

COUNTY OF MIDDLESEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

John D. Miller, Jr., Chairperson
Elizabeth B. Hurd, Vice Chairperson

Wayne H. Jessie, Sr.
Peter W. Mansfield

Robert LeBoeuf

COUNTY SCHOOL BOARD

Garland Harrow, Chairperson

Claudia Soucek, Vice Chairperson
Dr. Richard Shores

Elliot Reed
James Goforth

COUNTY WELFARE BOARD

Bonnie Glascock, Chairperson

Joan Harris
Ruby Easton

Peter Mansfield
Mary Armentrout

OTHER OFFICIALS

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

R. Bruce Long
Lynn L Dunlevy
Stephanie E. Merritt
Cressondra B. Conyers
Michael T. Hurd
Priscilla J. Davenport
Betty S. Bray
David P. Bushey
Thomas W. Taylor, Ed. D.
Rebecca J. Morgan
Peggy W. Jordan
Matt Walker

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-10, 59, and 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Middlesex, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 14, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors 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, 2014.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,620,046 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$1,722,411 (Exhibit 5) after making contributions totaling \$7,440,404 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,826,150, a decrease of \$1,722,411 in comparison with the prior year. The decrease was due in large part to expenditures related to ongoing capital projects.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,184,338, or 37% of total general fund expenditures and other financing uses.
- < The combined long-term obligations increased by \$977,565 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Overview of the Financial Statements (Continued)

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 County Capital Projects Fund.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. 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 position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$12,620,046 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

	<u>County of Middlesex, Virginia's Net Position</u>	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 15,647,318	\$ 16,862,057
Capital assets	<u>27,277,260</u>	<u>23,027,628</u>
Total assets	\$ <u>42,924,578</u>	\$ <u>39,889,685</u>
Current liabilities	\$ 398,291	\$ 426,523
Long-term liabilities outstanding	<u>24,233,088</u>	<u>23,255,523</u>
Total liabilities	\$ <u>24,631,379</u>	\$ <u>23,682,046</u>
Deferred inflows of resources	\$ <u>5,673,153</u>	\$ <u>5,193,452</u>
Net position:		
Net investment in capital assets	\$ 3,236,055	\$ (96,898)
Unrestricted	<u>9,383,991</u>	<u>10,989,783</u>
Total net position	\$ <u>12,620,046</u>	\$ <u>10,892,885</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$1,727,161 during the current fiscal year. The following table summarizes the County's Statement of Activities:

	County of Middlesex, Virginia's Changes in Net Position	
	Governmental Activities	
	2014	2013
Charges for services	\$ 515,975	\$ 505,433
Operating grants and contributions	2,567,072	2,415,946
General property taxes	13,732,367	13,677,537
Other local taxes	1,890,242	1,859,906
Grants and other contributions not restricted	1,230,853	1,205,922
Other general revenues	507,430	282,255
Total revenues	\$ 20,443,939	\$ 19,946,999
General government administration	\$ 1,366,993	\$ 1,306,637
Judicial administration	926,453	908,487
Public safety	3,538,517	3,208,066
Public works	1,197,655	1,248,114
Health and welfare	1,781,157	1,558,165
Education	8,067,078	7,991,805
Parks, recreation, and cultural	248,044	247,781
Community development	649,809	683,739
Interest and other fiscal charges	941,072	1,184,264
Total expenses	\$ 18,716,778	\$ 18,337,058
Change in net position	\$ 1,727,161	\$ 1,609,941
Net position, beginning of year	10,892,885	9,282,944
Net position, end of year	\$ 12,620,046	\$ 10,892,885

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 \$8,826,150, a decrease of \$1,722,411, largely due to expenditures related to ongoing capital projects. Approximately 81.4% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources exceeded General Fund budgetary estimates in the amount of \$454,973. Expenditures and other financing uses were less than budgetary estimates by \$1,194,684, resulting in a positive variance of \$1,649,657.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2014 amounted to \$27,277,260 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$24,041,205. Of this amount, \$2,639,436 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, leases and notes).

The County's debt increased by \$916,679 during the current fiscal year.

Additional information on the County of Middlesex, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

The fiscal year 2015 budget increased by approximately 4 percent. The County's real estate rate increased from \$0.48 to \$0.53 per \$100, and the personal property rate remained the same.

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, 877 General Puller Highway, Post Office Box 428, Saluda, Virginia 23149.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental	Component Units	
	<u>Activities</u>	<u>School Board</u>	<u>EDA</u>
ASSETS			
Cash and cash equivalents	\$ 7,861,553	\$ 1,412,168	\$ 301,824
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,775,826	-	-
Accounts receivable	38,217	-	-
Note receivable	-	-	161,661
Due from other governmental units	971,722	391,059	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,059,528	248,545	-
Buildings and improvements	21,356,133	3,252,741	-
Equipment	408,224	381,753	-
Construction in progress	3,453,375	-	-
Total assets	<u>\$ 42,924,578</u>	<u>\$ 5,686,266</u>	<u>\$ 463,485</u>
LIABILITIES			
Accrued liabilities	\$ 15,664	\$ 1,304,358	\$ -
Accrued interest payable	379,921	-	-
Due to other governmental units	-	375,374	75,000
Unearned revenue	2,706	-	-
Long-term liabilities:			
Due within one year	1,289,821	5,424	-
Due in more than one year	22,943,267	82,104	-
Total liabilities	<u>\$ 24,631,379</u>	<u>\$ 1,767,260</u>	<u>\$ 75,000</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	\$ 5,673,153	\$ -	\$ -
Total deferred inflow of resources	<u>\$ 5,673,153</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 3,236,055	\$ 3,883,039	\$ -
Unrestricted	9,383,991	35,967	388,485
Total net position	<u>\$ 12,620,046</u>	<u>\$ 3,919,006</u>	<u>\$ 388,485</u>

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

County of Middlesex, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	School Board	EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,366,993	\$ 2,900	\$ 213,381	\$ -	\$ (1,150,712)		
Judicial administration	926,453	67,899	358,911	-	(499,643)		
Public safety	3,538,517	99,063	807,797	-	(2,631,657)		
Public works	1,197,655	-	6,366	-	(1,191,289)		
Health and welfare	1,781,157	-	1,164,415	-	(616,742)		
Education	8,067,078	-	-	-	(8,067,078)		
Parks, recreation, and cultural	248,044	18,852	-	-	(229,192)		
Community development	649,809	327,261	16,202	-	(306,346)		
Interest on long-term debt	941,072	-	-	-	(941,072)		
Total governmental activities	\$ 18,716,778	\$ 515,975	\$ 2,567,072	\$ -	\$ (15,633,731)		
Total primary government	\$ 18,716,778	\$ 515,975	\$ 2,567,072	\$ -			
COMPONENT UNITS:							
School Board	\$ 13,278,833	\$ 189,576	\$ 4,923,498	\$ -	\$ (8,165,759)		\$ (48,731)
Economic Development Authority	93,493	44,762	-	-	-		-
Total component unit	\$ 13,372,326	\$ 234,338	\$ 4,923,498	\$ -	\$ (8,165,759)		\$ (48,731)
General revenues:							
General property taxes					\$ 13,732,367	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					907,037	-	-
Motor vehicle licenses					296,061	-	-
Other local taxes					687,144	-	-
Unrestricted revenues from use of money and property					99,787	27,070	11,415
Miscellaneous					407,643	81,359	-
Payments from Middlesex County					-	7,988,651	-
Grants and contributions not restricted to specific programs					1,230,853	-	-
Total general revenues					\$ 17,360,892	\$ 8,097,080	\$ 11,415
Change in net position					\$ 1,727,161	\$ (68,679)	\$ (37,316)
Net position- beginning					10,892,885	3,987,685	425,801
Net position - ending					\$ 12,620,046	\$ 3,919,006	\$ 388,485

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

FUND FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,515,789	\$ 1,345,764	\$ 7,861,553
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,775,826	-	6,775,826
Accounts receivable	38,217	-	38,217
Due from other governmental units	971,722	-	971,722
Total assets	<u>\$ 14,301,554</u>	<u>\$ 1,345,764</u>	<u>\$ 15,647,318</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 15,664	\$ -	\$ 15,664
Unearned revenue	2,706	-	2,706
Total liabilities	<u>\$ 18,370</u>	<u>\$ -</u>	<u>\$ 18,370</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 6,802,798	\$ -	\$ 6,802,798
Total deferred inflows of resources	<u>\$ 6,802,798</u>	<u>\$ -</u>	<u>\$ 6,802,798</u>
Fund balances:			
Committed	\$ 296,048	\$ 1,345,764	\$ 1,641,812
Unassigned	7,184,338	-	7,184,338
Total fund balances	<u>\$ 7,480,386</u>	<u>\$ 1,345,764</u>	<u>\$ 8,826,150</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,301,554</u>	<u>\$ 1,345,764</u>	<u>\$ 15,647,318</u>

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

County of Middlesex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,826,150
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 39,843,190		
Accumulated depreciation	<u>(12,565,930)</u>		27,277,260

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		1,129,645
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital leases	\$ (83,578)		
General obligation bonds	(2,639,436)		
Lease revenue bonds	(21,156,529)		
Note payable	(161,662)		
Compensated absences	(191,883)		
Accrued interest payable	<u>(379,921)</u>		(24,613,009)

Net position of governmental activities		<u><u>\$ 12,620,046</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 13,593,810	\$ -	\$ 13,593,810
Other local taxes	1,890,242	-	1,890,242
Permits, privilege fees, and regulatory licenses	98,445	-	98,445
Fines and forfeitures	33,149	-	33,149
Revenue from the use of money and property	96,976	2,811	99,787
Charges for services	384,381	-	384,381
Miscellaneous	87,643	320,000	407,643
Recovered costs	127,119	-	127,119
Intergovernmental:			
Commonwealth	3,203,983	-	3,203,983
Federal	593,942	-	593,942
Total revenues	<u>\$ 20,109,690</u>	<u>\$ 322,811</u>	<u>\$ 20,432,501</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,318,092	\$ -	\$ 1,318,092
Judicial administration	715,522	-	715,522
Public safety	3,532,583	-	3,532,583
Public works	1,168,461	-	1,168,461
Health and welfare	1,782,561	-	1,782,561
Education	7,449,222	-	7,449,222
Parks, recreation, and cultural	237,207	-	237,207
Community development	686,809	-	686,809
Capital projects	-	5,177,923	5,177,923
Debt service:			
Principal retirement	1,263,210	-	1,263,210
Interest and other fiscal charges	928,061	75,150	1,003,211
Total expenditures	<u>\$ 19,081,728</u>	<u>\$ 5,253,073</u>	<u>\$ 24,334,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,027,962</u>	<u>\$ (4,930,262)</u>	<u>\$ (3,902,300)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 125,000	\$ 125,000
Transfers out	(125,000)	-	(125,000)
Issuance of lease revenue bonds	-	2,092,700	2,092,700
Issuance of capital leases	87,189	-	87,189
Total other financing sources (uses)	<u>\$ (37,811)</u>	<u>\$ 2,217,700</u>	<u>\$ 2,179,889</u>
Net change in fund balances	\$ 990,151	\$ (2,712,562)	\$ (1,722,411)
Fund balances - beginning	6,490,235	4,058,326	10,548,561
Fund balances - ending	<u>\$ 7,480,386</u>	<u>\$ 1,345,764</u>	<u>\$ 8,826,150</u>

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

County of Middlesex, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (1,722,411)

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 outlay exceeded the depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 5,275,112	
Depreciation expense	(477,233)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>(548,247)</u>	4,249,632

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

Increase(decrease) in unavailable property taxes		138,557
--	--	---------

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 position. The following is a summary of items supporting this adjustment:

Principal retired on capital leases	\$ 48,802	
Principal retired on general obligation bonds	54,094	
Principal retired on lease revenue bonds	1,124,593	
Principal retired on note payable	35,721	
Amortization of deferred interest on refunding		
Issuance of lease revenue bonds	(2,092,700)	
Issuance of capital leases	<u>(87,189)</u>	(916,679)

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

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ (60,886)	
Decrease (increase) in accrued interest payable	<u>38,948</u>	(21,938)

Change in net position of governmental activities		<u>\$ 1,727,161</u>
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 124,809
LIABILITIES	
Amounts held for others	\$ 122,953
Amounts held for social services clients	1,856
Total liabilities	\$ 124,809

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies:

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

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

A. Financial 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 the basic 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 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.

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2014.

Discretely Presented Component Units. The School Board members are elected by the citizens of Middlesex County. The School Board is 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. The primary funding is from the General Fund of the County. The School Fund 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, 2014.

The Middlesex County Economic Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2014. The Authority does not issue a separate financial report.

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

None

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

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

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

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 and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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 County reports the General and County Capital Project Funds as major governmental funds.

General Fund - is the primary operating fund of the County. This fund is used to account and report all financial transactions and resources except those required to be accounted for and reported 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.

Capital Projects Fund - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County also reports the County Capital Projects Fund as a major fund.

- 2. Fiduciary Funds - (Trust and Agency Funds)** - Account for assets held by the County 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 which consists of the Special Welfare Fund, Friends for Life Fund, and Chesapeake Bay Governor's School Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the government.

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit with maturity date less than 90 days and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$203,916 at June 30, 2014 and was comprised of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5/December 5 (50% each date)	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, 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 the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Buildings and Improvements	10-40
Infrastructure	7
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	12

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

The County reports fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

L. Fund Equity (Continued)

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

L. Fund Equity (Continued)

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	County Capital Projects	Total
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Committed:			
E911	\$ 245,892	\$ -	\$ 245,892
Capital Projects	-	1,345,764	1,345,764
Proffers	29,893	-	29,893
Forfeited Assets - Sheriff	1,015	-	1,015
Forfeited Assets - Commonwealth's Attorney	6,557	-	6,557
Airport	12,691	-	12,691
Total Committed Fund Balance	<u>\$ 296,048</u>	<u>\$ 1,345,764</u>	<u>\$ 1,641,812</u>
Unassigned	<u>\$ 7,184,338</u>	<u>\$ -</u>	<u>\$ 7,184,338</u>
Total Fund Balances	<u><u>\$ 7,480,386</u></u>	<u><u>\$ 1,345,764</u></u>	<u><u>\$ 8,826,150</u></u>

M. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

N. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

O. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the and half installments are reported as deferred inflows of resources.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, 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 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. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures exceeded appropriations in the County Capital Projects Fund for the year ended June 30, 2014.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale. The County's investment policy has an emphasis on safety and liquidity of investments. The County's policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 16,546
Virginia State Non-Arbitrage Pool	17
Total	<u>\$ 16,563</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. Values of shares in SNAP reflect fair value.

The County invests in an externally managed investment pool, Local Government Investment Pool (LGIP), which is not SEC-registered. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pool rests with the Virginia State Treasury. The LGIP reports to the Treasury Board at their regularly scheduled meetings, and the fair value of the position in the LGIP is the same as the value of the pool shares. Investments authorized by the LGIP are the same as those authorized for local governments in Section 2.2-4500 et seq. of the *Code of Virginia*. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

At June 30, 2014, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board	Component Unit IDA
Other Local Governments:			
Middlesex County Public Schools	\$ 375,374	\$ -	\$ -
Industrial Development Authority of Middlesex County, Virginia	75,000	-	-
Commonwealth of Virginia:			
Local sales tax	186,988	-	-
Rental tax	259	-	-
State Sales Tax	-	209,693	-
Victim/witness grant	7,530	-	-
Constitutional officer reimbursements	98,833	-	-
Recordation tax	12,848	-	-
Mobile home titling tax	10,087	-	-
Communications tax	74,419	-	-
Comprehensive services act	36,507	-	-
Wireless funds	7,086	-	-
Welfare	29,912	-	-
Fire programs	4,978	-	-
Rolling stock tax	1,059	-	-
Federal Government:			
School fund grants	-	165,680	-
School food funds	-	15,686	-
Homeland security grant	7,500	-	-
Welfare	43,342	-	-
	<u>43,342</u>	<u>-</u>	<u>-</u>
Total due from other governments	<u>\$ 971,722</u>	<u>\$ 391,059</u>	<u>\$ -</u>

At June 30, 2014, amounts due to other governmental units are as follows:

Other Local Governments:			
Count of Middlesex, Virginia	\$ -	\$ 375,374	75,000

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,059,528	\$ -	\$ -	\$ 2,059,528
Jointly owned assets-Construction in progress	469,274	2,984,101	-	3,453,375
Construction in progress	24,277	177,526	201,803	-
Total capital assets not subject to depreciation	<u>\$ 2,553,079</u>	<u>\$ 3,161,627</u>	<u>\$ 201,803</u>	<u>\$ 5,512,903</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 12,572,104	\$ 201,803	\$ -	\$ 12,773,907
Equipment	1,385,851	97,189	32,312	1,450,728
Infrastructure	16,170	-	-	16,170
Jointly owned assets	17,883,390	2,016,296	(189,796)	20,089,482
Total capital assets subject to depreciation	<u>\$ 31,857,515</u>	<u>\$ 2,315,288</u>	<u>\$ (157,484)</u>	<u>\$ 34,330,287</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,251,854	\$ 359,865	\$ -	\$ 4,611,719
Equipment	959,758	115,058	32,312	1,042,504
Infrastructure	13,860	2,310	-	16,170
Jointly owned assets	6,157,494	647,323	(90,720)	6,895,537
Total accumulated depreciation	<u>\$ 11,382,966</u>	<u>\$ 1,124,556</u>	<u>\$ (58,408)</u>	<u>\$ 12,565,930</u>
Total capital assets subject to depreciation, net	<u>\$ 20,474,549</u>	<u>\$ 1,190,732</u>	<u>\$ (99,076)</u>	<u>\$ 21,764,357</u>
Governmental activities capital assets, net	<u>\$ 23,027,628</u>	<u>\$ 4,352,359</u>	<u>\$ 102,727</u>	<u>\$ 27,277,260</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 248,545	\$ -	\$ -	\$ 248,545
Total capital assets not subject to depreciation	\$ 248,545	\$ -	\$ -	\$ 248,545
Capital assets subject to depreciation:				
Equipment	\$ 1,723,621	\$ 162,469	\$ -	\$ 1,886,090
Buildings and improvements	640,215	105,082	-	745,297
Jointly owned assets	4,962,901	-	189,796	4,773,105
Total capital assets subject to depreciation	\$ 7,326,737	\$ 267,551	\$ 189,796	\$ 7,404,492
Accumulated depreciation:				
Equipment	\$ 1,423,650	\$ 80,687	\$ -	\$ 1,504,337
Building improvement	622,744	4,591	-	627,335
Jointly owned assets	1,708,794	20,252	90,720	1,638,326
Total accumulated depreciation	\$ 3,755,188	\$ 105,530	\$ 90,720	\$ 3,769,998
Total capital assets subject to depreciation, net	\$ 3,571,549	\$ 162,021	\$ 99,076	\$ 3,634,494
Component unit school board capital assets, net	\$ 3,820,094	\$ 162,021	\$ 99,076	\$ 3,883,039

Governmental activities:

General government administration	\$ 44,709
Judicial administration	209,712
Public safety	105,130
Public works	29,194
Health and welfare	6,298
Education	716,932
Parks, recreation and cultural	12,581

Total Governmental activities \$ 1,124,556

Component Unit School Board \$ 105,530

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 5—Capital Assets: (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Middlesex, Virginia for the year ended June 30, 2014, is that school financed assets in the amount of \$13,193,945 are reported in the Primary Government for financial reporting purposes.

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 125,000
County Capital Projects Fund	<u>125,000</u>	<u>-</u>
Total	<u>\$ 125,000</u>	<u>\$ 125,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorizations.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

Primary Government:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Incurring by County:					
Compensated absences (payable by General Fund)	\$ 130,997	\$ 73,986	\$ 13,100	\$ 191,883	\$ 19,188
Capital leases	45,191	87,189	48,802	83,578	38,865
Note payable	197,383	-	35,721	161,662	37,507
Lease revenue bonds	8,462,527	-	499,943	7,962,584	367,178
	<u>8,836,098</u>	<u>161,175</u>	<u>597,566</u>	<u>8,399,707</u>	<u>462,738</u>
Total incurred by County	<u>\$ 8,836,098</u>	<u>\$ 161,175</u>	<u>\$ 597,566</u>	<u>\$ 8,399,707</u>	<u>\$ 462,738</u>
Incurring by School Board:					
General obligation bonds	\$ 2,693,530	\$ -	\$ 54,094	\$ 2,639,436	\$ 155,777
Lease revenue bonds	11,725,895	2,092,700	624,650	13,193,945	671,306
	<u>14,419,425</u>	<u>2,092,700</u>	<u>678,744</u>	<u>15,833,381</u>	<u>827,083</u>
Total incurred by School Board	<u>\$ 14,419,425</u>	<u>\$ 2,092,700</u>	<u>\$ 678,744</u>	<u>\$ 15,833,381</u>	<u>\$ 827,083</u>
Total Primary Government Obligations	<u>\$ 23,255,523</u>	<u>\$ 2,253,875</u>	<u>\$ 1,276,310</u>	<u>\$ 24,233,088</u>	<u>\$ 1,289,821</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations					
	Lease Revenue Bonds		Note Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 367,178	\$ 327,876	\$ 37,507	\$ 8,083	\$ 38,865	\$ 12,771
2016	354,318	308,933	39,383	6,208	44,713	6,923
2017	357,906	293,632	41,352	4,239	-	-
2018	374,671	279,644	43,420	2,170	-	-
2019	394,055	263,933	-	-	-	-
2020	402,937	247,331	-	-	-	-
2021	427,598	230,133	-	-	-	-
2022	446,213	212,013	-	-	-	-
2023	459,653	194,583	-	-	-	-
2024	479,722	174,951	-	-	-	-
2025	403,588	154,459	-	-	-	-
2026	425,677	136,302	-	-	-	-
2027	450,761	117,885	-	-	-	-
2028	396,732	100,599	-	-	-	-
2029	405,082	84,276	-	-	-	-
2030	425,849	67,435	-	-	-	-
2031	442,490	49,025	-	-	-	-
2032	463,420	27,161	-	-	-	-
2033	484,734	10,178	-	-	-	-
Total	\$ 7,962,584	\$ 3,280,349	\$ 161,662	\$ 20,700	\$ 83,578	\$ 19,694

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 155,777	\$ 122,579	\$ 671,306	\$ 543,735
2016	162,580	116,061	693,572	527,831
2017	169,508	107,864	718,607	503,060
2018	181,571	98,480	756,087	470,140
2019	155,000	88,571	796,377	431,583
2020	165,000	80,491	847,702	391,347
2021	175,000	71,906	848,888	353,320
2022	180,000	62,943	891,765	318,347
2023	190,000	53,600	925,370	280,058
2024	200,000	43,753	968,103	240,592
2025	210,000	33,400	1,022,512	198,586
2026	225,000	22,416	1,070,523	155,028
2027	230,000	13,228	1,121,239	108,580
2028	240,000	4,861	266,568	78,952
2029	-	-	280,218	67,207
2030	-	-	297,251	54,650
2031	-	-	319,110	41,835
2032	-	-	337,480	27,606
2033	-	-	361,267	12,693
Total	<u>\$ 2,639,436</u>	<u>\$ 920,153</u>	<u>\$ 13,193,945</u>	<u>\$ 4,805,150</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i><u>Incurred by County:</u></i>	
<u>Lease revenue bonds:</u>	
\$285,000 lease revenue bond issued April 15, 2004, due in varying annual installments through August, 2026, interest at 4.25% payable semi-annually	\$ 75,000
\$7,208,878 lease revenue bond issued April 13, 2007, due in varying annual installments through August, 2032, interest at rates varying from 4.00% to 4.25%, payable semi-annually	6,563,755
\$1,035,000 lease revenue bond issued February 18, 2009, due in varying annual installments through February, 2024, interest at 4.35% payable semi-annually	758,829
\$630,000 lease revenue bond issued April 30, 2012, payable in varying annual installments through October 1, 2026, interest at rates varying from 2.125% to 5.125%, payable semi-annually	565,000
Total lease revenue bonds	<u>\$ 7,962,584</u>
<u>Note payable:</u>	
\$350,000 note issued November 2, 2007, payable in varying annual installments through January 15, 2018, interest at 5.00% payable semi-annually	<u>\$ 161,662</u>
<u>Capital leases:</u>	
\$44,498 capital lease issued September 30, 2012 for purchase of two pick up trucks payable in 4 combined principal and interest installments of \$12,213 through September, 2015, interest payable at 6.60%	\$ 22,204
\$17,685 capital lease issued October 15, 2012 for purchase of an automobile payable in 4 combined principal and interest installments of \$4,779 through October, 2015, interest payable at 5.45%	8,830
\$30,625 capital lease issued August 1, 2013 for purchase of an automobile payable in 3 combined principal and interest installments of \$12,108 through August, 2015.	18,516
\$30,625 capital lease issued August 1, 2013 for purchase of an automobile payable in 3 combined principal and interest installments of \$12,108 through August, 2015.	18,516
\$25,940 capital lease issued August 1, 2013 for purchase of an automobile payable in 3 combined principal and interest installments of \$10,428 through August, 2015.	15,512
Total capital leases	<u>\$ 83,578</u>
Compensated absences (payable by General Fund)	<u>\$ 191,883</u>
Total incurred by County	<u>\$ 8,399,707</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i>Incurring by School Board:</i>	
<u>General Obligation Bonds:</u>	
\$349,373 general obligation bond issued July 30, 1998 to refund retirement incentive obligation, payable in combined annual principal and interest installments of \$33,778 through July, 2017, interest at 6.99%	\$ 114,436
\$2,555,000 general obligation bond issued May 10, 2012 payable in various annual installments through July 15, 2027, interest payable semi-annually at rates varying from 2.55% to 5.05%	2,525,000
Total General Obligation Bonds	<u>\$ 2,639,436</u>
<u>Lease revenue bonds:</u>	
\$1,500,000 lease revenue bond issued January 15, 2000, due in annual installments of \$500,000 starting August, 2018 through August, 2020, interest at 5.60% payable semi-annually	\$ 1,500,000
\$9,225,000 lease revenue bond issued January 1, 2004, due in varying annual installments through August, 2026, interest at rates varying from 2.50% to 4.25%, payable semi-annually	7,580,000
\$2,166,122 lease revenue bond issued April 13, 2007, payable in varying annual installments through August, 2032, interest at rates varying from 4.00% to 4.20%, payable semi-annually	2,021,245
\$2,092,700 lease revenue bond issued October 28, 2013, payable in varying annual installments through October 15, 2032, interest at 4.52% payable annually	<u>2,092,700</u>
Total lease revenue bonds	<u>\$ 13,193,945</u>
Total incurred by School Board	<u>\$ 15,833,381</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 24,233,088</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 46,234	\$ 12,629	\$ 4,623	\$ 54,240	\$ 5,424
Net OPEB Obligation (payable by School Fund)	31,857	29,731	28,300	33,288	-
Total Component Unit-School Board	<u>\$ 78,091</u>	<u>\$ 42,360</u>	<u>\$ 32,923</u>	<u>\$ 87,528</u>	<u>\$ 5,424</u>

Note 8—Capital Leases:

The County has entered into various lease agreements as lessee for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government Incurred by County
Asset:	
Equipment	\$ 149,902
Less: accumulated depreciation	(42,523)
Total	<u>\$ 107,379</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ended June 30</u>	<u>Primary Government Incurred by County</u>
2015	\$ 51,636
2016	51,636
Total minimum lease payments	\$ 103,272
Less: amount representing interest	(19,694)
Present value of minimum lease payments	<u>\$ 83,578</u>

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable 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. Unearned and deferred/unavailable revenue is comprised of the following:

Deferred/Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,566,811 at June 30, 2014.

Deferred/Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$235,987 at June 30, 2014.

Unearned Revenue - Other unearned revenue items totaled \$2,706 at June 30, 2014, which consisted of forfeited assets grant funds.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 10—Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component unit participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit 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 disallowance of current grant program expenditures, if any, would be immaterial.

The following construction contract was outstanding at June 30, 2014:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Athletic Complex	Loughridge & Company	\$ 2,872,025	\$ 383,445

Note 11—Litigation:

At June 30, 2014, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Risk Management:

The County, the Component Unit School Board, and the Component Unit - EDA are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries insurance.

The County and the School Board are members of the Virginia Association of Counties Risk Pool Group Self Insurance (VACORP) for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay VACORP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of VACORP and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACORP may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Risk Management: (Continued)

The County and School Board also participates with other localities in a public entity risk pool for their coverage of general liability auto insurance and public officials liability with VACORP. The County and School Board pay an annual premium to the pools for general insurance through member premiums. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13—Pension Plan:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

Note 13–Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 13–Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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Note 13–Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 13–Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13–Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 13–Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 13–Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. **Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 13–Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. **Eligibility** - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13–Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional’s contribution rate for the fiscal year ended 2014 were 8.38% and 9.20% of annual covered payroll, respectively.

The School Board’s contributions for professional employees were \$817,357 to the teacher cost-sharing pool for the fiscal year ended June 30, 2014 and contributions represented 11.66% of current covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, the County’s annual pension cost of \$213,548 was equal to the County’s required and actual contributions.

Three Year Trend Information - County			
Fiscal Year Ending (1)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 213,548	100%	\$ -
June 30, 2013	202,814	100%	-
June 30, 2012	144,363	100%	-

(1) Employer contribution only

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13–Pension Plan: (Continued)

For the fiscal year 2014, the School Board’s annual pension cost of the \$41,276 was not equal to the School Board’s required and actual contributions. The School Board’s annual cost due was \$58,280, resulting in a net pension obligation for fiscal year 2014 of \$17,004.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending (1)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 41,276	71%	\$ 32,756
June 30, 2013	38,236	71%	15,752
June 30, 2012	74,665	100%	-

(1) Employer contribution only

The following table shows the components of the School Board’s annual pension cost for the year, the amount actually contributed to the plan, and the changes in the Board’s net pension obligation.

Annual required contribution	\$	58,280
Interest on net pension obligation		1,457
Adjustment to annual required contribution		(1,457)
Annual pension cost (expense)	\$	58,280
Contributions made		(41,276)
Increase in net pension obligation		17,004
Net pension obligation-beginning of year		15,752
Net pension obligation-end of year	\$	32,756

The County did not record the unfunded net pension obligation in these financial statements.

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13–Pension Plan: *(Continued)*

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County’s plan was 93.99% funded. The actuarial accrued liability for benefits was \$8,583,070, and the actuarial value of assets was \$8,066,881, resulting in an unfunded actuarial accrued liability (UAAL) of \$516,189. The covered payroll (annual payroll of active employees covered by the plan) was \$2,452,763, and ratio of the UAAL to the covered payroll was 21.05%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board’s plan was 73.85% funded. The actuarial accrued liability for benefits was \$2,699,627, and the actuarial value of assets was \$1,993,721, resulting in an unfunded actuarial accrued liability (UAAL) of \$705,906. The covered payroll (annual payroll of active employees covered by the plan) was \$404,836, and the ratio of the UAAL to the covered payroll was 174.37%.

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

Note 14 –Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Lynn L. Dunlevy, Clerk of the Circuit Court	\$ 103,000
Betty S. Bray, Treasurer	400,000
Priscilla J. Davenport, Commissioner of the Revenue	3,000
David P. Bushey, Sheriff	30,000
VACo Risk Management Programs:	
All County, School Board and EDA Employees-blanket bond	250,000
Western Surety Company-Surety:	
All Social Services Employees-blanket bond	100,000

Note 15 –Other Postemployment Benefits - Health Insurance:

A. Plan Description

The Middlesex County Public Schools allow retirees that retire with a combined age and years of service that total at least 85 to remain on the health insurance plan. Health benefits include medical, dental and vision. The retiree is responsible for 100% of the premium. Benefits are for the life of the retiree and spouse as long as its continuous coverage. The spouse can continue coverage after the death of the retiree.

B. Funding Policy

The School Board’s retirees pay 100% of the premiums directly to Anthem BCBS. The Schools currently have no retirees on their plan.

Note 15 –Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

		<u>School Board</u>
Annual required contribution	\$	29,600
Interest on net OPEB obligation		1,276
Adjustment to annual required contribution		<u>(1,145)</u>
Annual OPEB cost (expense)	\$	29,731
Contributions made		<u>(28,300)</u>
Increase in net OPEB obligation		1,431
Net OPEB obligation-beginning of year		<u>31,857</u>
Net OPEB obligation-end of year	\$	<u><u>33,288</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 15 – Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
School Board:			
6/30/2014	\$ 29,731	95.19%	\$ 33,288
6/30/2013	29,816	142.48%	31,857
6/30/2012	27,400	54.29%	44,524

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the School Board’s actuarial accrued liability for benefits was \$302,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,439,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.56 percent.

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

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Note 15 – Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using Scale AA.

Coverage elections -The actuary assumed that 30% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2012 was thirty years.

Note 16-Other Postemployment Benefits - VRS Health Insurance Credit:

A. Plan Description

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

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

Note 16-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

A. Plan Description (Continued)

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2014 was \$77,810 and equaled the required contributions for the year.

Note 17-Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No.68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No.27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County believes the implementation of Statement No.68 will significantly impact the County's net position; however, no formal study or estimate of the impact of this standard has been performed.

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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County of Middlesex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 13,095,900	\$ 13,095,900	\$ 13,593,810	\$ 497,910
Other local taxes	1,899,389	1,899,389	1,890,242	(9,147)
Permits, privilege fees, and regulatory licenses	108,700	108,700	98,445	(10,255)
Fines and forfeitures	37,000	37,000	33,149	(3,851)
Revenue from the use of money and property	103,400	103,400	96,976	(6,424)
Charges for services	193,250	259,218	384,381	125,163
Miscellaneous	50,450	64,678	87,643	22,965
Recovered costs	40,000	78,265	127,119	48,854
Intergovernmental:				
Commonwealth	3,226,159	3,358,192	3,203,983	(154,209)
Federal	647,503	649,975	593,942	(56,033)
Total revenues	<u>\$ 19,401,751</u>	<u>\$ 19,654,717</u>	<u>\$ 20,109,690</u>	<u>\$ 454,973</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,566,855	\$ 1,436,428	\$ 1,318,092	\$ 118,336
Judicial administration	675,607	739,528	715,522	24,006
Public safety	3,125,790	3,597,260	3,532,583	64,677
Public works	1,561,601	1,519,103	1,168,461	350,642
Health and welfare	1,952,910	1,953,910	1,782,561	171,349
Education	7,821,989	8,014,256	7,449,222	565,034
Parks, recreation, and cultural	243,865	246,937	237,207	9,730
Community development	536,054	608,524	686,809	(78,285)
Debt service:				
Principal retirement	1,263,210	1,263,210	1,263,210	-
Interest and other fiscal charges	897,256	897,256	928,061	(30,805)
Total expenditures	<u>\$ 19,645,137</u>	<u>\$ 20,276,412</u>	<u>\$ 19,081,728</u>	<u>\$ 1,194,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (243,386)</u>	<u>\$ (621,695)</u>	<u>\$ 1,027,962</u>	<u>\$ 1,649,657</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ -
Issuance of capital leases	-	87,189	87,189	-
Total other financing sources (uses)	<u>\$ (125,000)</u>	<u>\$ (37,811)</u>	<u>\$ (37,811)</u>	<u>\$ -</u>
Net change in fund balances	\$ (368,386)	\$ (659,506)	\$ 990,151	\$ 1,649,657
Fund balances - beginning	368,386	659,506	6,490,235	5,830,729
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,480,386</u>	<u>\$ 7,480,386</u>

County of Middlesex, Virginia
Schedule of Pension Funding Progress
Last Ten Fiscal Years

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2013	\$ 8,066,881	\$ 8,583,070	\$ 516,189	93.99%	\$ 2,452,763	21.05%
6/30/2012	7,758,708	7,887,637	128,929	98.37%	2,099,195	6.14%
6/30/2011	7,919,951	8,075,624	155,673	98.07%	2,321,401	6.71%
6/30/2010	7,692,811	7,821,414	128,603	98.36%	2,309,997	5.57%
6/30/2009	7,642,482	7,220,487	(421,995)	105.84%	2,476,472	-17.04%
6/30/2008	7,590,086	7,009,164	(580,922)	108.29%	2,224,895	-26.11%
6/30/2007	6,957,830	6,391,460	(566,370)	108.86%	2,296,798	-24.66%
6/30/2006	6,214,111	5,857,992	(356,119)	106.08%	2,010,928	-17.71%
6/30/2005	5,923,550	5,898,745	(24,805)	100.42%	1,870,115	-1.33%
6/30/2004	5,853,918	5,378,494	(475,424)	108.84%	1,781,448	-26.69%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2013	\$ 1,993,721	\$ 2,699,627	\$ 705,906	73.85%	\$ 404,836	174.37%
6/30/2012	1,987,719	2,729,921	742,202	72.81%	429,681	172.73%
6/30/2011	2,090,931	2,819,242	728,311	74.17%	680,362	107.05%
6/30/2010	2,048,077	2,714,172	666,095	75.46%	706,173	94.32%
6/30/2009	2,021,228	2,489,753	468,525	81.18%	756,540	61.93%
6/30/2008	1,907,082	2,329,378	422,296	81.87%	743,795	56.78%
6/30/2007	1,678,126	2,183,044	504,918	76.87%	665,646	75.85%
6/30/2006	1,475,068	1,986,605	511,537	74.25%	572,076	89.42%
6/30/2005	1,358,982	1,871,295	512,313	72.62%	581,861	88.05%
6/30/2004	1,267,643	1,760,089	492,446	72.02%	560,937	87.79%

County of Middlesex, Virginia
 Schedule of OPEB Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as % of Payroll
School Board:						
1/1/2009	\$ -	\$ 252,000	\$ 252,000	0.00%	\$ 5,351,000	4.71%
1/1/2012	-	302,500	302,500	0.00%	5,439,500	5.56%

* Only two valuations are available

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County Capital Projects Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 2,811	\$ 2,811	
Miscellaneous	-	-	320,000	320,000	
Total revenues	\$ -	\$ -	\$ 322,811	\$ 322,811	
EXPENDITURES					
Capital projects	\$ -	\$ 4,779,550	\$ 5,177,923	\$ (398,373)	
Debt service:					
Interest and other fiscal charges	-	75,150	75,150	-	
Total expenditures	\$ -	\$ 4,854,700	\$ 5,253,073	\$ (398,373)	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (4,854,700)	\$ (4,930,262)	\$ (75,562)	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 125,000	\$ 125,000	
Issuance of lease revenue bonds	-	2,092,700	2,092,700	-	
Total other financing sources (uses)	\$ -	\$ 2,092,700	\$ 2,217,700	\$ 125,000	
Net change in fund balances	\$ -	\$ (2,762,000)	\$ (2,712,562)	\$ 49,438	
Fund balance - beginning	-	2,762,000	4,058,326	1,296,326	
Fund balance - ending	\$ -	\$ -	\$ 1,345,764	\$ 1,345,764	

County of Middlesex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds			
	<u>Special Welfare</u>	<u>Friends for Life</u>	<u>Chesapeake Bay Governor's School</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,856	\$ 37	\$ 122,916	\$ 124,809
LIABILITIES				
Amounts held for others	\$ -	\$ 37	\$ 122,916	\$ 122,953
Amounts held for social services clients	1,856	-	-	1,856
Total liabilities	\$ 1,856	\$ 37	\$ 122,916	\$ 124,809

County of Middlesex, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 2,921	\$ 2,329	\$ 3,394	\$ 1,856
Liabilities:				
Amounts held for social services clients	\$ 2,921	\$ 2,329	\$ 3,394	\$ 1,856
Friends for Life:				
Assets:				
Cash and cash equivalents	\$ 2,938	\$ 12,405	\$ 15,306	\$ 37
Liabilities:				
Amounts held for others	\$ 2,938	\$ 12,405	\$ 15,306	\$ 37
Chesapeake Bay Governor's School:				
Assets:				
Cash and cash equivalents	\$ 61,594	\$ 1,452,972	\$ 1,391,650	\$ 122,916
Liabilities:				
Accrued liabilities	\$ 18,912	\$ -	\$ 18,912	\$ -
Amounts held for others	42,682	1,452,972	1,372,738	122,916
Total liabilities	\$ 61,594	\$ 1,452,972	\$ 1,391,650	\$ 122,916
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 67,453	\$ 1,467,706	\$ 1,410,350	\$ 124,809
Liabilities:				
Accrued liabilities	\$ 18,912	\$ -	\$ 18,912	\$ -
Amounts held for others	45,620	1,465,377	1,388,044	122,953
Amounts held for social services clients	2,921	2,329	3,394	1,856
Total liabilities	\$ 67,453	\$ 1,467,706	\$ 1,410,350	\$ 124,809

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,318,140	\$ 94,028	\$ 1,412,168
Receivables (net of allowance for uncollectibles):			
Due from other governmental units	375,373	15,686	391,059
Total assets	<u>\$ 1,693,513</u>	<u>\$ 109,714</u>	<u>\$ 1,803,227</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 1,304,358	\$ -	\$ 1,304,358
Due to other governmental units	375,374	-	375,374
Total liabilities	<u>\$ 1,679,732</u>	<u>\$ -</u>	<u>\$ 1,679,732</u>
Fund balances:			
Committed:			
School Operating Fund	\$ 13,781	\$ -	\$ 13,781
Texbooks	-	667	667
School food	-	109,047	109,047
Total fund balances	<u>\$ 13,781</u>	<u>\$ 109,714</u>	<u>\$ 123,495</u>
Total liabilities and fund balances	<u>\$ 1,693,513</u>	<u>\$ 109,714</u>	<u>\$ 1,803,227</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 123,495

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Capital assets cost	\$ 7,653,037	
Accumulated depreciation	<u>(3,769,998)</u>	3,883,039

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

Compensated absences	\$ (54,240)	
Net OPEB obligation	<u>(33,288)</u>	(87,528)

Net position of governmental activities \$ 3,919,006

County of Middlesex, Virginia
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	<u>School Operating Fund</u>	<u>School Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 26,915	\$ 155	\$ 27,070
Charges for services	20,540	169,036	189,576
Miscellaneous	81,359	-	81,359
Recovered costs	728	-	728
Intergovernmental:			
Local government	7,370,220	70,184	7,440,404
Commonwealth	3,644,956	39,796	3,684,752
Federal	875,826	362,920	1,238,746
Total revenues	\$ 12,020,544	\$ 642,091	\$ 12,662,635
EXPENDITURES			
Current:			
Education	\$ 12,020,241	\$ 764,581	\$ 12,784,822
Total expenditures	\$ 12,020,241	\$ 764,581	\$ 12,784,822
Excess (deficiency) of revenues over (under) expenditures	\$ 303	\$ (122,490)	\$ (122,187)
Net change in fund balances	\$ 303	\$ (122,490)	\$ (122,187)
Fund balances - beginning	13,478	232,204	245,682
Fund balances - ending	\$ 13,781	\$ 109,714	\$ 123,495

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

Net change in fund balances - total governmental funds - per above \$ (122,187)

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 depreciation exceeded the capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 267,551	
Depreciation expense	(752,853)	
Activity related to joint tenancy assets of Component Unit and Primary Government	548,247	62,945

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.

(Increase) decrease in Net OPEB obligation	\$ (1,431)	
(Increase) decrease in compensated absences	(8,006)	(9,437)

Change in net position of governmental activities \$ (68,679)

County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Operating Fund			School Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts Original	Final	Actual	Budgeted Amounts Original	Final	Actual	
REVENUES							
Revenue from the use of money and property	\$ -	\$ -	\$ 26,915	\$ -	\$ -	\$ -	\$ 155
Charges for services	16,700	16,700	20,540	234,769	234,769	169,036	(65,733)
Miscellaneous	64,997	96,804	81,359	-	-	-	-
Recovered costs	-	896	728	-	-	-	-
Intergovernmental:							
Local government	7,717,767	7,867,352	7,370,220	73,654	73,654	70,184	(3,470)
Commonwealth	3,523,808	3,530,876	3,644,956	42,935	42,935	39,796	(3,139)
Federal	660,692	711,657	875,826	316,700	353,030	362,920	9,890
Total revenues	\$ 11,983,964	\$ 12,224,285	\$ 12,020,544	\$ 668,058	\$ 704,388	\$ 642,091	\$ (62,297)
EXPENDITURES							
Current:							
Education	\$ 11,983,964	\$ 12,224,285	\$ 12,020,241	\$ 668,058	\$ 940,843	\$ 764,581	\$ 176,262
Total expenditures	\$ 11,983,964	\$ 12,224,285	\$ 12,020,241	\$ 668,058	\$ 940,843	\$ 764,581	\$ 176,262
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 303	\$ -	\$ (236,455)	\$ (122,490)	\$ 113,965
Net change in fund balances	\$ -	\$ -	\$ 303	\$ -	\$ (236,455)	\$ (122,490)	\$ 113,965
Fund balances - beginning	-	-	13,478	-	236,455	232,204	(4,251)
Fund balances - ending	\$ -	\$ -	\$ 13,781	\$ -	\$ -	\$ 109,714	\$ 109,714

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SUPPORTING SCHEDULES

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County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,383,000	\$ 10,383,000	\$ 10,749,935	\$ 366,935
Real and personal public service corporation taxes	199,000	199,000	204,060	5,060
Personal property taxes	2,299,750	2,299,750	2,360,181	60,431
Mobile home taxes	46,150	46,150	45,247	(903)
Airplane taxes	-	-	10,929	10,929
Penalties	98,000	98,000	109,200	11,200
Interest	70,000	70,000	114,258	44,258
Total general property taxes	<u>\$ 13,095,900</u>	<u>\$ 13,095,900</u>	<u>\$ 13,593,810</u>	<u>\$ 497,910</u>
Other local taxes:				
Local sales and use taxes	\$ 942,739	\$ 942,739	\$ 907,037	\$ (35,702)
Consumers' utility taxes	231,000	231,000	230,371	(629)
Consumption taxes	48,000	48,000	46,442	(1,558)
Business license taxes	165,000	165,000	186,051	21,051
Motor vehicle licenses	293,400	293,400	296,061	2,661
Bank stock taxes	40,000	40,000	56,628	16,628
Taxes on recordation and wills	179,250	179,250	167,652	(11,598)
Total other local taxes	<u>\$ 1,899,389</u>	<u>\$ 1,899,389</u>	<u>\$ 1,890,242</u>	<u>\$ (9,147)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 10,279	\$ (221)
Building permits	76,500	76,500	71,274	(5,226)
Permits and other licenses	21,700	21,700	16,892	(4,808)
Total permits, privilege fees, and regulatory licenses	<u>\$ 108,700</u>	<u>\$ 108,700</u>	<u>\$ 98,445</u>	<u>\$ (10,255)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 37,000	\$ 37,000	\$ 33,149	\$ (3,851)
Revenue from use of money and property:				
Revenue from use of money	\$ 5,500	\$ 5,500	\$ 1,116	\$ (4,384)
Revenue from use of property	97,900	97,900	95,860	(2,040)
Total revenue from use of money and property	<u>\$ 103,400</u>	<u>\$ 103,400</u>	<u>\$ 96,976</u>	<u>\$ (6,424)</u>
Charges for services:				
Charges for court services	\$ 26,950	\$ 33,082	\$ 33,651	\$ 569
Charges for Commonwealth's Attorney	850	850	1,099	249
Charges for Treasurer	-	2,261	2,900	639
Charges for other protection	100	100	618	518
Charges for planning and community development	11,850	11,850	14,182	2,332
Charges for parks and recreation	12,000	12,000	18,852	6,852
Charges for airport	141,500	199,075	313,079	114,004
Total charges for services	<u>\$ 193,250</u>	<u>\$ 259,218</u>	<u>\$ 384,381</u>	<u>\$ 125,163</u>

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 50,450	\$ 64,678	\$ 87,643	\$ 22,965
Recovered costs:				
Local health department	\$ -	\$ -	\$ 24,926	24,926
Sheriff	-	36,265	42,002	\$ 5,737
Debt service	-	-	23,191	23,191
Economy and tourism	40,000	42,000	37,000	(5,000)
Total recovered costs	\$ 40,000	\$ 78,265	\$ 127,119	\$ 48,854
Total revenue from local sources	\$ 15,528,089	\$ 15,646,550	\$ 16,311,765	\$ 665,215
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 900	\$ 900	\$ 1,243	343
Rolling stock tax	600	600	1,653	1,053
Mobile home titling tax	11,500	11,500	23,662	12,162
Communications tax	480,000	480,000	441,634	(38,366)
State recordation tax	-	-	53,025	53,025
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,202,635	\$ 1,202,635	\$ 1,230,853	\$ 28,218
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 154,379	\$ 154,379	\$ 154,533	\$ 154
Sheriff	692,142	715,142	688,098	(27,044)
Commissioner of revenue	92,757	92,757	91,732	(1,025)
Treasurer	85,402	85,402	85,095	(307)
Registrar/electoral board	37,946	37,946	36,554	(1,392)
Clerk of the circuit court	150,617	155,896	151,484	(4,412)
Total shared expenses	\$ 1,213,243	\$ 1,241,522	\$ 1,207,496	\$ (34,026)
Other categorical aid:				
Public assistance and welfare administration	\$ 414,582	\$ 414,976	\$ 371,909	\$ (43,067)
Fire programs fund	-	56,404	31,484	(24,920)
Comprehensive services act	325,000	325,000	220,621	(104,379)
Wireless funds	40,000	40,000	45,303	5,303
Emergency medical services	-	-	13,296	13,296
Victim-witness grant	25,699	25,699	25,699	-
Clerk's records grant	-	27,195	27,195	-
Disaster recovery	-	-	994	994
Forfeitted assets	-	-	1,515	1,515
Airport grant	-	8,855	16,202	7,347

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Abandoned vehicles	\$ -	\$ 4,040	\$ 5,050	\$ 1,010
Litter control	5,000	11,866	6,366	(5,500)
Total other categorical aid	<u>\$ 810,281</u>	<u>\$ 914,035</u>	<u>\$ 765,634</u>	<u>\$ (148,401)</u>
Total categorical aid	<u>\$ 2,023,524</u>	<u>\$ 2,155,557</u>	<u>\$ 1,973,130</u>	<u>\$ (182,427)</u>
Total revenue from the Commonwealth	<u>\$ 3,226,159</u>	<u>\$ 3,358,192</u>	<u>\$ 3,203,983</u>	<u>\$ (154,209)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 637,503	\$ 638,109	\$ 571,885	\$ (66,224)
Ground transportation safety	10,000	10,000	6,957	(3,043)
Disaster recovery	-	-	5,734	5,734
Edward Byrne JAG grant	-	1,866	1,866	-
Emergency services grants	-	-	7,500	7,500
Total categorical aid	<u>\$ 647,503</u>	<u>\$ 649,975</u>	<u>\$ 593,942</u>	<u>\$ (56,033)</u>
Total revenue from the federal government	<u>\$ 647,503</u>	<u>\$ 649,975</u>	<u>\$ 593,942</u>	<u>\$ (56,033)</u>
Total General Fund	<u>\$ 19,401,751</u>	<u>\$ 19,654,717</u>	<u>\$ 20,109,690</u>	<u>\$ 454,973</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,811	\$ 2,811
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 320,000	\$ 320,000
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,811</u>	<u>\$ 322,811</u>
Total Primary Government	<u>\$ 19,401,751</u>	<u>\$ 19,654,717</u>	<u>\$ 20,432,501</u>	<u>\$ 777,784</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 26,915	\$ 26,915
Charges for services:				
Charges for education	\$ 16,700	\$ 16,700	\$ 20,540	\$ 3,840

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 64,997	\$ 96,804	\$ 81,359	\$ (15,445)
Recovered costs:				
Other recovered costs	\$ -	\$ 896	\$ 728	\$ (168)
Total revenue from local sources	\$ 81,697	\$ 114,400	\$ 129,542	\$ 15,142
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 7,717,767	\$ 7,867,352	\$ 7,370,220	\$ (497,132)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,219,284	\$ 1,219,284	\$ 1,180,735	\$ (38,549)
Basic school aid	1,411,590	1,411,590	1,463,585	51,995
Additional assistance	30,299	30,299	30,299	-
Regular foster care	2,972	2,972	13,633	10,661
GED funding	7,859	7,859	7,859	-
English as a second language	495	495	825	330
Gifted and talented	14,388	14,388	14,733	345
Adult education	37,739	37,739	-	(37,739)
Special education	162,717	162,717	208,336	45,619
Remedial education	41,600	41,600	42,598	998
Vocational education	45,810	45,810	47,332	1,522
Early reading intervention	6,914	6,914	7,778	864
School fringes	228,019	228,019	233,488	5,469
Compensation supplement	33,494	33,494	34,303	809
Technology	154,000	155,430	129,430	(26,000)
Mentor teacher program	1,226	1,226	682	(544)
At risk payments	50,242	50,242	51,430	1,188
Primary class size	66,755	66,755	69,224	2,469
SOL algebra readiness	6,173	6,173	7,078	905
School security grant	-	-	99,557	99,557
Other state funds	2,232	7,870	2,051	(5,819)
Total categorical aid	\$ 3,523,808	\$ 3,530,876	\$ 3,644,956	\$ 114,080
Total revenue from the Commonwealth	\$ 3,523,808	\$ 3,530,876	\$ 3,644,956	\$ 114,080

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 291,557	\$ 305,928	\$ 431,273	\$ 125,345
Title VI-B, special education flow-through	276,385	285,665	324,710	39,045
Vocational education	25,774	25,774	21,281	(4,493)
Title VI-B, special education pre-school	9,690	9,690	9,873	183
Title VI	-	27,314	24,290	(3,024)
Title II, Part A	57,286	57,286	64,399	7,113
Total categorical aid	<u>\$ 660,692</u>	<u>\$ 711,657</u>	<u>\$ 875,826</u>	<u>\$ 164,169</u>
Total revenue from the federal government	<u>\$ 660,692</u>	<u>\$ 711,657</u>	<u>\$ 875,826</u>	<u>\$ 164,169</u>
Total School Operating Fund	<u><u>\$ 11,983,964</u></u>	<u><u>\$ 12,224,285</u></u>	<u><u>\$ 12,020,544</u></u>	<u><u>\$ (203,741)</u></u>
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ 155</u>
Charges for services:				
Cafeteria sales	<u>\$ 234,769</u>	<u>\$ 234,769</u>	<u>\$ 169,036</u>	<u>\$ (65,733)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	<u>\$ 73,654</u>	<u>\$ 73,654</u>	<u>\$ 70,184</u>	<u>\$ (3,470)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	<u>\$ 13,569</u>	<u>\$ 13,569</u>	<u>\$ 11,057</u>	<u>\$ (2,512)</u>
Textbook payments	<u>29,366</u>	<u>29,366</u>	<u>28,739</u>	<u>(627)</u>
Total categorical aid	<u>\$ 42,935</u>	<u>\$ 42,935</u>	<u>\$ 39,796</u>	<u>\$ (3,139)</u>
Total revenue from the Commonwealth	<u>\$ 42,935</u>	<u>\$ 42,935</u>	<u>\$ 39,796</u>	<u>\$ (3,139)</u>

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 316,700	\$ 316,700	\$ 326,590	\$ 9,890
Commodities	-	36,330	36,330	-
Total categorical aid	<u>\$ 316,700</u>	<u>\$ 353,030</u>	<u>\$ 362,920</u>	<u>\$ 9,890</u>
Total revenue from the federal government	<u>\$ 316,700</u>	<u>\$ 353,030</u>	<u>\$ 362,920</u>	<u>\$ 9,890</u>
Total School Special Revenue Fund	<u>\$ 668,058</u>	<u>\$ 704,388</u>	<u>\$ 642,091</u>	<u>\$ (62,297)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 12,652,022</u>	<u>\$ 12,928,673</u>	<u>\$ 12,662,635</u>	<u>\$ (266,038)</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 81,198	\$ 82,339	\$ 80,008	\$ 2,331
General and financial administration:				
County administrator	\$ 319,775	\$ 319,775	\$ 298,592	\$ 21,183
Legal services	55,000	92,964	92,964	-
Commissioner of revenue	218,378	218,378	197,518	20,860
Independent Auditor	15,000	26,900	26,900	-
Treasurer	225,683	227,943	228,543	(600)
Assessor	45,000	45,000	-	45,000
Data processing	156,443	167,681	164,529	3,152
Other general and financial administration	333,100	138,170	118,641	19,529
Total general and financial administration	<u>\$ 1,368,379</u>	<u>\$ 1,236,811</u>	<u>\$ 1,127,687</u>	<u>\$ 109,124</u>
Board of elections:				
Registrar, electoral board and officials	\$ 117,278	\$ 117,278	\$ 110,397	\$ 6,881
Total general government administration	<u>\$ 1,566,855</u>	<u>\$ 1,436,428</u>	<u>\$ 1,318,092</u>	<u>\$ 118,336</u>
Judicial administration:				
Courts:				
General district court	\$ 8,356	\$ 8,356	\$ 5,292	\$ 3,064
Juvenile court	6,465	6,465	1,166	5,299
Sheriff	167,678	197,728	191,553	6,175
Court services unit	49,800	49,204	39,056	10,148
Special Magistrates	500	500	-	500
Victim Witness	25,702	25,702	27,650	(1,948)
Clerk of the circuit court	206,518	238,992	239,005	(13)
Total courts	<u>\$ 465,019</u>	<u>\$ 526,947</u>	<u>\$ 503,722</u>	<u>\$ 23,225</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 210,588	\$ 212,581	\$ 211,800	\$ 781
Total judicial administration	<u>\$ 675,607</u>	<u>\$ 739,528</u>	<u>\$ 715,522</u>	<u>\$ 24,006</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,326,657	\$ 1,531,400	\$ 1,495,698	\$ 35,702
Town deputy	39,196	39,196	38,358	838
School resource officers	102,114	102,114	102,114	-
Forfeited assets	-	-	6,437	(6,437)
Total law enforcement and traffic control	<u>\$ 1,467,967</u>	<u>\$ 1,672,710</u>	<u>\$ 1,642,607</u>	<u>\$ 30,103</u>
Fire and rescue services:				
Volunteer fire departments	\$ 206,000	\$ 262,404	\$ 262,404	\$ -
Volunteer rescue squads	143,644	143,644	143,644	-
Total fire and rescue services	<u>\$ 349,644</u>	<u>\$ 406,048</u>	<u>\$ 406,048</u>	<u>\$ -</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail	\$ 750,905	\$ 931,632	\$ 931,632	\$ -
Juvenile probation and detention	48,000	77,596	77,596	-
Total correction and detention	<u>\$ 798,905</u>	<u>\$ 1,009,228</u>	<u>\$ 1,009,228</u>	<u>\$ -</u>
Inspections:				
Building	\$ 122,509	\$ 122,509	\$ 121,374	\$ 1,135
Other protection:				
Animal control	\$ 96,616	\$ 96,616	\$ 94,303	\$ 2,313
Emergency services	184,079	184,079	154,174	29,905
Medical examiner	2,200	2,200	80	2,120
E-911 communications	103,870	103,870	104,769	(899)
Total other protection	<u>\$ 386,765</u>	<u>\$ 386,765</u>	<u>\$ 353,326</u>	<u>\$ 33,439</u>
Total public safety	<u>\$ 3,125,790</u>	<u>\$ 3,597,260</u>	<u>\$ 3,532,583</u>	<u>\$ 64,677</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 98,041	\$ 98,041	\$ 86,912	\$ 11,129
Litter	-	6,866	1,210	5,656
Landfill maintenance	5,111	14,605	11,999	2,606
VPPSA	614,555	614,555	539,293	75,262
Total sanitation and waste removal	<u>\$ 717,707</u>	<u>\$ 734,067</u>	<u>\$ 639,414</u>	<u>\$ 94,653</u>
Maintenance of general buildings and grounds:				
General properties	\$ 549,956	\$ 549,956	\$ 529,047	\$ 20,909
Capital outlay reserve - general properties	293,938	235,080	-	235,080
Total maintenance of general buildings and grounds	<u>\$ 843,894</u>	<u>\$ 785,036</u>	<u>\$ 529,047</u>	<u>\$ 255,989</u>
Total public works	<u>\$ 1,561,601</u>	<u>\$ 1,519,103</u>	<u>\$ 1,168,461</u>	<u>\$ 350,642</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 158,904	\$ 158,904	\$ 158,904	\$ -
Mental health:				
Community services board	\$ 31,909	\$ 31,909	\$ 31,909	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,182,803	\$ 1,183,803	\$ 1,077,778	\$ 106,025
Area agency on aging	43,085	43,085	43,085	-
Comprehensive services act	521,289	521,289	458,257	63,032
Housing office	2,292	2,292	-	2,292

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Vocational rehab center	\$ 4,553	\$ 4,553	\$ 4,553	\$ -
Other welfare contributions	8,075	8,075	8,075	-
Total welfare	<u>\$ 1,762,097</u>	<u>\$ 1,763,097</u>	<u>\$ 1,591,748</u>	<u>\$ 171,349</u>
Total health and welfare	<u>\$ 1,952,910</u>	<u>\$ 1,953,910</u>	<u>\$ 1,782,561</u>	<u>\$ 171,349</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,018	\$ 6,018	\$ 6,018	\$ -
Capital campaign	21,700	21,700	-	21,700
Contribution to Virginia School League	2,850	2,850	2,800	50
Contribution to Chesapeake Bay Governor's School	-	42,682	-	42,682
Contribution to County School Board	7,791,421	7,941,006	7,440,404	500,602
Total education	<u>\$ 7,821,989</u>	<u>\$ 8,014,256</u>	<u>\$ 7,449,222</u>	<u>\$ 565,034</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks & recreation	\$ 48,687	\$ 48,687	\$ 46,476	\$ 2,211
Sports complex	28,000	31,072	23,553	7,519
YMCA	47,500	47,500	47,500	-
Total parks and recreation	<u>\$ 124,187</u>	<u>\$ 127,259</u>	<u>\$ 117,529</u>	<u>\$ 9,730</u>
Cultural enrichment:				
Museum	\$ 14,000	\$ 14,000	\$ 14,000	\$ -
Library:				
Contribution to library	\$ 105,678	\$ 105,678	\$ 105,678	\$ -
Total parks, recreation, and cultural	<u>\$ 243,865</u>	<u>\$ 246,937</u>	<u>\$ 237,207</u>	<u>\$ 9,730</u>
Community development:				
Planning and community development:				
Planning	\$ 118,039	\$ 118,039	\$ 107,309	\$ 10,730
Zoning administration	96,002	100,042	92,965	7,077
Board of zoning appeals	3,975	3,975	2,085	1,890
Economic development	78,238	80,238	61,145	19,093
Airport	178,167	244,597	371,735	(127,138)
Total planning and community development	<u>\$ 474,421</u>	<u>\$ 546,891</u>	<u>\$ 635,239</u>	<u>\$ (88,348)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 5,600	\$ 5,600	\$ 4,750	\$ 850
Wetlands	14,200	14,200	11,064	3,136
Forestry	4,303	4,303	3,961	342
Total environmental management	<u>\$ 24,103</u>	<u>\$ 24,103</u>	<u>\$ 19,775</u>	<u>\$ 4,328</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 37,530	\$ 37,530	\$ 31,795	\$ 5,735
Total community development	\$ 536,054	\$ 608,524	\$ 686,809	\$ (78,285)
Debt service:				
Principal retirement	\$ 1,263,210	\$ 1,263,210	\$ 1,263,210	\$ -
Interest and other fiscal charges	897,256	897,256	928,061	(30,805)
Total debt service	\$ 2,160,466	\$ 2,160,466	\$ 2,191,271	\$ (30,805)
Total General Fund	\$ 19,645,137	\$ 20,276,412	\$ 19,081,728	\$ 1,194,684
County Capital Projects Fund:				
Capital projects:				
School energy efficiency project	\$ -	\$ 2,017,550	\$ 2,016,296	\$ 1,254
Courthouse basement	-	-	177,526	(177,526)
Athletic complex	-	2,762,000	2,984,101	(222,101)
Total capital projects	\$ -	\$ 4,779,550	\$ 5,177,923	\$ (398,373)
Debt service:				
Bond issuance costs	\$ -	\$ 75,150	\$ 75,150	-
Total debt service	\$ -	\$ 75,150	\$ 75,150	-
Total County Capital Projects Fund	\$ -	\$ 4,854,700	\$ 5,253,073	\$ (398,373)
Total Primary Government	\$ 19,645,137	\$ 25,131,112	\$ 24,334,801	\$ 796,311
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 797,366	\$ 817,475	\$ 801,827	\$ 15,648
Instruction costs	8,166,829	8,253,232	8,105,137	148,095
Districtwide technology	588,861	664,381	651,964	12,417
Pupil transportation	1,136,548	1,239,800	1,203,373	36,427
Operation and maintenance of school plant	1,294,360	1,249,397	1,257,940	(8,543)
Total operating costs	\$ 11,983,964	\$ 12,224,285	\$ 12,020,241	\$ 204,044
Total education	\$ 11,983,964	\$ 12,224,285	\$ 12,020,241	\$ 204,044
Total School Operating Fund	\$ 11,983,964	\$ 12,224,285	\$ 12,020,241	\$ 204,044

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Education:				
Operating Costs:				
Instruction costs	\$ 103,020	\$ 243,214	\$ 239,272	\$ 3,942
School food services	565,038	661,299	488,979	172,320
Commodities	-	36,330	36,330	-
Total School Special Revenue Fund	<u>\$ 668,058</u>	<u>\$ 940,843</u>	<u>\$ 764,581</u>	<u>\$ 176,262</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 12,652,022</u>	<u>\$ 13,165,128</u>	<u>\$ 12,784,822</u>	<u>\$ 380,306</u>

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2005	\$ 1,153,179	391,255	2,332,940	\$ 1,326,867	\$ 1,254,135	\$ 4,882,864	\$ 104,771	\$ 215,958	\$ 1,428,981	\$ 13,090,950
2006	1,227,037	653,275	2,132,900	1,377,871	1,417,466	5,886,579	170,413	295,589	1,415,722	14,576,852
2007	1,403,919	907,113	2,498,709	1,738,886	1,385,778	6,545,863	162,173	340,485	1,264,784	16,247,710
2008	1,534,437	859,285	2,743,335	1,972,545	1,769,112	6,592,497	215,643	316,946	1,354,087	17,357,887
2009	1,333,731	903,325	3,302,858	2,067,376	2,159,380	7,607,213	251,557	471,996	1,328,472	19,425,908
2010	1,667,597	723,111	3,009,235	1,410,745	2,180,137	7,104,144	193,651	283,556	1,305,599	17,877,775
2011	1,522,660	836,428	3,106,856	1,553,944	2,020,487	7,988,806	232,105	235,397	1,267,491	18,764,174
2012	1,291,402	829,480	2,872,445	1,477,432	1,603,094	7,837,679	252,265	237,812	1,564,059	17,965,668
2013	1,306,637	908,487	3,208,066	1,248,114	1,558,165	7,991,805	247,781	683,739	1,184,264	18,337,058
2014	1,366,993	926,453	3,538,517	1,197,655	1,781,157	8,067,078	248,044	649,809	941,072	18,716,778

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2005	\$ 375,172	2,096,597	\$ -	\$ 8,446,655	2,147,563	284,747	138,197	749,749	\$ 14,238,680			
2006	432,172	2,099,357	-	8,756,050	2,385,289	309,981	315,730	768,102	15,753,825			
2007	380,545	2,242,986	-	9,370,023	2,426,960	354,712	229,009	815,447	16,506,826			
2008	531,653	2,615,005	-	10,528,167	2,378,949	219,960	99,377	810,056	17,183,167			
2009	350,139	2,703,065	-	10,963,199	2,240,138	111,028	113,186	778,513	17,259,268			
2010	360,648	2,735,584	-	12,026,611	1,674,067	95,638	216,040	1,324,139	18,432,727			
2011	320,826	2,544,210	-	12,984,605	1,794,343	55,765	-	1,111,883	18,811,632			
2012	214,077	3,154,006	-	12,825,584	2,023,959	393,052	126,033	1,165,550	19,902,261			
2013	505,433	2,415,946	-	13,677,537	1,859,906	99,176	183,079	1,205,922	19,946,999			
2014	515,975	2,567,072	-	13,732,367	1,890,242	99,787	407,643	1,230,853	20,443,939			

Table 3

County of Middlesex, Virginia
General Governmental Expenditures by Function (1, 3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2005	\$ 1,091,325	\$ 419,701	\$ 2,439,811	\$ 1,314,918	\$ 1,244,515	\$ 11,184,551	\$ 138,638	\$ 221,320	\$ 2,107,626	\$ 20,162,405
2006	1,235,187	452,754	2,265,284	1,345,663	1,425,618	11,329,405	155,567	295,589	2,062,276	20,567,343
2007	1,404,146	468,181	2,603,193	1,518,447	1,400,720	12,140,409	202,327	340,485	2,814,122	22,892,030
2008	1,491,029	616,057	2,774,444	1,896,680	1,768,359	12,712,079	216,668	316,946	2,001,275	23,793,537
2009	1,310,144	667,627	3,220,782	1,691,089	2,176,012	12,744,401	232,918	373,876	2,161,807	25,265,465
2010	1,291,007	630,324	3,087,176	1,381,551	2,159,469	12,588,815	217,699	259,109	2,217,281	23,832,431
2011	1,315,923	626,717	2,908,158	1,524,750	1,978,625	12,600,085	209,375	227,835	2,411,498	23,802,966
2012	1,296,408	673,283	2,963,489	1,543,555	1,600,524	12,731,443	239,684	237,812	2,031,465	23,317,663
2013	1,260,285	698,583	3,198,712	1,218,921	1,557,764	12,878,820	234,652	683,403	2,159,196	23,890,336
2014	1,318,092	715,522	3,532,583	1,168,461	1,782,561	12,793,640	237,207	686,809	2,266,421	24,501,296

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

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

(3) Excludes Capital Projects funds.

County of Middlesex, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2005	\$ 8,513,819	\$ 2,147,563	\$ 219,179	\$ 90,071	\$ 312,748	\$ 326,695	\$ 168,097	\$ 128,817	\$ 9,145,300	\$ 21,052,289
2006	8,876,242	2,385,289	257,045	46,066	336,448	392,939	372,817	50,809	9,129,560	21,847,215
2007	9,343,112	2,426,960	183,879	34,854	364,450	404,089	320,731	58,340	9,382,629	22,519,044
2008	10,305,154	2,378,949	172,590	19,027	249,055	618,124	153,383	196,158	9,598,934	23,691,374
2009	10,935,020	2,240,138	113,813	45,827	140,626	484,057	170,397	170,221	8,859,153	23,159,252
2010	11,890,905	1,674,067	121,206	53,628	126,070	442,953	271,714	96,219	9,690,955	24,367,717
2011	12,902,699	1,780,100	99,613	44,837	131,821	282,980	198,821	119,976	8,344,413	23,905,260
2012	12,937,272	2,023,959	118,879	34,674	3,110,547	265,248	18,567	278,232	4,883,972	23,671,350
2013	12,686,449	1,859,906	112,107	23,582	119,051	571,153	180,316	83,673	8,583,695	24,219,932
2014	13,593,810	1,890,242	98,445	33,149	124,046	573,957	169,002	127,847	8,721,423	25,331,921

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

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

(3) Excludes Capital Projects funds.

County of Middlesex, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2,3)	
2005	\$ 8,937,059	\$ 8,478,921	94.87%	\$ 536,129	\$ 9,015,050	100.87%	\$ 513,484	5.75%
2006	9,573,091	8,877,477	92.73%	555,601	9,433,078	98.54%	517,291	5.40%
2007	9,963,181	9,629,946	96.66%	307,769	9,937,715	99.74%	422,555	4.24%
2008	11,001,273	10,412,579	94.65%	483,889	10,896,468	99.05%	661,817	6.02%
2009	11,658,122	10,985,625	94.23%	538,055	11,523,680	98.85%	559,733	4.80%
2010	12,553,471	12,124,238	96.58%	325,615	12,449,853	99.17%	470,157	3.75%
2011	13,477,221	12,813,099	95.07%	633,646	13,446,745	99.77%	337,788	2.51%
2012	13,639,196	12,440,376	91.21%	333,594	12,773,970	93.66%	754,416	5.53%
2013	13,191,416	12,276,557	93.06%	510,798	12,787,355	96.94%	975,833	7.40%
2014	14,276,904	13,137,860	92.02%	517,094	13,654,954	95.64%	885,410	6.20%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal					Airplane	Public Service (2)	Total
		Property and Mobile Homes	Machinery and Tools	Merchants Capital					
2005	\$ 1,216,592,350	\$ 99,908,722	\$ 194,591	\$ 2,832,101	-	\$	34,279,218	\$ 1,353,806,982	
2006	1,253,227,000	103,761,222	230,255	-	-	-	28,008,897	1,385,227,374	
2007	1,287,765,081	102,519,714	227,634	-	-	-	18,574,792	1,409,087,221	
2008	1,815,934,227	108,559,269	313,111	-	-	-	16,566,244	1,941,372,851	
2009	2,361,923,641	104,646,192	254,063	-	-	-	36,703,825	2,503,527,721	
2010	2,383,366,546	101,564,084	240,158	-	-	-	33,301,317	2,518,472,105	
2011	2,251,385,965	80,205,876	85,040	-	-	-	32,479,070	2,364,155,951	
2012	2,122,059,100	102,463,279	267,677	-	-	-	43,195,070	2,267,985,126	
2013	2,133,216,900	102,463,279	267,677	-	-	-	43,195,070	2,279,142,926	
2014	2,139,783,400	100,037,169	119,065	-	-	324,365	42,272,477	2,282,536,476	

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants Capital	Airplane	Public Utility	
							Real Estate	Personal Property
2005	\$ 0.48	\$ 3.50	\$ 0.48	\$ 3.50	\$ 1.25	\$ -	\$ 0.48	\$ 3.50
2006	0.48	3.50	0.48	3.50	1.25	-	0.48	3.50
2007	0.52	3.50	0.52	1.75	1.25	-	0.52	3.50
2008	0.52/0.35	3.50	0.52	1.75	-	-	0.52	3.50
2009	0.35	3.50	0.35	1.75	-	-	0.35	3.50
2010	0.35/0.43	3.50	0.35	1.75	-	-	0.35	3.50
2011	0.43	3.50	0.43	1.75	-	-	0.43	3.50
2012	0.46	3.50	0.46	1.75	-	-	0.46	3.50
2013	0.46/0.48	3.50	0.46	1.75	-	-	0.46	3.50
2014	0.48/0.53	3.50	0.48	1.75	-	3.50	0.48	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	9,932	\$ 1,353,806,982	\$ 26,112,460	0.019	\$ 2,629
2006	9,932	1,385,227,374	25,278,426	0.018	2,545
2007	9,932	1,409,087,221	25,293,412	0.018	2,547
2008	9,932	1,941,372,851	24,662,348	0.013	2,483
2009	9,932	2,503,527,721	24,609,209	0.010	2,478
2010	10,959	2,518,472,105	23,439,136	0.009	2,139
2011	10,959	2,364,155,951	21,936,641	0.009	2,002
2012	10,959	2,267,985,126	24,227,984	0.011	2,211
2013	10,959	2,279,142,926	22,881,952	0.010	2,088
2014	10,959	2,282,536,476	23,795,965	0.010	2,171

(1) Bureau of Census

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, literary fund loans and lease/revenue bonds. Excludes notes, capital leases and compensated absences.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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
Middlesex, Virginia

We have audited, in accordance with the 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Middlesex Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Middlesex, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Middlesex, Virginia's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Middlesex, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
January 14, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2014. County of Middlesex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Middlesex, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Middlesex, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Middlesex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Middlesex, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Middlesex, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Middlesex, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 14, 2015

County of Middlesex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/90249	\$ 9,054
Temporary Assistance for Needy Families	93.558	0400109/90109	115,036
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/90113	599
Low-Income Home Energy Assistance	93.568	0600409/90114	11,413
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/90116	17,261
Chafee Education and Training Vouchers Program	93.599	9160108/9160109	108
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/90251	763
Foster Care - Title IV-E	93.658	1100109/90105	38,434
Adoption Assistance	93.659	1120109/90228	92,044
Social Services Block Grant	93.667	1000109/90313	89,714
Chafee Foster Care Independence Program	93.674	9150109/90254	1,747
Children's Health Insurance Program	93.767	0540109/90102	2,969
Medical Assistance Program	93.778	1200109/90101	89,655
Total Department of Health and Human Services			<u>\$ 468,797</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77501/77602-155	\$ 5,734
Emergency Management Performance Grant	97.042	77501-52743	7,500
Total Department of Homeland Security			<u>\$ 13,234</u>
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	\$ 1,866
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50252/51222	\$ 6,957
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution (Child Nutrition Cluster)	10.555	Unknown	\$ 36,330
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	232,191 \$ 268,521
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	94,399
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/ 90103	103,088
Total Department of Agriculture			<u>\$ 466,008</u>

County of Middlesex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 431,273
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	324,710
Special Education - Preschool Grants	84.173	17901- 62521	9,873
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	21,281
Rural Education	84.358	17901- 43481	24,290
Improving Teacher Quality State Grants	84.367	17901- 61480	64,399
Total Department of Education			<u>\$ 875,826</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,832,688</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of Middlesex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available.

Note C - Food Donation

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

Note D - 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	\$ 593,942
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Component Unit School Board:

School Operating Fund	\$ 875,826
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School Special Revenue Fund	362,920
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Total component unit school board	\$ 1,238,746
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Total expenditures of federal awards per basic financial statements	\$ 1,832,688
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 1,832,688
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County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified?

_____ yes none reported

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified?

_____ yes none reported

Type of auditors' report issued on compliance
for major programs:

unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?

_____ yes no

Identification of major programs:

CFDA Number(s)

10.553/10.555

84.010

Name of Federal Program or Cluster

Child Nutrition Cluster

Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Middlesex, Virginia
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014

There were no prior year audit findings.

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