

**COUNTY OF MIDDLESEX, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2004**

COUNTY OF MIDDLESEX, VIRGINIA

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BOARD OF SUPERVISORS

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John D. Miller, Jr.  
Frederick S. Crittenden

Kenneth W. Williams  
Wayne H. Jessie, Sr.

COUNTY SCHOOL BOARD

Elliot Reed, Chairman

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Elizabeth Hurd  
Jacqueline D. Taylor

COUNTY WELFARE BOARD

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Elizabeth Anderson  
Wayne Jessie

Joan Harris  
Fred S. Crittenden

OTHER OFFICIALS

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Judge of the Circuit Court  
Clerk of the Circuit Court  
Judge of the General District Court  
Judge of Juvenile & Domestic Relations District Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools (Acting)  
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. Stephenson  
Betty S. Bray  
Guy L. Abbott  
Cynthia Pitts  
Deniece Robinson-Brown  
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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**To the Honorable Members of  
The Board of Supervisors  
County of Middlesex, Virginia**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Middlesex, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004 on our consideration of the County of Middlesex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Robinson, Tamun, Cox Associates*

Charlottesville, Virginia  
September 2, 2004

## 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, 2004.

#### Financial Highlights

##### Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,521,437 (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 \$4,491,114 (Exhibit 4) after making contributions totaling \$4,494,862 to the School Board. This decrease is a result of capital expenditures during the fiscal year in the amount of \$5,112,968.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,806,805, a decrease of \$4,491,114 in comparison with the prior year. This decrease is a result of capital expenditures during the fiscal year in the amount of \$5,112,968.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,532,929 or 33% of total general fund expenditures.
- Our combined long-term obligations increased \$1,757,759 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, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Middlesex, Virginia itself (known as the primary government), but also a legally separate school board 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 \$7,521,437 at the close of the most recent fiscal year.

<u>County of Middlesex's, Net Assets</u>			
	<u>Governmental Activities</u>		
	<u>2004</u>	<u>2003</u>	
Current and other assets	\$ 10,343,467	\$ 13,951,888	
Capital assets	24,532,804	19,843,610	
Total assets	<u>\$ 34,876,271</u>	<u>\$ 33,795,498</u>	
Long-term liabilities outstanding	\$ 25,174,676	\$ 24,907,079	
Current liabilities	2,180,158	1,436,211	
Total liabilities	<u>\$ 27,354,834</u>	<u>\$ 26,343,290</u>	
Net assets:			
Invested in capital assets, net of related debt	\$ 786,398	\$ 1,073,674	
Restricted	3,973,876	8,122,863	
Unrestricted	2,761,163	(1,744,329)	
Total net assets	<u><u>\$ 7,521,437</u></u>	<u><u>\$ 7,452,208</u></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 10% 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 \$69,229 during the current fiscal year.

Governmental Activities - Governmental activities increased the County's net assets by \$69,229. Key elements of this increase are as follows:

**County of Middlesex, Virginia's Changes in Net Assets  
For the Years Ended June 30, 2004 and 2003**

	Governmental Activities	
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 286,254	\$ 287,218
Operating grants and contributions	1,973,815	2,181,719
General revenues:		
General property taxes	8,164,283	7,875,448
Other local taxes	1,903,328	1,732,108
Grants and other contributions not restricted	743,005	743,484
Other general revenues	344,179	446,722
Total revenues	<u>\$ 13,414,864</u>	<u>\$ 13,266,699</u>
Expenses:		
General government administration	\$ 1,088,000	\$ 1,011,414
Judicial administration	378,602	363,179
Public safety	2,630,238	2,196,032
Public works	1,427,697	1,054,798
Health and welfare	1,115,348	1,242,707
Education	5,321,906	5,160,891
Parks, recreation, and cultural	153,495	127,483
Community development	210,254	215,184
Capital outlays	-	156,883
Interest and other fiscal charges	1,020,095	265,639
Total expenses	<u>\$ 13,345,635</u>	<u>\$ 11,794,210</u>
Change in net assets	\$ 69,229	\$ 1,472,489
Net assets, July 1, 2003	<u>7,452,208</u>	<u>5,979,719</u>
Net assets, June 30, 2004	<u>\$ 7,521,437</u>	<u>\$ 7,452,208</u>

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

- Property taxes increased by \$101,554 during the year. Most of this increase can be attributed to a general growth in assessments.

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 \$8,806,805, a decrease of \$4,491,114 in comparison with the prior year. Approximately 51% 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 \$1,502,155 and can be briefly summarized as follows:

- \$178,946 in increases for capital projects
- \$633,107 in increases for public safety
- \$202,685 in increases for education
- \$138,357 in other increases
- \$349,060 in increases for public works

Of this increase, \$227,717 was to be funded out from intergovernmental revenues. The remaining \$1,274,438 was to be budgeted from available fund balance and other revenue increases.

## **Capital Asset and Debt Administration**

- **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2004 amounts to \$24,532,804 (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, 2004 of \$6,294,807.

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

## **Capital Asset and Debt Administration (Continued)**

Long-term debt - During the fiscal year the county issued lease revenue and refunding bonds in the amount of \$9,995,000 and retired \$8,237,241 in long-term debt. The County's total debt increased by \$1,757,759 during the current fiscal year. At the end of the current fiscal year, the County had total bonded debt outstanding of \$26,710,000.

Additional information on the County of Middlesex, Virginia's long-term debt can be found in Note 8 of this report.

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

- The unemployment rate for the County is currently 1.8 percent, which is a decrease from a rate of 1.9 percent a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and compares favorably to the national average rate of 6 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 2005 fiscal year.

The fiscal year 2005 budget increased from \$13,237,281 to \$13,592,913 or \$355,632 (2.68%).

## **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**

# **Government—wide Financial Statements**

Statement of Net Assets  
June 30, 2004

	<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	\$ 8,824,773	\$ 1,095,555
Receivables (net of allowance for uncollectibles):		
Property taxes	389,490	-
Accounts receivable	57,301	-
Note receivable - current portion	35,000	-
Due from component unit	194,120	-
Due from other governments	324,436	239,810
Total Current Assets	<u>\$ 9,825,120</u>	<u>\$ 1,335,365</u>
Noncurrent Assets		
Capital assets:		
Land	\$ 1,290,905	\$ 248,445
Buildings and equipment, net of depreciation	16,821,167	9,026,167
Construction in progress	6,420,732	-
Total Capital Assets	<u>\$ 24,532,804</u>	<u>\$ 9,274,612</u>
Unamortized bond issue costs	\$ 253,347	\$ -
Note receivable - noncurrent portion	265,000	-
Total Noncurrent Assets	<u>\$ 25,051,151</u>	<u>\$ 9,274,612</u>
Total Assets	<u>\$ 34,876,271</u>	<u>\$ 10,609,977</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and other current liabilities	\$ 814,329	\$ 1,038,407
Due to primary government	-	194,120
Accrued interest payable	432,797	-
Current portion of long-term obligations	933,032	7,980
Total Current Liabilities	<u>\$ 2,180,158</u>	<u>\$ 1,240,507</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	<u>\$ 25,174,676</u>	<u>\$ 71,820</u>
Total Liabilities	<u>\$ 27,354,834</u>	<u>\$ 1,312,327</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 786,398	\$ 9,274,612
Restricted for:		
Construction	3,510,542	-
E-911 and other purposes	463,334	-
Unrestricted assets	2,761,163	23,038
Total Net Assets	<u>\$ 7,521,437</u>	<u>\$ 9,297,650</u>

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

Statement of Activities  
Year Ended June 30, 2004

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
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government						
administration	\$ 1,088,000	\$ -	\$ 195,973	\$ -	\$ (892,027)	\$ -
Judicial administration	378,602	65,799	199,018	-	(113,785)	-
Public safety	2,630,238	194,257	847,820	-	(1,588,161)	-
Public works	1,427,697	-	1,067	-	(1,426,630)	-
Health and welfare	1,115,348	-	729,937	-	(385,411)	-
Education	5,321,906	-	-	-	(5,321,906)	-
Parks, recreation, and cultural	153,495	-	-	-	(153,495)	-
Community development	210,254	26,198	-	-	(184,056)	-
Interest on long-term debt	1,020,095	-	-	-	(1,020,095)	-
Total primary government	<u>\$ 13,345,635</u>	<u>\$ 286,254</u>	<u>\$ 1,973,815</u>	<u>\$ -</u>	<u>\$ (11,085,566)</u>	<u>\$ -</u>
<b>COMPONENT UNIT:</b>						
School Board	<u>\$ 10,621,009</u>	<u>\$ 259,879</u>	<u>\$ 5,549,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,811,454)</u>
General revenues:						
General property taxes				\$ 8,164,283	\$ -	
Other local taxes				1,903,328	-	
Unrestricted revenues from use of money and property				233,759	21,104	
Miscellaneous				110,420	52,581	
Commonwealth of Virginia non-categorical aid				743,005	-	
County contribution to the school board				-	4,896,147	
Total general revenues and transfers				<u>\$ 11,154,795</u>	<u>\$ 4,969,832</u>	
Change in net assets				<u>\$ 69,229</u>	<u>\$ 158,378</u>	
Net assets - beginning				7,452,208	9,139,272	
Net assets - ending				<u>\$ 7,521,437</u>	<u>\$ 9,297,650</u>	

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

## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2004

	Governmental Funds		Total Governmental Funds
	General	Capital Projects	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,723,133	\$ 4,101,640	\$ 8,824,773
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	389,490	-	389,490
Accounts	57,301	-	57,301
Note receivable	-	300,000	300,000
Due from component unit	194,120	-	194,120
Due from other governmental units	324,436	-	324,436
Total assets	<u>\$ 5,688,480</u>	<u>\$ 4,401,640</u>	<u>\$ 10,090,120</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 223,231	\$ 591,098	\$ 814,329
Deferred revenue	468,986	-	468,986
Total liabilities	<u>\$ 692,217</u>	<u>\$ 591,098</u>	<u>\$ 1,283,315</u>
<b>FUND BALANCES</b>			
Reserved:			
Long-term loans and advances	\$ -	\$ 300,000	\$ 300,000
Unreserved:			
Designated:			
Capital projects	-	1,576,602	1,576,602
Subsequent year's expenditures	463,334	-	463,334
Courthouse construction	-	1,933,940	1,933,940
Undesignated	4,532,929	-	4,532,929
Total fund balances	<u>\$ 4,996,263</u>	<u>\$ 3,810,542</u>	<u>\$ 8,806,805</u>
Total liabilities and fund balances	<u>\$ 5,688,480</u>	<u>\$ 4,401,640</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.	\$ 24,532,804
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	253,347
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(432,797)
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.	468,986
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.	(26,107,708)
Net assets of General Government Activities	<u>\$ 7,521,437</u>

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, 2004

	Governmental Funds		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 8,004,398	\$ -	\$ 8,004,398
Other local taxes	1,903,328	-	1,903,328
Permits, privilege fees and regulatory licenses	185,625	-	185,625
Fines and forfeitures	46,657	-	46,657
Revenue from use of money and property	165,941	67,818	233,759
Charges for services	53,972	-	53,972
Miscellaneous	108,634	1,786	110,420
Recovered cost	44,000	-	44,000
Intergovernmental:			
Commonwealth	2,027,445	-	2,027,445
Federal	689,375	-	689,375
Total revenues	\$ 13,229,375	\$ 69,604	\$ 13,298,979
Expenditures:			
Current:			
General government administration	\$ 1,043,407	\$ -	\$ 1,043,407
Judicial administration	377,214	-	377,214
Public safety	2,649,413	-	2,649,413
Public works	1,523,618	-	1,523,618
Health and welfare	1,132,281	-	1,132,281
Education	4,500,845	-	4,500,845
Parks, recreation, and cultural	139,582	-	139,582
Community development	208,147	-	208,147
Capital outlays and projects	193,759	4,919,209	5,112,968
Debt service:			
Principal retirement	609,312	-	609,312
Interest and other fiscal charges	1,375,493	68,855	1,444,348
Other - refunding bond issue costs	-	253,347	253,347
Total expenditures	\$ 13,753,071	\$ 5,241,411	\$ 18,994,482
Excess (deficiency) of revenues over expenditures	\$ (523,696)	\$ (5,171,807)	\$ (5,695,503)
Other financing sources (uses):			
Refunding bonds issued	\$ -	\$ 9,995,000	\$ 9,995,000
Payment to refunded bond escrow agent	-	(8,790,611)	(8,790,611)
Transfers in	-	100,000	100,000
Transfers out	(100,000)	-	(100,000)
Total other financing sources (uses)	\$ (100,000)	\$ 1,304,389	\$ 1,204,389
Changes in fund balances	\$ (623,696)	\$ (3,867,418)	\$ (4,491,114)
Fund balances at beginning of year	5,619,959	7,677,960	13,297,919
Fund balances at end of year	\$ 4,996,263	\$ 3,810,542	\$ 8,806,805

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, 2004

	Primary Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (4,491,114)
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.	
Capital outlay	\$ 6,703,461
Depreciation expense	<u>(591,656)</u> 6,111,805
Transfer of joint tenancy assets from Primary Government to the Component Unit	(242,000)
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.	159,885
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:	
Principal retired on lease revenue bonds	\$ 155,000
Principal retired on school general obligation bonds	260,000
Principal retired on state literary fund loans	6,250
Principal retired on school lease revenue bonds	7,760,000
Refunding bonds issued	(9,995,000)
Bond issue costs	253,347
Principal retired on capital lease obligations	25,802
Retirement of accrued landfill costs	10,510
Principal retired on VRS early retirement obligation	<u>12,260</u> (1,511,831)
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:	
Change in accrued leave	\$ 7,419
Change in interest payable	<u>35,065</u> 42,484
Change in net assets of governmental activities	<u>\$ 69,229</u>

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

Statement of Fiduciary Net Assets  
 At June 30, 2004

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>6,254</u>
Total assets	\$ <u><u>6,254</u></u>
<b>LIABILITIES</b>	
Amounts held for social service clients	\$ <u>6,254</u>
Total liabilities	\$ <u><u>6,254</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, 2004

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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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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

Statement of Activities - The 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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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#### B. Individual Component Unit Disclosures

**Blended Component Unit.** The locality has no blended component units to be included for the year ended June 30, 2004.

**Discretely Presented Component Units.** The Middlesex County School Board members are elected by the voters of the County and are responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. Their primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2004.

#### 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, 2004.

##### 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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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#### C. Other Related Organizations: (Continued)

##### 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, 2004.

#### 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 provider 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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (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)

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.

#### 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.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (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)

##### 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.
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 \$227,479 at June 30, 2004 and is composed solely of property taxes.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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#### 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.

#### 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, 2004 was \$389,188.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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J. Capital Assets: (Continued)

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.

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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**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.

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	\$ -	\$ -	\$ -	\$ 3,336,087
Local Government Investment Pool	-	-	-	1,143,674
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,479,761</u>
Total cash and cash equivalents for primary government:				
Deposits				\$ 4,578,880
Cash on hand cash items				774
Investments				<u>4,251,373</u>
Total				<u>\$ 8,831,027</u>
Cash and Cash equivalents for component unit - School Board:				
Deposits				\$ 867,167
Investments				<u>228,388</u>
Total				<u>\$ 1,095,555</u>
Total cash and cash equivalents				<u>\$ 9,926,582</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 3—Note Receivable:**

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

The following is the repayment schedule for the note:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<b>June 30,</b>		
2005	\$ 35,000	\$ 6,153
2006	30,000	6,659
2007	30,000	5,909
2008	30,000	5,159
2009	30,000	4,409
2010-2016	<u>145,000</u>	<u>11,676</u>
Total	<u>\$ 300,000</u>	<u>\$ 39,965</u>

**Note 4—Property Taxes Receivable:**

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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, 2004 (Continued)

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**Note 5—Due From Other Governmental Units:**

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At June 30, 2004 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:		
Recordation tax	\$ 12,996	\$ -
Shared expenses	72,098	-
State sales taxes	-	180,327
Fringe benefits	-	16,823
Local sales taxes	162,789	-
Public assistance	11,939	-
Comprehensive services	30,525	-
Rolling stock settlement	39	-
Visa Technology Grant	-	23,068
Federal Government:		
School funds	-	19,592
Public assistance	34,050	-
Total	<u>\$ 324,436</u>	<u>\$ 239,810</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 6—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>County:</b>				
Land	\$ 1,290,905	\$ -	\$ -	\$ 1,290,905
Buildings	5,395,220	168,807	-	5,564,027
Equipment	680,076	84,377	25,260	739,193
Jointly owned assets	15,145,000	-	410,000	14,735,000
Construction in Progress	1,151,064	5,269,668	-	6,420,732
Total	\$ 23,662,265	\$ 5,522,852	\$ 435,260	\$ 28,749,857
Less accumulated depreciation	<u>(3,818,655)</u>	<u>(591,658)</u>	<u>(193,260)</u>	<u>(4,217,053)</u>
Net capital assets	<u>\$ 19,843,610</u>	<u>\$ 6,114,510</u>	<u>\$ 628,520</u>	<u>\$ 24,532,804</u>
<b>School Board:</b>				
Land	\$ 248,445	\$ -	\$ -	\$ 248,445
Buildings	4,384,179	4,567,791	-	8,951,970
Equipment	1,679,845	104,293	-	1,784,138
Jointly owned assets	420,000	410,000	-	830,000
Construction in Progress	4,189,821	6,568	4,196,389	-
Total	\$ 10,922,290	\$ 5,088,652	\$ 4,196,389	\$ 11,814,553
Less accumulated depreciation	<u>(2,052,167)</u>	<u>(856,149)</u>	<u>(368,375)</u>	<u>(2,539,941)</u>
Net capital assets	<u>\$ 8,870,123</u>	<u>\$ 4,232,503</u>	<u>\$ 3,828,014</u>	<u>\$ 9,274,612</u>
Total entity	\$ 34,584,555	\$ 10,611,504	\$ 4,631,649	\$ 40,564,410
Less accumulated depreciation	<u>(5,870,822)</u>	<u>(1,447,807)</u>	<u>(561,635)</u>	<u>(6,756,994)</u>
Net assets	<u>\$ 28,713,733</u>	<u>\$ 9,163,697</u>	<u>\$ 4,070,014</u>	<u>\$ 33,807,416</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 6—Capital Assets: (Continued)**

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

Governmental activities:		
General government	\$	41,447
Judicial administration		632
Public safety		81,062
Public works		31,325
Health and welfare		2,570
Education		419,776
Parks, recreation and cultural		<u>14,846</u>
Total governmental activities	\$	<u>591,658</u>
Component Unit-School Board	\$	<u>319,774</u>

**Note 7—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 \$468,986 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$468,986 at June 30, 2004.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 8—Long-Term Obligations:**

Primary Government:

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the primary government for the year ended June 30, 2004.

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Lease revenue bonds	\$ 9,745,000	\$ -	\$ 155,000	\$ 9,590,000	\$ 285,000
School bonds payable	1,385,000	-	260,000	1,125,000	195,000
State literary fund loan	6,250	-	6,250	-	-
School lease revenue bonds	13,760,000	9,995,000	7,760,000	15,995,000	400,000
Capital lease obligations	174,275	-	25,802	148,473	26,488
Retirement incentive obligation loan	307,837	-	12,260	295,577	13,117
Compensated Absences	141,688	-	7,419	134,269	13,427
Landfill closure and postclosure	10,510	-	10,510	-	-
<b>Total</b>	<b>\$ 25,530,560</b>	<b>\$ 9,995,000</b>	<b>\$ 8,237,241</b>	<b>\$ 27,288,319</b>	<b>\$ 933,032</b>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 8—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	
	Principal	Interest	Principal	Interest
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	-	-
Total	\$ <u>9,590,000</u>	\$ <u>7,638,468</u>	\$ <u>1,125,000</u>	\$ <u>247,014</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Year Ending June 30,	School Lease Revenue Bonds		Retirement Incentive Obligation Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 400,000	\$ 615,340	\$ 13,117	\$ 20,661	\$ 26,488	\$ 7,936
2006	350,000	662,690	14,034	19,744	16,985	6,615
2007	365,000	648,383	15,014	18,764	15,000	5,775
2008	390,000	632,988	16,064	17,714	15,000	4,950
2009	515,000	613,678	17,187	16,591	15,000	4,125
2010	540,000	590,525	18,388	15,390	20,000	3,300
2011	565,000	566,323	19,674	14,104	20,000	2,200
2012	580,000	541,237	21,049	12,729	20,000	1,100
2013	600,000	518,593	22,520	11,258	-	-
2014	615,000	499,065	24,094	9,684	-	-
2015	630,000	478,200	25,778	8,000	-	-
2016	650,000	455,700	27,580	6,198	-	-
2017	660,000	431,888	29,508	4,270	-	-
2018	695,000	401,788	31,570	2,208	-	-
2019	730,000	365,068	-	-	-	-
2020	770,000	326,449	-	-	-	-
2021	770,000	290,819	-	-	-	-
2022	805,000	258,463	-	-	-	-
2023	830,000	224,288	-	-	-	-
2024	865,000	188,050	-	-	-	-
2025	910,000	149,606	-	-	-	-
2026	950,000	109,419	-	-	-	-
2027	995,000	67,231	-	-	-	-
2028	120,000	42,637	-	-	-	-
2029	125,000	36,488	-	-	-	-
2030	130,000	29,925	-	-	-	-
2031	140,000	23,100	-	-	-	-
2032	145,000	15,750	-	-	-	-
2033	155,000	8,137	-	-	-	-
Total	\$ 15,995,000	\$ 9,791,828	\$ 295,577	\$ 177,315	\$ 148,473	\$ 36,001

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 8—Long-Term Obligations: (Continued)**

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Primary Government:

	<u>Amount Outstanding</u>
<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	1,505,000
\$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>315,000</u>
Total	<u>\$ 9,590,000</u>
School Lease Revenue Bonds Payable:	
\$10,000,000 lease revenue bond series 1999, issued November 1, 1999, Remaining due in varying annual installments through August 1, 2011, interest payable semi-annually at 5.6%	\$ 2,100,000
\$1,500,000 lease revenue bond issued January 15, 2000 due in annual principal payments of \$500,000 starting August 1, 2018 through August 1, 2020, interest payable semi-annually at 5.6%	1,500,000
\$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	2,400,000
\$9,995,000 lease revenue and refunding bonds, series 2004, due in varying annual installments through August 1, 2026, interest payable semi-annually at various rates from 2.5% to 4.25%	<u>9,995,000</u>
Total School lease revenue bonds payable	<u>\$ 15,995,000</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 8—Long-Term Obligations: (Continued)**

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Primary Government: (Continued)

	<u>Amount Outstanding</u>
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>1,125,000</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>295,577</u>
<u>Details of capital leases:</u>	
Transfer station, matures, May 1, 2012, interest from 5.25% to 5.50%	\$ 135,000
Computer equipment, matures September 1, 2005, interest at 6.18%	<u>13,473</u>
Total	<u>\$ 148,473</u>
Compensated Absences	<u>\$ 134,269</u>
Total long-term debt	<u>\$ 27,288,319</u>
Less deferred amount on refunding 2004 bonds	<u>(1,180,611)</u>
Net Long-term Debt	<u><u>\$ 26,107,708</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 8—Long-Term Obligations: (Continued)**

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**Component Unit School Board:**

The following is summary of changes in long-term obligation transactions for fiscal year ending June 30, 2004.

	Amounts Payable			Amounts Payable	Amounts Due within
	July 1, 2003	Increases	Decreases	June 30, 2004	One Year
Compensated absences payable	\$ 90,811	\$ -	\$ 11,011	\$ 79,800	\$ 7,980
Total	\$ 90,811	\$ -	\$ 11,011	\$ 79,800	\$ 7,980

**Note 9—Debt Defeasance:**

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On April 15, 2004 the County issued \$9,995,000 of IDA Lease Revenue and Refunding Bonds, Series 2004 to advance refund \$7,610,000 of IDA Lease Revenue Bonds, Series 1999. \$2,100,000 of the IDA Lease Revenue Bonds, Series 1999 which mature on August 1, 2004 through August 1, 2011 were not defeased with this bond issue. As a result the IDA Lease Revenue Bonds, Series 1999, which mature between August 1, 2012 to August 1, 2026, are considered to be defeased in substance, and the liability for these bonds has been removed from these financial statements. The 2004 bonds bear an interest rate ranging from 2.5% to 4.25% and will be repaid in various installments through August 1, 2026.

The reacquisition price exceeded the carrying amount of the old debt by \$1,180,611.

This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over the next twenty-three years by \$1,092,756 and resulted in an economic gain (loss) of \$308,842.

## COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### 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 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 2004 was .50%, of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2004 averaged 3.77% for professional employees and 11% for non-professional employees, of annual covered payroll.

#### C. Annual Pension Cost

For fiscal 2004, the County's annual pension cost of \$8,752 (does not include the employee share assumed by the County which was \$87,518) was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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

In fiscal 2004, the County of Middlesex School Board’s annual pension cost for the Board’s non-professional employees was \$64,722, which was equal to the Board’s required and actual contributions. The required contribution was determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method (does not include the employee share assumed by the School Board which was \$29,419).

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 \$210,221 and \$278,821, respectively. The School Board contribution rate for its professional employees averaged 3.77%.

The actuarial assumptions used for the fiscal year 2004 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, 2003	June 30, 2003
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	14 Years	25 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%

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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C. Annual Pension Cost: (Continued)

The following trend information is presented for three years only.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2004	\$ 8,752	100%	\$ -
June 30, 2003	7,021	100%	-
June 30, 2002	29,303	100%	-
School Board:			
Non-professional:			
June 30, 2004	\$ 64,722	100%	\$ -
June 30, 2003	58,061	100%	-
June 30, 2002	62,754	100%	-

(1) Employer portion only

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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

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<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 194,120	\$ -
School Operating Fund	-	194,120
Total	<u>\$ 194,120</u>	<u>\$ 194,120</u>

**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, 2004, a pending Motion for Judgment has been filed with the Circuit Court of the County of Middlesex; however, as of the date of this report the County has not been served with process. The County has advised its insurance carrier of this claim. The insurance company has advised the County they will provide coverage of a significant portion of the law suit and will provide defense for all counts in the suit. Management is of the opinion should the case be filed, any court decision would not have a material effect on the County's financial position.
- 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 \$5,143,742 on the construction of the courthouse.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 13—Surety Bonds:**

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	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Betty S. Bray, Treasurer	\$ 300,000
Peggy Walton, Clerk of the Circuit Court	103,000
Mary L. Stephenson Commissioner of the Revenue	3,000
Guy L. Abbott, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Middlesex County Department of Social Services employee blanket bond	100,000
Virginia Local Government Risk Management Plan	
Middlesex County School Board Public Officials Liability	1,000,000
Middlesex County Public Officials Liability	250,000

**Note 14—Risk Management:**

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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 coverage's in the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 Year Ended June 30, 2004

	General Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
<b>Revenues:</b>				
General property taxes	\$ 8,864,757	\$ 8,864,757	\$ 8,004,398	\$ (860,359)
Other local taxes	1,882,258	2,025,121	1,903,328	(121,793)
Permits, privilege fees and regulatory licenses	176,700	184,830	185,625	795
Fines and forfeitures	13,100	32,845	46,657	13,812
Revenue from use of money and property	156,000	156,000	165,941	9,941
Charges for services	45,450	45,450	53,972	8,522
Miscellaneous	46,850	57,902	108,634	50,732
Recovered cost	42,200	42,200	44,000	1,800
<b>Intergovernmental:</b>				
Commonwealth	1,913,966	2,140,174	2,027,445	(112,729)
Federal	36,000	37,509	689,375	651,866
<b>Total revenues</b>	<b>\$ 13,177,281</b>	<b>\$ 13,586,788</b>	<b>\$ 13,229,375</b>	<b>\$ (357,413)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	\$ 1,091,852	\$ 1,197,676	\$ 1,043,407	\$ 154,269
Judicial administration	382,265	406,812	377,214	29,598
Public safety	2,158,103	2,791,210	2,649,413	141,797
Public works	1,222,511	1,571,571	1,523,618	47,953
Health and welfare	1,467,530	1,469,367	1,132,281	337,086
Education	5,777,929	5,980,614	4,500,845	1,479,769
Parks, recreation, and cultural	147,259	147,259	139,582	7,677
Community development	226,664	232,813	208,147	24,666
Capital projects	25,000	203,946	193,759	10,187
<b>Debt service:</b>				
Principal retirement	180,802	180,802	609,312	(428,510)
Interest and other fiscal charges	457,366	457,366	1,375,493	(918,127)
<b>Total expenditures</b>	<b>\$ 13,137,281</b>	<b>\$ 14,639,436</b>	<b>\$ 13,753,071</b>	<b>\$ 886,365</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 40,000</b>	<b>\$ (1,052,648)</b>	<b>\$ (523,696)</b>	<b>\$ 528,952</b>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 60,000	\$ 337,534	\$ -	\$ (337,534)
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>Total other financing sources (uses)</b>	<b>\$ (40,000)</b>	<b>\$ 237,534</b>	<b>\$ (100,000)</b>	<b>\$ (337,534)</b>
<b>Changes in fund balances</b>	<b>\$ -</b>	<b>\$ (815,114)</b>	<b>\$ (623,696)</b>	<b>\$ 191,418</b>
<b>Fund balances at beginning of year</b>	<b>-</b>	<b>815,114</b>	<b>5,619,959</b>	<b>4,804,845</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,996,263</b>	<b>\$ 4,996,263</b>

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

Schedule of Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2003	\$ 5,785,370	\$ 4,989,888	\$ (795,482)	115.94%	\$ 1,612,764	-49.32%
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	-94.24%

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2003	\$ 1,191,312	\$ 1,677,451	\$ 486,139	71.02%	\$ 521,243	93.27%
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	70.15%

**OTHER SUPPLEMENTARY INFORMATION**

# **Combining and Individual Fund Statements and Schedules**

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - Capital Projects Fund  
 Year Ended June 30, 2004

	Capital Projects Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ 2,300	\$ 67,818	\$ 65,518
Miscellaneous	-	-	1,786	1,786
Total revenues	\$ -	\$ 2,300	\$ 69,604	\$ 67,304
<b>Expenditures:</b>				
Current:				
Capital projects	\$ 337,000	\$ 337,000	\$ 4,919,209	\$ (4,582,209)
Debt service:				
Interest and other fiscal charges	-	-	68,855	(68,855)
Other - refunding bond issue costs	-	-	253,347	(253,347)
Total expenditures	\$ 337,000	\$ 337,000	\$ 5,241,411	\$ (4,904,411)
Excess (deficiency) of revenues over expenditures	\$ (337,000)	\$ (334,700)	\$ (5,171,807)	\$ (4,837,107)
<b>Other financing sources (uses):</b>				
Refunding bonds issued	\$ -	\$ -	\$ 9,995,000	\$ 9,995,000
Payment to refunded bond escrow agent	-	-	(8,790,611)	(8,790,611)
Transfers in	-	-	100,000	100,000
Transfers out	-	(89,946)	-	89,946
Total other financing sources (uses)	\$ -	\$ (89,946)	\$ 1,304,389	\$ 1,394,335
Changes in fund balances	\$ (337,000)	\$ (424,646)	\$ (3,867,418)	\$ (3,442,772)
Fund balances at beginning of year	337,000	424,646	7,677,960	7,253,314
Fund balances at end of year	\$ -	\$ -	\$ 3,810,542	\$ 3,810,542

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, 2004

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	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ <u>6,663</u>	\$ <u>15,405</u>	\$ <u>15,814</u>	\$ <u>6,254</u>
Liabilities:				
Amounts held for social service clients	\$ <u>6,663</u>	\$ <u>15,405</u>	\$ <u>15,814</u>	\$ <u>6,254</u>

Combining Balance Sheet - Discretely Presented Component Unit - School Board  
 At June 30, 2004

	School Operating Fund	School Construction Fund	Non-Major Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 971,138	\$ 25,859	\$ 98,558	\$ 1,095,555
Due from other governmental units	<u>239,810</u>	<u>-</u>	<u>-</u>	<u>239,810</u>
Total assets	<u>\$ 1,210,948</u>	<u>\$ 25,859</u>	<u>\$ 98,558</u>	<u>\$ 1,335,365</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 51,995	\$ -	\$ -	\$ 51,995
Accrued liabilities	964,833	-	21,579	986,412
Due to primary government	<u>194,120</u>	<u>-</u>	<u>-</u>	<u>194,120</u>
Total liabilities	<u>\$ 1,210,948</u>	<u>\$ -</u>	<u>\$ 21,579</u>	<u>\$ 1,232,527</u>
<b>FUND BALANCES</b>				
Unreserved:				
Subsequent year's expenditures	\$ -	\$ -	\$ 76,979	\$ 76,979
School construction	<u>-</u>	<u>25,859</u>	<u>-</u>	<u>25,859</u>
Total fund balances	<u>\$ -</u>	<u>\$ 25,859</u>	<u>\$ 76,979</u>	<u>\$ 102,838</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 25,859</u>	<u>\$ 98,558</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.	9,274,612
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.	<u>(79,800)</u>
Net assets of General Government Activities	<u>\$ 9,297,650</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2004

	<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	\$ 15,808	\$ 5,186	\$ 110	\$ 21,104
Charges for services	16,900	-	242,979	259,879
Miscellaneous	52,581	-	-	52,581
Intergovernmental:				
County contribution to School Board	4,439,015	-	55,847	4,494,862
Commonwealth	4,607,351	56,274	51,178	4,714,803
Federal	658,970	-	175,903	834,873
Total revenues	<u>\$ 9,790,625</u>	<u>\$ 61,460</u>	<u>\$ 526,017</u>	<u>\$ 10,378,102</u>
Expenditures:				
Current:				
Education	\$ 9,790,625	\$ -	\$ 542,814	\$ 10,333,439
Capital projects	-	301,785	-	301,785
Total expenditures	<u>\$ 9,790,625</u>	<u>\$ 301,785</u>	<u>\$ 542,814</u>	<u>\$ 10,635,224</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ (240,325)	\$ (16,797)	\$ (257,122)
Changes in fund balances	\$ -	\$ (240,325)	\$ (16,797)	\$ (257,122)
Fund balances at beginning of year	-	266,184	93,776	359,960
Fund balances at end of year	<u>\$ -</u>	<u>\$ 25,859</u>	<u>\$ 76,979</u>	<u>\$ 102,838</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, 2004

	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	\$ 15,808	\$ 14,808	\$ 407	\$ 407	\$ 47	(360)
Charges for services	11,800	11,800	16,900	5,100	237,000	237,000	241,748	4,748
Miscellaneous	30,000	30,000	52,581	22,581	-	-	-	-
Intergovernmental:								
County contribution to School Board	5,664,798	5,756,878	4,439,015	(1,317,863)	-	-	-	-
Commonwealth	4,487,063	4,487,063	4,607,351	120,288	6,449	6,449	6,827	378
Federal	807,789	807,789	658,970	(148,819)	181,000	181,000	175,903	(5,097)
<b>Total revenues</b>	<b>\$ 11,002,450</b>	<b>\$ 11,094,530</b>	<b>\$ 9,790,625</b>	<b>\$ (1,303,905)</b>	<b>\$ 424,856</b>	<b>\$ 424,856</b>	<b>\$ 424,525</b>	<b>\$ (331)</b>
Expenditures:								
Current:								
Education	\$ 9,687,527	\$ 9,779,607	\$ 9,790,625	\$ (11,018)	\$ 424,856	\$ 424,856	\$ 419,347	\$ 5,509
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	428,510	428,510	-	428,510	-	-	-	-
Interest and other fiscal charges	886,413	886,413	-	886,413	-	-	-	-
<b>Total expenditures</b>	<b>\$ 11,002,450</b>	<b>\$ 11,094,530</b>	<b>\$ 9,790,625</b>	<b>\$ 1,303,905</b>	<b>\$ 424,856</b>	<b>\$ 424,856</b>	<b>\$ 419,347</b>	<b>\$ 5,509</b>
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,178	\$ 5,178
Changes in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,178	\$ 5,178
Fund balances at beginning of year	-	-	-	-	-	-	2,336	2,336
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,514	\$ 7,514

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)
\$ -	\$ -	\$ 63	\$ 63	\$ -	\$ -	\$ 5,186	\$ 5,186
-	1,231	1,231	-	-	-	-	-
-	-	-	-	-	-	-	-
55,847	147,287	55,847	(91,440)	49,800	68,965	-	(68,965)
44,381	44,381	44,351	(30)	-	-	56,274	56,274
-	-	-	-	-	-	-	-
<u>\$ 100,228</u>	<u>\$ 192,899</u>	<u>\$ 101,492</u>	<u>\$ (91,407)</u>	<u>\$ 49,800</u>	<u>\$ 68,965</u>	<u>\$ 61,460</u>	<u>\$ (7,505)</u>
\$ 100,228	\$ 192,899	\$ 123,467	\$ 69,432	\$ -	\$ -	\$ -	\$ -
-	-	-	-	49,800	68,965	301,785	(232,820)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 100,228</u>	<u>\$ 192,899</u>	<u>\$ 123,467</u>	<u>\$ 69,432</u>	<u>\$ 49,800</u>	<u>\$ 68,965</u>	<u>\$ 301,785</u>	<u>\$ (232,820)</u>
\$ -	\$ -	\$ (21,975)	\$ (21,975)	\$ -	\$ -	\$ (240,325)	\$ (240,325)
\$ -	\$ -	\$ (21,975)	\$ (21,975)	\$ -	\$ -	\$ (240,325)	\$ (240,325)
-	-	91,440	91,440	-	-	266,184	266,184
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,465</u>	<u>\$ 69,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,859</u>	<u>\$ 25,859</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, 2004

	<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	\$ (257,122)
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.	
Net change in fund balances - total governmental funds	
Capital additions	\$ 482,263
Depreciation expense	<u>(319,774)</u> 162,489
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.	11,011
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>242,000</u>
Change in net assets of governmental activities	<u>\$ 158,378</u>

Discretely Presented Component Unit School Board  
 Combining Balance Sheet - Non-Major Funds  
 At June 30, 2004

	School Cafeteria Fund	School Textbook Rental Fund	Totals
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 29,093	\$ 69,465	\$ 98,558
Total assets and other debits	<u>\$ 29,093</u>	<u>\$ 69,465</u>	<u>\$ 98,558</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 21,579	\$ -	\$ 21,579
Total liabilities	<u>\$ 21,579</u>	<u>\$ -</u>	<u>\$ 21,579</u>
<b>EQUITY</b>			
<b>Fund balances:</b>			
Unreserved:			
Designated:			
Subsequent year's expenditures	\$ 7,514	\$ 69,465	\$ 76,979
Total equity	<u>\$ 7,514</u>	<u>\$ 69,465</u>	<u>\$ 76,979</u>
Total liabilities and equity	<u>\$ 29,093</u>	<u>\$ 69,465</u>	<u>\$ 98,558</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, 2004

	School Cafeteria Fund	School Textbook Rental Fund	Totals
<b>Revenues:</b>			
Revenue from use of money and property	\$ 47	\$ 63	\$ 110
Charges for services	241,748	1,231	242,979
Intergovernmental:			
County contribution to the School Board	-	55,847	55,847
Commonwealth	6,827	44,351	51,178
Federal	175,903	-	175,903
<b>Total revenues</b>	<b>\$ 424,525</b>	<b>\$ 101,492</b>	<b>\$ 526,017</b>
<b>Expenditures:</b>			
Current:			
Education	\$ 419,347	\$ 123,467	\$ 542,814
<b>Total expenditures</b>	<b>\$ 419,347</b>	<b>\$ 123,467</b>	<b>\$ 542,814</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 5,178</b>	<b>\$ (21,975)</b>	<b>\$ (16,797)</b>
<b>Fund balances at beginning of year</b>	<b>2,336</b>	<b>91,440</b>	<b>93,776</b>
<b>Fund balances at end of year</b>	<b>\$ 7,514</b>	<b>\$ 69,465</b>	<b>\$ 76,979</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, 2004

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	\$ 5,711,802	\$ 5,711,802	\$ 5,555,586	\$ (156,216)
Real and personal public service corporation taxes	193,327	193,327	188,786	(4,541)
Personal property taxes	2,724,000	2,724,000	2,024,892	(699,108)
Mobile home taxes	96,145	96,145	94,817	(1,328)
Machinery and tools taxes	5,936	5,936	5,863	(73)
Merchant's capital	33,547	33,547	34,806	1,259
Penalties	60,000	60,000	63,057	3,057
Interest	40,000	40,000	36,591	(3,409)
<b>Total general property taxes</b>	<b>\$ 8,864,757</b>	<b>\$ 8,864,757</b>	<b>\$ 8,004,398</b>	<b>\$ (860,359)</b>
Other local taxes:				
Local sales and use taxes	\$ 702,098	\$ 702,098	\$ 768,413	\$ 66,315
Consumer utility taxes	450,000	450,000	424,250	(25,750)
Business license taxes	-	-	50	50
Franchise license taxes	25,000	25,000	28,941	3,941
Bank stock taxes	30,572	30,572	56,694	26,122
Motor vehicle licenses	229,000	229,000	248,093	19,093
Airports	83,000	115,008	76,763	(38,245)
Tax on recordation and wills	175,000	175,000	145,746	(29,254)
E-911 telephone taxes	187,588	298,443	154,378	(144,065)
<b>Total other local taxes</b>	<b>\$ 1,882,258</b>	<b>\$ 2,025,121</b>	<b>\$ 1,903,328</b>	<b>\$ (121,793)</b>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 6,270	\$ (730)
Permits and other licenses	169,700	177,830	179,355	1,525
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 176,700</b>	<b>\$ 184,830</b>	<b>\$ 185,625</b>	<b>\$ 795</b>
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 13,100	\$ 32,845	\$ 46,657	\$ 13,812
Revenue from use of money and property:				
Revenue from use of money	\$ 120,000	\$ 120,000	\$ 76,184	\$ (43,816)
Revenue from use of property	36,000	36,000	89,757	53,757
<b>Total revenue from use of money and property</b>	<b>\$ 156,000</b>	<b>\$ 156,000</b>	<b>\$ 165,941</b>	<b>\$ 9,941</b>

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2004 (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	\$ 1,091	\$ (1,409)
Courthouse maintenance fees	8,000	8,000	6,049	(1,951)
Courthouse security fees	8,000	8,000	12,579	4,579
Charges for Commonwealth Attorney	500	500	408	(92)
Gun permit fees	2,500	2,500	2,228	(272)
Planning and community development	18,250	18,250	23,520	5,270
Other	5,700	5,700	8,097	2,397
Total charges for services	<u>\$ 45,450</u>	<u>\$ 45,450</u>	<u>\$ 53,972</u>	<u>\$ 8,522</u>
Miscellaneous revenue:				
Miscellaneous	\$ 36,850	\$ 43,767	\$ 98,565	\$ 54,798
Insurance refunds	10,000	14,135	10,069	(4,066)
Total miscellaneous revenue	<u>\$ 46,850</u>	<u>\$ 57,902</u>	<u>\$ 108,634</u>	<u>\$ 50,732</u>
Recovered costs:				
Town police service agreement	\$ 42,200	\$ 42,200	\$ 44,000	\$ 1,800
Total recovered costs	<u>\$ 42,200</u>	<u>\$ 42,200</u>	<u>\$ 44,000</u>	<u>\$ 1,800</u>
Total revenue from local sources	<u>\$ 11,227,315</u>	<u>\$ 11,409,105</u>	<u>\$ 10,512,555</u>	<u>\$ (896,550)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 14,500	\$ 14,500	\$ 14,318	\$ (182)
Wine taxes	12,000	12,000	8,875	(3,125)
Motor vehicle carriers tax	5,000	5,000	1,967	(3,033)
Mobile home titling taxes	41,000	41,000	30,641	(10,359)
Rolling stock taxes	250	250	39	(211)
Recordation taxes	-	-	45,080	45,080
PPTRA	-	-	642,085	642,085
Total noncategorical aid	<u>\$ 72,750</u>	<u>\$ 72,750</u>	<u>\$ 743,005</u>	<u>\$ 670,255</u>

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2004 (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	\$ 53,434	\$ 53,434	\$ 63,015	\$ 9,581
Sheriff	537,087	537,087	549,238	12,151
Commissioner of the Revenue	64,600	64,600	79,746	15,146
Treasurer	65,974	65,974	84,670	18,696
Medical examiner	200	200	120	(80)
Registrar/electoral board	28,000	28,000	31,557	3,557
Clerk of the Circuit Court	94,785	94,785	136,003	41,218
Total shared expenses	<u>\$ 844,080</u>	<u>\$ 844,080</u>	<u>\$ 944,349</u>	<u>\$ 100,269</u>
Welfare:				
Welfare administration and assistance	<u>\$ 790,000</u>	<u>\$ 791,231</u>	<u>\$ 165,430</u>	<u>\$ (625,801)</u>
Other categorical aid:				
FEMA	\$ -	\$ 214,085	\$ 40,307	\$ (173,778)
Comprehensive services act	173,250	173,250	85,582	(87,668)
DARE	-	-	300	300
Two for life	-	-	5,887	5,887
E-911 wireless grant	32,386	43,278	32,386	(10,892)
Airport funds	-	-	1,067	1,067
Asset forfeits	-	-	9,132	9,132
Alcohol grant	1,500	1,500	-	(1,500)
Total other categorical aid	<u>\$ 207,136</u>	<u>\$ 432,113</u>	<u>\$ 174,661</u>	<u>\$ (257,452)</u>
Total categorical aid	<u>\$ 1,841,216</u>	<u>\$ 2,067,424</u>	<u>\$ 1,284,440</u>	<u>\$ (782,984)</u>
Total revenue from the Commonwealth	<u>\$ 1,913,966</u>	<u>\$ 2,140,174</u>	<u>\$ 2,027,445</u>	<u>\$ (112,729)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 478,925	\$ 478,925
DUI grant	8,000	8,000	3,270	(4,730)
Environmental enforcement grant	28,000	28,000	21,000	(7,000)
Transportation safety grant	-	-	1,455	1,455
Bullet proof vests	-	1,509	906	(603)
Spikes grant	-	-	1,500	1,500
One time special grant	-	-	5,000	5,000
FEMA	-	-	177,319	177,319
Total revenue from the federal government	<u>\$ 36,000</u>	<u>\$ 37,509</u>	<u>\$ 689,375</u>	<u>\$ 651,866</u>
Total General Fund	<u>\$ 13,177,281</u>	<u>\$ 13,586,788</u>	<u>\$ 13,229,375</u>	<u>\$ (357,413)</u>

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2004 (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	\$ -	\$ -	\$ 67,778	\$ 67,778
Revenue from use of property	-	2,300	40	40
Total revenue from use of money and property	\$ -	\$ 2,300	\$ 67,818	\$ 67,818
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 1,786	\$ 1,786
Total General Capital Projects Fund	\$ -	\$ 2,300	\$ 69,604	\$ 67,304
Total Capital Improvements Fund	\$ -	\$ 2,300	\$ 69,604	\$ 67,304
Grand Total Revenues -- Primary Government	\$ 13,177,281	\$ 13,589,088	\$ 13,298,979	\$ (290,109)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 1,000	\$ 1,000	\$ 15,808	\$ 14,808
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 15,808	\$ 14,808
Charges for services:				
Charges for education	\$ 11,800	\$ 11,800	\$ 16,900	\$ 5,100
Miscellaneous revenue	\$ 30,000	\$ 30,000	\$ 52,581	\$ 22,581
Total revenue from local sources	\$ 42,800	\$ 42,800	\$ 85,289	\$ 42,489
Intergovernmental revenue:				
County contribution to School Board	\$ 5,664,798	\$ 5,756,878	\$ 4,439,015	\$ (1,317,863)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 957,788	\$ 957,788	\$ 994,834	\$ 37,046
Basic school aid	2,147,723	2,147,723	2,128,960	(18,763)
Special education	462,805	462,805	473,001	10,196
Vocational education	58,892	58,892	58,853	(39)
Fringe benefits	201,964	201,964	202,496	532
Gifted and talented	21,201	21,201	21,187	(14)
Remedial education	32,980	32,980	32,957	(23)
Reduced K-3	44,129	44,129	42,658	(1,471)
Lottery	132,054	132,054	131,977	(77)
At risk	28,476	28,476	28,476	0
Other state funds	399,051	399,051	491,952	92,901
Total categorical aid	\$ 4,487,063	\$ 4,487,063	\$ 4,607,351	\$ 120,288
Total revenue from the Commonwealth	\$ 4,487,063	\$ 4,487,063	\$ 4,607,351	\$ 120,288

Governmental Funds and Discretely Presented Component Unit  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2004 (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	\$ 26,660	\$ 26,660	\$ 16,908	\$ (9,752)
Title I	275,159	275,159	244,570	(30,589)
Title II - part A	38,603	38,603	75,874	37,271
Rural education	27,647	27,647	-	(27,647)
Title VI-B	255,199	255,199	236,851	(18,348)
Refugee and entrant assistance	-	-	2,468	2,468
Preschool handicapped	16,000	16,000	11,372	(4,628)
Vocational education	29,472	29,472	30,666	1,194
Jobs training partnership act	29,957	29,957	13,658	(16,299)
Title VI	14,000	14,000	10,458	(3,542)
Literacy challenge	11,600	11,600	16,145	4,545
Drug free schools	14,000	14,000	-	(14,000)
Other federal funds	69,492	69,492	-	(69,492)
Total revenue from the federal government	<u>\$ 807,789</u>	<u>\$ 807,789</u>	<u>\$ 658,970</u>	<u>\$ (148,819)</u>
Total School Operating Fund	<u>\$ 11,002,450</u>	<u>\$ 11,094,530</u>	<u>\$ 9,790,625</u>	<u>\$ (1,303,905)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 407	\$ 407	\$ 47	\$ (360)
Charges for services:				
Cafeteria sales	237,000	237,000	241,748	4,748
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	6,449	6,449	6,827	378
Revenue from the federal government:				
Categorical aid:				
School food program grant	181,000	181,000	175,903	(5,097)
Total School Cafeteria Fund	<u>\$ 424,856</u>	<u>\$ 424,856</u>	<u>\$ 424,525</u>	<u>\$ (331)</u>
School Textbook Rental Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 63	\$ 63

Governmental Funds and Discretely Presented Component Unit  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004 (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 local sources: (Continued)				
Charges for services:				
Textbook sales	\$ -	\$ 1,231	\$ 1,231	\$ -
Intergovernmental revenue:				
County contribution to School Board	55,847	147,287	55,847	(91,440)
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	44,381	44,381	44,351	(30)
Total School Textbook Rental Fund	<u>\$ 100,228</u>	<u>\$ 192,899</u>	<u>\$ 101,492</u>	<u>\$ (91,407)</u>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,186	\$ 5,186
Intergovernmental revenue:				
County contribution to School Board	49,800	68,965	-	(68,965)
Revenue from the Commonwealth:				
School construction	-	-	56,274	56,274
Total School Capital Projects Fund	<u>\$ 49,800</u>	<u>\$ 68,965</u>	<u>\$ 61,460</u>	<u>\$ (7,505)</u>
Grand Total Revenues -- Component Unit -- School Board	<u>\$ 11,577,334</u>	<u>\$ 11,781,250</u>	<u>\$ 10,378,102</u>	<u>\$ (1,403,148)</u>
Grand Total Revenues -- Reporting Entity	<u>\$ 24,754,615</u>	<u>\$ 25,370,338</u>	<u>\$ 23,677,081</u>	<u>\$ (1,693,257)</u>

Governmental Funds and Discretely Presented Component Unit School Board  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2004

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	\$ 81,231	\$ 81,818	\$ 66,837	\$ 14,981
General and financial administration:				
County administrator	\$ 212,977	\$ 212,977	\$ 212,277	\$ 700
Legal services	47,000	47,000	40,744	6,256
Independent auditor	25,000	52,370	52,370	-
Commissioner of the revenue	186,441	186,441	159,821	26,620
Assessor	123,024	185,024	160,564	24,460
Treasurer	199,747	199,747	187,817	11,930
Risk management	71,540	72,254	29,150	43,104
Data processing	80,800	80,800	56,080	24,720
Total general and financial administration	\$ 946,529	\$ 1,036,613	\$ 898,823	\$ 137,790
Board of Elections:				
Electoral board and officials	\$ 21,708	\$ 21,708	\$ 20,208	\$ 1,500
Registrar	42,384	57,537	57,539	(2)
Total board of elections	\$ 64,092	\$ 79,245	\$ 77,747	\$ 1,498
Total general government administration	\$ 1,091,852	\$ 1,197,676	\$ 1,043,407	\$ 154,269
Judicial administration:				
Courts:				
Circuit court	\$ 45,652	\$ 45,652	\$ 31,766	\$ 13,886
General district court	8,375	8,375	8,219	156
Juvenile and domestic relations district court	12,569	12,569	6,176	6,393
Clerk of the circuit court	175,568	175,568	174,380	1,188
Magistrate	6,500	6,500	-	6,500
Juvenile and domestic relations district court service	18,150	18,150	25,527	(7,377)
Merrimac center	30,261	54,808	48,554	6,254
Total courts	\$ 297,075	\$ 321,622	\$ 294,622	\$ 27,000
Commonwealth's attorney:				
Commonwealth's attorney	\$ 85,190	\$ 85,190	\$ 82,592	\$ 2,598
Total judicial administration	\$ 382,265	\$ 406,812	\$ 377,214	\$ 29,598

Governmental Funds and Discretely Presented Component Unit School Board  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2004 (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	\$ 903,877	\$ 953,941	\$ 965,876	\$ (11,935)
Town police	42,273	42,273	40,044	2,229
County deputy	40,048	40,048	33,500	6,548
Sheriff asset forfeits expenditures	-	-	10,514	(10,514)
School crossing guard	11,845	11,845	7,406	4,439
Total law enforcement and traffic control	<u>\$ 998,043</u>	<u>\$ 1,048,107</u>	<u>\$ 1,057,340</u>	<u>\$ (9,233)</u>
Fire and rescue services:				
Volunteer fire department	\$ 123,272	\$ 123,272	\$ 123,448	\$ (176)
Volunteer rescue squads	80,250	80,250	80,359	-
Total fire and rescue services	<u>\$ 203,522</u>	<u>\$ 203,522</u>	<u>\$ 203,807</u>	<u>\$ (285)</u>
Correction and detention:				
Regional jail	\$ 561,925	\$ 561,925	\$ 561,925	\$ -
Inspections:				
Building	\$ 120,685	\$ 128,815	\$ 125,240	\$ 3,575
Other protection:				
Animal control	\$ 56,261	\$ 56,261	\$ 46,311	\$ 9,950
Medical examiner (coroner)	400	400	150	250
Two for life	-	-	2,635	(2,635)
Emergency services (civil defense)	73,021	104,885	11,158	93,727
E-911	144,246	687,295	640,847	46,448
Total other protection	<u>\$ 273,928</u>	<u>\$ 848,841</u>	<u>\$ 701,101</u>	<u>\$ 147,740</u>
Total public safety	<u>\$ 2,158,103</u>	<u>\$ 2,791,210</u>	<u>\$ 2,649,413</u>	<u>\$ 141,797</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street and road cleaning	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Refuse collection - convenience centers	\$ 91,235	\$ 91,235	\$ 83,280	\$ 7,955
Refuse collection - grounds maintenance VPPSA	3,000	3,000	745	2,255
	693,218	706,137	685,293	20,844
Total sanitation and waste removal	<u>\$ 787,453</u>	<u>\$ 800,372</u>	<u>\$ 769,318</u>	<u>\$ 31,054</u>

Governmental Funds and Discretely Presented Component Unit School Board  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2004 (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	\$ 323,438	\$ 621,766	\$ 622,082	\$ (316)
Canoe house landing	1,000	1,000	-	1,000
Airport	110,120	147,933	132,218	15,715
Total maintenance of general buildings and grounds	\$ 434,558	\$ 770,699	\$ 754,300	\$ 16,399
Total public works	\$ 1,222,511	\$ 1,571,571	\$ 1,523,618	\$ 47,953
Health and welfare:				
Health:				
Local health department	\$ 128,172	\$ 128,172	\$ 128,172	-
Free health clinic	7,775	7,775	7,775	-
Laurel shelter, inc.	2,000	2,000	-	2,000
Total health	\$ 137,947	\$ 137,947	\$ 135,947	\$ 2,000
Mental health and mental retardation:				
Chapter X board	\$ 23,000	\$ 23,000	\$ 23,000	-
Welfare:				
Administration and assistance	\$ 877,800	\$ 879,637	\$ 737,667	\$ 141,970
Comprehensive services	385,000	385,000	192,684	192,316
Area agency on aging	29,990	29,990	29,190	800
Rental assistance program	1,000	1,000	1,000	-
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	\$ 1,306,583	\$ 1,308,420	\$ 973,334	\$ 335,086
Total health and welfare	\$ 1,467,530	\$ 1,469,367	\$ 1,132,281	\$ 337,086
Education:				
Contributions to community colleges	\$ 4,484	\$ 4,484	\$ 4,484	-
Virginia high school league activities	3,000	3,000	1,500	1,500
Contribution to School Board Component Unit	5,770,445	5,973,130	4,494,861	1,478,269
Total education	\$ 5,777,929	\$ 5,980,614	\$ 4,500,845	\$ 1,479,769

Governmental Funds and Discretely Presented Component Unit School Board  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2004 (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	\$ 45,324	\$ 45,324	\$ 38,114	\$ 7,210
Museum	3,000	3,000	3,000	-
Sports complex	29,000	29,000	28,533	467
Total parks and recreation	<u>\$ 77,324</u>	<u>\$ 77,324</u>	<u>\$ 69,647</u>	<u>\$ 7,677</u>
Library:				
Regional library	\$ 69,935	\$ 69,935	\$ 69,935	-
Total parks, recreation and cultural	<u>\$ 147,259</u>	<u>\$ 147,259</u>	<u>\$ 139,582</u>	<u>\$ 7,677</u>
Community development:				
Planning and community development:				
Planning	\$ 80,519	\$ 80,519	\$ 77,575	\$ 2,944
Zoning administration	53,208	53,208	48,228	4,980
Economic development	6,500	12,500	9,100	3,400
Board of zoning appeals	5,350	5,350	3,734	1,616
Total planning and community development	<u>\$ 145,577</u>	<u>\$ 151,577</u>	<u>\$ 138,637</u>	<u>\$ 12,940</u>
Environmental management:				
Soil and water conservation district	\$ 3,800	\$ 3,800	\$ 3,800	-
Environmental enforcement	42,345	42,345	34,973	7,372
Forestry service	2,492	2,492	2,492	-
Total environmental management	<u>\$ 48,637</u>	<u>\$ 48,637</u>	<u>\$ 41,265</u>	<u>\$ 7,372</u>
Cooperative extension program:				
Cooperative extension service	\$ 32,450	\$ 32,599	\$ 28,245	\$ 4,354
Total community development	<u>\$ 226,664</u>	<u>\$ 232,813</u>	<u>\$ 208,147</u>	<u>\$ 24,666</u>
Capital Projects:				
Sports complex	\$ 5,000	\$ 96,300	\$ 90,707	\$ 5,593
Sewer construction	-	87,646	103,052	(15,406)
Other	20,000	20,000	-	20,000
Total capital projects	<u>\$ 25,000</u>	<u>\$ 203,946</u>	<u>\$ 193,759</u>	<u>\$ 10,187</u>
Debt service:				
Principal retirement	\$ 180,802	\$ 180,802	\$ 609,312	\$ (428,510)
Interest and fiscal charges	457,366	457,366	1,375,493	(918,127)
Total debt service	<u>\$ 638,168</u>	<u>\$ 638,168</u>	<u>\$ 1,984,805</u>	<u>\$ (1,346,637)</u>
Total General Fund	<u>\$ 13,137,281</u>	<u>\$ 14,639,436</u>	<u>\$ 13,753,071</u>	<u>\$ 886,365</u>

Governmental Funds and Discretely Presented Component Unit School Board  
Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2004 (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	\$ -	\$ -	\$ 4,754,555	\$ (4,754,555)
Playground equipment	-	-	2,649	(2,649)
High school gymnasium - ac	100,000	100,000	159,285	(59,285)
Miscellaneous capital projects	237,000	237,000	2,720	234,280
Total general capital projects	<u>\$ 337,000</u>	<u>\$ 337,000</u>	<u>\$ 4,919,209</u>	<u>\$ (4,582,209)</u>
Debt service:				
Interest and fiscal charges	\$ -	\$ -	\$ 68,855	\$ (68,855)
Other - refunding bond issuance costs	-	-	253,347	(253,347)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,202</u>	<u>\$ (322,202)</u>
Total Capital Projects Fund	<u>\$ 337,000</u>	<u>\$ 337,000</u>	<u>\$ 5,241,411</u>	<u>\$ (4,904,411)</u>
Grand Total Expenditures -- Primary Government	<u>\$ 13,137,281</u>	<u>\$ 14,976,436</u>	<u>\$ 18,994,482</u>	<u>\$ (4,018,046)</u>
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 7,521,316	\$ 7,549,874	\$ 7,293,870	\$ 256,004
Administration, attendance, and health	521,877	521,877	499,068	22,809
Pupil transportation	666,566	666,566	644,499	22,067
Operation and maintenance	977,768	1,041,290	1,131,417	(90,127)
Technology	-	-	221,771	(221,771)
Total education	<u>\$ 9,687,527</u>	<u>\$ 9,779,607</u>	<u>\$ 9,790,625</u>	<u>\$ (11,018)</u>
Debt service:				
Principal retirement	428,510	428,510	-	428,510
Interest and other fiscal charges	886,413	886,413	-	886,413
Total School Operating Fund	<u>\$ 11,002,450</u>	<u>\$ 11,094,530</u>	<u>\$ 9,790,625</u>	<u>\$ 1,303,905</u>
School Cafeteria Fund:				
Education:				
School food services	\$ 424,856	\$ 424,856	\$ 419,347	\$ 5,509
School Textbook Rental Fund:				
Education:				
Purchase of textbooks	\$ 100,228	\$ 192,899	\$ 123,467	\$ 69,432
School Capital Projects Fund:				
Capital projects	\$ 49,800	\$ 68,965	\$ 301,785	\$ (232,820)
Total School Construction Fund	<u>\$ 49,800</u>	<u>\$ 68,965</u>	<u>\$ 301,785</u>	<u>\$ (232,820)</u>
Grand Total Expenditures - Component Unit - School Board	<u>\$ 11,577,334</u>	<u>\$ 11,781,250</u>	<u>\$ 10,635,224</u>	<u>\$ 1,146,026</u>
Grand Total Expenditures - Reporting Entity	<u>\$ 24,714,615</u>	<u>\$ 26,757,686</u>	<u>\$ 29,629,706</u>	<u>\$ (2,872,020)</u>

## **STATISTICAL TABLES**

COUNTY OF MIDDLESEX, VIRGINIA

Government-Wide Expenses by Function  
Last Two Fiscal Years

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<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>
2002-03	\$ 1,011,414	\$ 363,179	\$ 2,196,032	\$ 1,054,798	1,242,707
2003-04	1,088,000	378,602	2,630,238	1,427,697	1,115,348

Table 1

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	<u>Education</u>	<u>Recreation and Cultural</u>	<u>Community Development</u>	<u>Capital Outlays</u>	<u>Interest on Debt</u>	<u>Total</u>
\$	5,160,891	\$ 127,483	\$ 215,184	\$ 156,883	\$ 265,639	\$ 11,794,210
	5,321,906	153,495	210,254	-	1,020,095	13,345,635

Government-Wide Revenues  
Last Two Fiscal Years

Fiscal Year	Program Revenues		General Revenues					Total
	Charges for Services	Operating Grants and Contributions	General Property Taxes	Other Local Taxes	Commonwealth of Virginia Non-Categorical Aid	Revenues from the Use of Money & Property	Miscellaneous	
2002-03	\$ 287,218	\$ 2,181,719	\$ 7,875,448	\$ 1,732,108	\$ 743,484	\$ 323,733	\$ 122,989	\$ 13,266,699
2003-04	286,254	1,973,815	8,164,283	1,903,328	743,005	233,759	110,420	13,414,864

COUNTY OF MIDDLESEX, VIRGINIA

General Government Revenues by Source (1)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes (2)</u>	<u>Other Local Taxes</u>	<u>Permit Privilege Fees &amp; Regulatory Licenses</u>	<u>Fines &amp; Forfeitures</u>	<u>Revenues from the Use of Money &amp; Property</u>
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
2004	8,004,398	1,903,328	185,625	46,657	254,863

(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 3

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<u>Charges for Services</u>	<u>Miscel- laneous</u>	<u>Recovered Costs</u>	<u>Inter- governmental</u>	<u>Total</u>
\$ 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
313,851	163,001	44,000	8,266,496	19,182,219

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>
1995	\$ 756,305	\$ 141,288	\$ 915,122	\$ 831,718	809,118
1996	665,497	150,405	1,173,755	888,803	867,357
1997	658,690	146,463	1,136,234	952,391	919,899
1998	712,516	153,745	1,125,545	878,394	1,111,470
1999	787,678	277,405	1,356,834	977,261	1,177,125
2000	873,385	326,358	1,700,914	1,001,658	1,389,300
2001	829,811	315,258	3,671,063	1,062,395	1,302,375
2002	813,839	332,764	2,032,423	1,041,567	1,348,440
2003	1,013,338	362,963	2,296,433	1,067,855	1,249,961
2004	1,043,407	377,214	2,649,413	1,523,618	1,132,281

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

Table 4

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	<u>Education</u>	<u>Recreation and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$	6,759,249	\$ 84,644	\$ 172,321	\$ 348,272	\$ 749,232	\$ 11,567,269
	7,032,036	140,609	168,132	195,229	749,141	12,030,964
	7,502,080	165,301	170,619	161,272	731,710	12,544,659
	7,827,892	163,889	187,834	803,624	795,581	13,760,490
	8,414,118	105,857	192,982	556,095	760,047	14,605,402
	9,099,504	145,096	199,323	709,884	572,790	16,018,212
	9,164,649	133,088	202,081	928,355	1,358,901	18,967,976
	9,792,853	142,328	219,646	10,028,449	3,661,747	29,414,056
	10,038,121	145,509	218,348	6,103,597	1,885,966	24,382,091
	10,339,422	139,582	208,147	5,414,753	2,307,007	25,134,844

Property Tax Levies and Collections (1)  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (3)	Current Tax Collections (4)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2,4)	Percent of Delinquent Taxes to Tax Levy
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	8,543,566	7,908,933	92.57%	507,721	8,416,654	98.51%	530,572	6.21%
2004	8,854,968	8,141,013	91.94%	405,822	8,546,835	96.52%	627,563	7.09%

(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>
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
2004	1,070,810,200	99,237,215	167,505	2,755,735	31,930,478	1,204,901,133

(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>
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
2004	0.59/0.48	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			
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
2004	9,932	1,204,901,133	27,005,577	-	27,005,577	0.022	2,719

(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	Refunding Bond Issue Costs	Total Debt Service	Total General Governmental Expenditures			Ratio of Debt Service to General Governmental Expenditures
					(1)	(2)	(3)	
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%
2004	609,312	1,444,348	253,347	2,307,007	19,720,091			11.70%

(1) Includes Primary Government and Component Unit School Board

(2) From Table 4, 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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia as of and for the year ended June 30, 2004, which collectively comprise of the County of Middlesex, Virginia's basic financial statements and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Middlesex, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
September 2, 2004

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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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, 2004. 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, 2004.

### 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 solely 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  
September 2, 2004

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalog Number	Expenditures
<b>Primary Government:</b>		
<b>Department of Justice:</b>		
Pass - through payments:		
Department of Criminal Justice Services:		
Drug control and system improvement - formula grant	16.579	\$ 5,000
Bullet proof vest	16.000	906
Total Department of Justice		\$ <u>5,906</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>78,490</u>
Total Department of Agriculture		\$ <u>78,490</u>
<b>Department of Transportation:</b>		
Pass-Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety - Community Traffic Safety	20.600	\$ 1,500
State and Community Highway Safety - Open container/Alcohol impaired driving	20.000	3,270
State and Community Highway Safety - Speed control	20.600	1,455
Total Department of Transportation		\$ <u>6,225</u>
<b>Environmental Protection Agency:</b>		
Pass-Through Payments:		
Department of Environmental Quality:		
Environmental Enforcement Grant	66.000	\$ <u>21,000</u>
Total Environmental Protection Agency		\$ <u>21,000</u>
<b>Department of Homeland Security:</b>		
Pass-Through Payments:		
Disaster Relief Public Assistance	97.036	\$ <u>177,319</u>
Total Department of Homeland Security		\$ <u>177,319</u>
<b>Department of Health and Human Services:</b>		
Pass - through payments:		
Department of Social Services:		
Social services block grant	93.667	\$ 77,550
Temporary assistance for needy families	93.558	74,663
Foster care	93.658	83,185
Adoption assistance	93.659	13,012
Child care	93.575	46,948
Child care and development block grant	93.596	27,101
Refugee assistance	93.566	164
Medical assistance program	93.778	61,169
Family preservation	93.556	14,111
Low income home energy assistance	93.568	2,532
Total Department of Health and Human Services		\$ <u>400,435</u>
Total Primary Government		\$ <u><u>689,375</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004 (Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalog Number	Expenditures
<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	\$ 19,573
Department of Education:		
National school breakfast program	10.553	38,966
National school lunch program	10.555	<u>136,937</u>
Total Department of Agriculture		\$ <u>195,476</u>
<b>Department of Labor:</b>		
Pass - through payments:		
Department of Education:		
School to work program	17.249	\$ <u>13,658</u>
<b>Department of Education:</b>		
Pass - through payments:		
Department of Education:		
Adult education - state administered program	84.002	\$ 16,908
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	244,570
Preschool Program	84.173	11,372
Title VI:		
Consolidation of federal programs for elementary and secondary education block grant	84.298	10,458
Title VI-B:		
Assistance to states for education of handicapped children	84.027	236,851
Vocational education:		
Basic grants to states	84.048	30,666
Title II - Part A	84.367	75,874
Literary Challenge Grant	84.318	<u>16,145</u>
Total Department of Education		\$ <u>642,844</u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004 (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>2,468</u>
Total Department of Health and Human Services		\$ <u>2,468</u>
Total Component Unit School Board		\$ <u>854,446</u>
Total Expenditures of Federal Awards		\$ <u>1,543,821</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2004

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Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Middlesex, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 689,375
Total primary government	<u>\$ 689,375</u>
Component Unit Public Schools:	
School Operating Fund	\$ 658,970
School Cafeteria Fund	175,903
Total component unit public schools	<u>\$ 834,873</u>
Total federal expenditures per basic financial statements	<u>\$ 1,524,248</u>
Non-cash expenditures - value of donated commodities	<u>\$ 19,573</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,543,821</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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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 - Special Education Cluster
84.173	Special Education Preschool Grant - Special Education Cluster
93.658	Foster Care
10.561	Food Stamp Administration

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.