:				
Chapter X board	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ -</u>
Welfare:				
Administration and assistance	\$ 884,991	\$ 888,816	\$ 801,125	\$ 87,691
Comprehensive services	400,000	400,000	250,186	149,814
Area agency on aging	29,335	29,335	29,335	-
Rental assistance program	950	950	2,246	(1,296)
Vocational rehabilitation centers	4,793	4,793	4,793	-
Humane society	6,000	6,000	6,000	-
Disabilities services board	2,000	2,000	2,000	-
Total welfare	<u>\$ 1,328,069</u>	<u>\$ 1,331,894</u>	<u>\$ 1,095,685</u>	<u>\$ 236,209</u>
Total health and welfare	<u>\$ 1,489,216</u>	<u>\$ 1,493,041</u>	<u>\$ 1,249,961</u>	<u>\$ 243,080</u>
Education:				
Contributions to community colleges	\$ 4,484	\$ 4,484	\$ 4,484	\$ -
Virginia high school league activities	3,000	3,000	-	3,000
Contribution to School Board Component Unit	5,983,719	6,126,586	4,440,360	1,686,226
Total education	<u>\$ 5,991,203</u>	<u>\$ 6,134,070</u>	<u>\$ 4,444,844</u>	<u>\$ 1,689,226</u>

Governmental Funds and Discretely Presented Component Unit School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2003 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 35,985	\$ 45,083	\$ 45,054	\$ 29
Museum	3,000	3,000	3,000	-
Sports complex	26,250	31,250	27,520	3,730
Total parks and recreation	<u>\$ 65,235</u>	<u>\$ 79,333</u>	<u>\$ 75,574</u>	<u>\$ 3,759</u>
Library:				
Regional library	<u>\$ 69,935</u>	<u>\$ 69,935</u>	<u>\$ 69,935</u>	<u>\$ -</u>
Total parks, recreation and cultural	<u>\$ 135,170</u>	<u>\$ 149,268</u>	<u>\$ 145,509</u>	<u>\$ 3,759</u>
Community development:				
Planning and community development:				
Planning	\$ 91,748	\$ 92,096	\$ 83,853	\$ 8,243
Zoning administration	52,007	52,355	45,769	6,586
Economic development	6,500	6,500	2,083	4,417
Board of zoning appeals	5,350	5,350	2,690	2,660
Total planning and community development	<u>\$ 155,605</u>	<u>\$ 156,301</u>	<u>\$ 134,395</u>	<u>\$ 21,906</u>
Environmental management:				
Soil and water conservation district	\$ 3,800	\$ 3,800	\$ 3,800	\$ -
Environmental enforcement	46,711	47,059	42,568	4,491
Forestry service	2,492	2,492	2,492	-
Total environmental management	<u>\$ 53,003</u>	<u>\$ 53,351</u>	<u>\$ 48,860</u>	<u>\$ 4,491</u>
Cooperative extension program:				
Cooperative extension service	<u>\$ 32,450</u>	<u>\$ 36,709</u>	<u>\$ 35,093</u>	<u>\$ 1,616</u>
Total community development	<u>\$ 241,058</u>	<u>\$ 246,361</u>	<u>\$ 218,348</u>	<u>\$ 28,013</u>
Capital Projects:				
Purchase of land	\$ -	\$ 18,333	\$ 18,333	\$ -
Courthouse design	-	193,213	90,810	102,403
Other	30,000	218,900	72,373	146,527
Total capital projects	<u>\$ 30,000</u>	<u>\$ 430,446</u>	<u>\$ 181,516</u>	<u>\$ 248,930</u>
Debt service:				
Principal retirement	\$ 185,156	\$ 185,156	\$ 622,865	\$ (437,709)
Interest and fiscal charges	427,710	427,710	1,263,101	(835,391)
Total debt service	<u>\$ 612,866</u>	<u>\$ 612,866</u>	<u>\$ 1,885,966</u>	<u>\$ (1,273,100)</u>
Total General Fund	<u>\$ 13,000,818</u>	<u>\$ 13,917,986</u>	<u>\$ 12,866,733</u>	<u>\$ 1,051,253</u>

Governmental Funds and Discretely Presented Component Unit School Board  
 Schedule of Expenditures - Budget and Actual  
 Year Ended June 30, 2003 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund:				
General capital projects fund:				
Courthouse	\$ -	\$ 3,000	\$ 744,343	\$ (741,343)
Playground equipment	-	-	41,829	(41,829)
Miscellaneous capital projects	-	207,935	15,935	192,000
Total general capital projects	\$ -	\$ 210,935	\$ 802,107	\$ (591,172)
Total Capital Projects Fund	\$ -	\$ 210,935	\$ 802,107	\$ (591,172)
<b>Grand Total Expenditures -- Primary Government</b>	<b>\$ 13,000,818</b>	<b>\$ 14,128,921</b>	<b>\$ 13,668,840</b>	<b>\$ 460,081</b>
<b>Component Unit - School Board</b>				
School Operating Fund:				
Education:				
Instruction	\$ 7,384,679	\$ 7,559,102	\$ 7,072,093	\$ 487,009
Administration, attendance, and health	519,041	519,041	509,036	10,005
Pupil transportation	645,902	645,902	509,092	136,810
Operation and maintenance	863,748	863,748	1,089,376	(225,628)
Technology	-	-	405,072	(405,072)
Total education	\$ 9,413,370	\$ 9,587,793	\$ 9,584,669	\$ 3,124
Debt service:				
Principal retirement	438,510	438,510	-	438,510
Interest and other fiscal charges	636,166	785,600	-	785,600
Total School Operating Fund	\$ 10,488,046	\$ 10,811,903	\$ 9,584,669	\$ 1,227,234
School Cafeteria Fund:				
Education:				
School food services	\$ 417,488	\$ 417,488	\$ 406,871	\$ 10,617
School Textbook Rental Fund:				
Education:				
Purchase of textbooks	\$ 97,365	\$ 132,258	\$ 42,097	\$ 90,161
School Capital Projects Fund:				
Capital projects	\$ 228,192	\$ 228,192	\$ 5,119,974	\$ (4,891,782)
Total School Construction Fund	\$ 228,192	\$ 228,192	\$ 5,119,974	\$ (4,891,782)
Grand Total Expenditures - Component Unit - School Board	\$ 11,231,091	\$ 11,589,841	\$ 15,153,611	\$ (3,563,770)
Grand Total Expenditures - Reporting Entity	\$ 24,231,909	\$ 25,718,762	\$ 28,822,451	\$ (3,103,689)

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## **Statistical Tables**

**COUNTY OF MIDDLESEX, VIRGINIA**

General Government Revenues by Source (1)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Property Taxes (2)</b>	<b>Other Local Taxes</b>	<b>Permit Privilege Fees &amp; Regulatory Licenses</b>	<b>Fines &amp; Forfeitures</b>	<b>Revenues from the Use of Money &amp; Property</b>
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
2003	7,902,844	1,732,108	210,812	21,756	373,208

(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

Table 1

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	<b>Charges for Services</b>	<b>Miscel- laneous</b>	<b>Recovered Costs</b>	<b>Inter- governmental</b>	<b>Total</b>
\$	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
	279,196	179,712	42,200	8,435,490	19,177,326

**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>	<u>Education</u>
1994	\$ 698,480	\$ 102,055	\$ 813,417	\$ 847,218	\$ 744,175	6,348,895
1995	756,305	141,288	915,122	831,718	809,118	6,759,249
1996	665,497	150,405	1,173,755	888,803	867,357	7,032,036
1997	658,690	146,463	1,136,234	952,391	919,899	7,502,080
1998	712,516	153,745	1,125,545	878,394	1,111,470	7,827,892
1999	787,678	277,405	1,356,834	977,261	1,177,125	8,414,118
2000	873,385	326,358	1,700,914	1,001,658	1,389,300	9,099,504
2001	829,811	315,258	3,671,063	1,062,395	1,302,375	9,164,649
2002	813,839	332,764	2,032,423	1,041,567	1,348,440	9,792,853
2003	1,013,338	362,963	2,296,433	1,067,855	1,249,961	10,038,121

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

Table 2

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<b>Recreation and Cultural</b>	<b>Community Development</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
\$ 45,418	\$ 159,983	\$ 4,020,619	\$ 721,646	\$ 14,501,906
84,644	172,321	348,272	749,232	11,567,269
140,609	168,132	195,229	749,141	12,030,964
165,301	170,619	161,272	731,710	12,544,659
163,889	187,834	803,624	795,581	13,760,490
105,857	192,982	556,095	760,047	14,605,402
145,096	199,323	709,884	572,790	16,018,212
133,088	202,081	928,355	1,358,901	18,967,976
142,328	219,646	10,028,449	3,661,747	29,414,056
145,509	218,348	6,103,597	1,885,966	24,382,091

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>
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%
2003	8,127,569	7,908,933	97.31%	507,721	8,416,654	103.56%	530,572	6.53%

(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>
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
2003	932,290,500	94,122,628	169,601	2,683,737	32,532,207	1,061,798,673

(1) Includes mobile home taxes

Property Tax Rates (1)

Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Mobile Homes</b>	<b>Machinery and Tools</b>	<b>Merchants' Capital</b>	<b>Public Utility</b>
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
2003	0.59	3.50	0.59	3.50	1.25	0.59

(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
				Debt Service Monies Available			
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
2003	9,932	1,061,798,673	25,204,087	-	25,204,087	0.024	2,538

(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			Ratio of Debt Service to General Governmental Expenditures
				(1)	(2)	(3)	
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%	
2003	622,865	1,263,101	1,885,966		18,278,494	10.32%	

(1) Includes Primary Government and Component Unit School Board

(2) From Table 2, less Capital Projects expenditures

(3) Includes General Fund and Component Unit School Board

## Compliance



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To The Honorable Members of  
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, 2003, and have issued our report thereon dated December 4, 2003. 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 not 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 December 4, 2003.

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, Tammen, Cox Associates*

Charlottesville, Virginia

December 4, 2003

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To The Honorable Members of  
The Board of Supervisors  
County of 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, 2003. The County of Middlesex, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Middlesex, Virginia's management. Our responsibility is to express an opinion on the County of Middlesex, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Middlesex, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2003.

### 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, Turner, Cox Associates*

Charlottesville, Virginia  
December 4, 2003

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalog Number	Expenditures
<b><u>Primary Government:</u></b>		
<b>Department of Justice:</b>		
Pass - through payments:		
Department of Criminal Justice Services:		
State Domestic Preparedness Equipment Support Program	16.007	\$ <u>28,767</u>
Total Department of Justice		\$ <u>28,767</u>
<b>Department of Agriculture:</b>		
Pass - through payments:		
Department of Agriculture and Consumer Services:		
Department of Social Services: Food Stamp Administration	10.561	\$ <u>83,401</u>
Total Department of Agriculture		\$ <u>83,401</u>
<b>Department of Transportation:</b>		
Pass-Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety (Section 402 Grants)	20.600	\$ 6,955
State and Community Highway Safety (Section 154 Grants)	20.000	<u>5,920</u>
Total Department of Transportation		\$ <u>12,875</u>
<b>Environmental Protection Agency:</b>		
Pass-Through Payments:		
Department of Environmental Quality:		
Environmental Enforcement Grant	66.000	\$ <u>22,083</u>
Total Environmental Protection Agency		\$ <u>22,083</u>
Pass-Through Payments:		
Emergency Management Preparedness Grant	83.552	\$ 3,589
State and Local All Hazards Emergency Operations Planning	83.562	<u>6,851</u>
Total Department of Transportation		\$ <u>10,440</u>
<b>Department of Health and Human Services:</b>		
Pass - through payments:		
Department of Social Services:		
Social services block grant	93.667	\$ 76,978
Temporary assistance for needy families	93.558	71,171
Foster care	93.658	* 120,249
Adoption assistance	93.659	14,751
Child care	93.575	42,353
Child care and development block grant	93.596	23,375
Refugee assistance	93.566	99
Independent living	93.674	13,214
Medical assistance program	93.778	61,818
Family preservation	93.556	3,250
Low income home energy assistance	93.568	<u>4,311</u>
Total Department of Health and Human Services		\$ <u>431,569</u>
Total Primary Government		\$ <u>589,135</u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2003 (Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalog Number		<u>Expenditures</u>
<b><u>Component Unit School Board:</u></b>			
<b>Department of Agriculture:</b>			
Pass - through payments:			
Department of Agriculture and Consumer Services:			
Food distribution	10.555	* \$	26,576
Department of Education:			
National school breakfast program	10.553	*	39,026
National school lunch program	10.555	*	<u>135,219</u>
Total Department of Agriculture			\$ <u>200,821</u>
<b>Department of Labor:</b>			
Pass - through payments:			
Department of Education:			
School to work program	17.249	\$	<u>57,649</u>
<b>Department of Education:</b>			
Pass - through payments:			
Department of Education:			
Adult education - state administered program	84.002	\$	20,129
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	*	316,425
Preschool Program	84.173		11,827
Title VI:			
Consolidation of federal programs for elementary			
and secondary education block grant	84.298		12,620
Title VI-B:			
Assistance to states for education of handicapped			
children	84.027	*	255,529
Vocational education:			
Basic grants to states	84.048		29,191
Title II - Eisenhower Math and Science	84.281		281
Title II - Part A	84.367		70,462
Literary Challenge Grant	84.318		13,791
Rural education	84.358		27,647
Drug free schools and communities	84.186		5,708
Goals 2000	84.276		<u>11,981</u>
Total Department of Education			\$ <u>775,591</u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2003 (Continued)

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<b><u>Component Unit School Board:</u></b>		
<b>Department of Health and Human Services:</b>		
Pass - through payments:		
Refugee and Entrant Assistance	93.576	\$ <u>2,341</u>
Total Department of Health and Human Services		\$ <u>2,341</u>
Total Component Unit School Board		\$ <u>1,036,402</u>
Total Expenditures of Federal Awards		\$ <u>1,625,537</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.

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**COUNTY OF MIDDLESEX, VIRGINIA**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2003

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weaknesses identified? No  
Reportable conditions identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:  
Material weaknesses identified? No  
Reportable conditions identified not considered to be material weaknesses? None reported

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

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

Identification of programs tested:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Nutrition Cluster-National School Lunch Program
84.010	Title I
84.027	Title VI-B Flow Through
93.658	Foster Care

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

Auditee qualified as low-risk auditee? No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

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

**COUNTY OF MIDDLESEX, VIRGINIA**

Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2003

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Section IV - Financial Statement Findings - Prior Year

There were no items reported

Section V - Federal Award Findings and Questioned Costs - Prior Year

Finding 2002-1

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

Recommendation:

We recommend the County have an appropriate official approve all School Nutrition Program applications when determination of eligibility was made.

Resolution of Prior Year Findings:

During the current year the County has had an appropriate official approve the School Nutrition Program applications when determination of eligibility was made. Prior year's findings 2002-1 have been addressed by management and sufficiently resolved.