

**County of Gloucester, Virginia
Comprehensive Annual Financial Report
For the Fiscal Year Ending June 30, 2017**



Cover photos by:



INTRODUCTORY SECTION

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COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared By:

Gloucester County
Department of Finance

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COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Phillip N. Bazzani, Chair
Christopher A. Hutson, Vice-Chair

Ashley C. Chriscoe
John C. Meyer, Jr.

Michael R. Winebarger

Andrew James, Jr.
Robert J. Orth

County School Board

Charles Records, Chairperson
Anita F. Parker, Vice-Chairperson

George R. Burak
Elisa Nelson

Robin Rice

Troy Anderson
William Jarret Lee

Board of Social Services

Aaron Conner, Chairperson
Jane Smith, Vice-Chairperson

Patricia Brown
Mark Dutton

Velma Bennis
BOS Representative Michael R. Winebarger

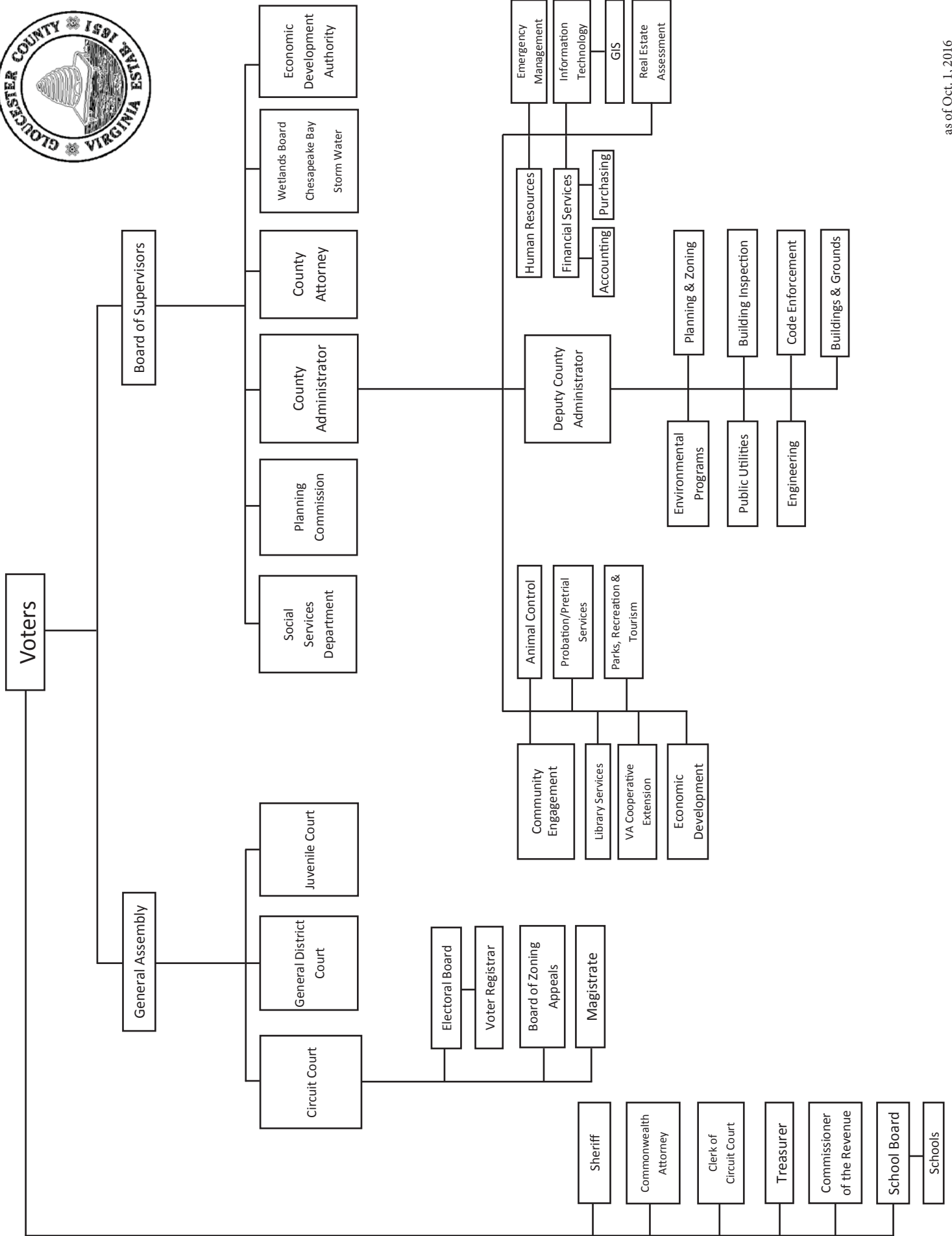
Harrison Dixon
Jane Sterling

Other Officials

County AdministratorJ. Brent Fedors
Judge of the Circuit CourtHonorable Jeffrey W. Shaw
Clerk of the Circuit Court.....Margaret Walker
Commonwealth's AttorneyHolly B. Smith
Commissioner of the Revenue..... Kevin A. Wilson
TreasurerTara L. Thomas
Judge of the Juvenile and Domestic Relations CourtHonorable Cressondra B. Conyers
Judge of the General District Court.....Honorable Stephanie E. Merritt
Sheriff.....D. W. Warren
Superintendent of Schools.....Walter R. Clemons, Ph.D.
Director of Department of Social Services Zane S. Barry
County AttorneyEdwin N. Wilmot

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Gloucester County Organizational Chart



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Gloucester
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading 'Jeffrey R. Emen', is positioned above the title 'Executive Director/CEO'.

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Gloucester County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the 21th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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County of Gloucester
County Administrator
6467 Main Street
P. O. Box 329
Gloucester, Virginia 23061



(804)693-4042

October 13, 2017

To the Honorable Members of the Board of Supervisors and Citizens of Gloucester County:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Gloucester County, Virginia for the fiscal year ended June 30, 2017 in conformity with the U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the U.S. by a firm of licensed certified public accountants as required by the Code of Virginia. This report is intended to provide informative and relevant financial data for the residents and business owners in the County, Board of Supervisors, investors, creditors, and any other interested readers. All are encouraged to contact the Gloucester County Department of Financial Services with any comments or questions concerning this financial report.

Robinson, Farmer, Cox Associates, Certified Public Accountants, conducted the audit of the County's financial statements for the fiscal year ended June 30, 2017, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2017, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the overall financial statement presentation. The audit was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on the County's internal controls over compliance as required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These reports are available in the Compliance Section of this report.

The Department of Financial Services has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with County management.

To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance

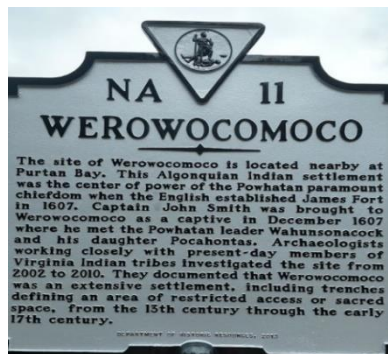
that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported to present fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to provide a profile of the County and summary information about its economic condition. It is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of Gloucester County

The County was created in 1651 and covers 225 square miles of land area and 32 square miles of water area. The population per the 2010 census was 36,858. The County is empowered to levy a property tax on both real estate and personal property located within its boundaries.

The County was the site of Werowocomoco, capital of the Native American Powhatan Confederacy (a union of 30 tribes under a paramount chief). In June 2016,



the National Park Service purchased 264-acre historical site



on the York River for development as a park. The site, which consists primarily of forest and farmland, has been determined to be the place where Captain John Smith was taken after his capture by Native Americans and where he met Chief Powhatan and his daughter Pocahontas. Initial findings suggest the extensive settlement was occupied as early as 1200 CE and functioned as a spiritual and political center for the Algonquian Indians. When complete, the park will be part of the Captain John Smith Chesapeake National Historic Trail. Currently the park is not open to the

public; however the National Park Service has awarded grant funds to the County for permanent display signage to be developed during FY2018.

Gloucester County is located in the Middle Peninsula of Virginia and is the fourth largest land area in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA), which is the nation's 31st largest MSA. Gloucester County shares a distinction with Chesterfield County in that they are the only two counties located within two planning districts. Gloucester County is part of the Hampton Roads Planning District and the Middle Peninsula Planning District.

The County of Gloucester has a County Administrator form of government with an elected Board of Supervisors (Board), which establishes policies for the administration of the County. The Board consists of seven members representing the five magisterial districts in the County and two members elected at-large. The Chairman of the Board of Supervisors is elected from within the Board and generally serves for a term of one year in addition to being a District Supervisor. The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, carries out the policies established by the Board, and oversees the daily administration of the County.

The County provides a full range of general governmental services for its citizens and businesses, including offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of Revenue, Treasurer, Registrar, and the departments of Human Resources, Information Technology & GIS,

Assessor, and the department of Financial Services (which includes Central Purchasing), that provides shared accounting and purchasing support for the Gloucester County Public School (GCPS) system. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

Judicial Administration is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Victim and Witness Assistance, Court Services, Group Home Commission, and Commonwealth's Attorney.

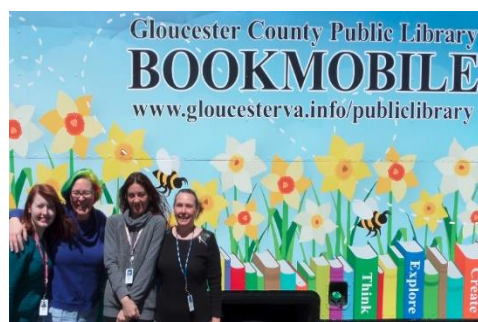
The Public Safety operations of the County include the Law Enforcement (Sheriff's Office and Jail), the departments of Emergency Operations, Building Inspections, Animal Control, Environmental and Stormwater Programs, with financial support to Probation and Pretrial, the Regional Radio (911) system, and the County's two Volunteer Fire and Rescue Squads.



Public Works consists of Engineering and Buildings & Grounds Maintenance. Engineering administers capital projects for the County and oversees the solid waste management services provided for the County. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and associated infrastructure located within the County. Buildings & Grounds manages the Mosquito Control unit.

Health and Welfare not only includes the Community Services Board which provides mental health, intellectual disability, and substance abuse services, but also the Department of Social Services which administers the Virginia Public Assistance and the Children's Services Act Funds by determining eligibility for these public assistance programs, which are mandated by Federal and State law.

Parks, Recreation, and Cultural provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus



tours, special events, including the County's signature event – the Daffodil Festival, and other activities for County residents in addition to the daily operation and maintenance of



the County's eight parks. The Gloucester County Public Libraries provides library services through two branch libraries, the bookmobile, and an e-branch which provides remote access to the library collection through the library's web site.

Community Development consists of the departments of Planning and Zoning, Economic Development, Clean Community, Extension Services, and Tourism to include the County's Historic Museum. The



Planning and Zoning Department is responsible for the Comprehensive Plan, Zoning ordinances, demographics, and the acceptance, review, and disposition of all land use and subdivision applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

Education provides support to the County's public school system administered by the Gloucester County School Board (School Board). GCPS encompasses public education (kindergarten through grade 12) in eight schools - five elementary schools, two middle schools, and one high school - and virtual on-line programs. In addition, Education function covers Community Engagement and Cable Services providing various citizen outreach programs and also shared communication service support for the GCPS system. The County's contribution to Rappahannock Community College can also be found under this function.



In addition, the County operates and maintains a water and sewer utility system, which services both residents and businesses in various geographically dispersed areas of the County. The County provides utility service to approximately 4600 water accounts and 1500 wastewater accounts.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the County), as well as its component units, which are legally separate organizations for which the County is financially accountable and the governing body has significant financial influence. Discretely presented component units qualifying for inclusion in this report are the Gloucester County School Board and the Gloucester County Economic Development Authority. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government. The School Board oversees the County's schools and administers its own appropriations within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations, and issues debt to finance school capital projects. Additional information on these two legally separate entities can be found in Note 1 of the notes to basic financial statements.

The annual budget serves as the foundation for communicating the County's major financial operating objectives and for allocating resources to achieve them. The annual budget development process, initiated in the summer, is a complex undertaking involving the entire government. Starting in late summer, all departments and agencies of the County are required to submit their 5 Year capital improvement project and operating requests for consideration of the County Administrator. The Department of Financial Services provides initial projections for the major revenue classes. The County Administrator uses these requests and projections as a starting point for developing a proposed balanced budget for presentation to the Board typically in March. The Board is required to hold public hearings to obtain citizen comments on the proposed budget and generally adopts a final budget no later than May 1. The County's appropriated budget is prepared by fund (e.g. General Fund), function (e.g. Public Safety), and department (e.g. Sheriff's Office). The budget appropriation resolution, adopted by the Board, places legal restrictions on expenditures at the fund and function level.

Once the budget is approved, there is significant focus on controlling of expenditures and monitoring revenues. The County maintains an encumbrance accounting system as one method of maintaining budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions of the annual appropriated budget. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the function level within each fund except the school operating fund, which is at the fund level. Ongoing monitoring of revenues and expenditures throughout the year is a responsibility shared by department and agency directors and the Department of Financial Services. Encumbered amounts lapse

at fiscal year-end; however, outstanding encumbrances generally are re-appropriated as part of the following fiscal year's budget.

The Financial Services Department reviews all departmental transfer requests to ensure sufficient appropriations are available. The County Administrator is given authority to redistribute appropriations within and among the funds under the control of the Board as may be necessary to meet the needs and interests of Gloucester County; however, any revisions increasing the total appropriations of the approved County budget must be approved by the Board. Budget to actual comparisons are provided in this report for each governmental and enterprise fund for which an annual budget has been adopted.

Local Economy

Calendar year 2017 was a reassessment year for the County. The County Assessor reported an increased value of all real property in the County, which includes changes in the values of existing properties and gains from new construction, of 1.364%. That value increase is attributed to the new development and construction occurring in the County. Looking ahead, the County's forecast looks for further measured growth in real property values in response to solid underlying market fundamentals.

Gloucester County continued to see increases in economic activity and diversity of contributors during the fiscal year. The Department of Economic Development assists County businesses in expanding their existing businesses and helps attract new businesses to the area. Economic Development reported 237



new business starts for the fiscal year. Among them were Petco, Rack Room Shoes, TJ Maxx, Kay Jewelers, Sports Clips, GNC, and Ulta; all of which are located in the newly expanded Fox Mill Centre. In addition, Riverside Walter Reed Hospital began its expansion and renovation project which is estimated at over \$35 million. Economic Development successes in recent years reflects a strengthening local economy, the County's continued ability to attract new and expanding businesses, and achievements towards the County's strategic goals outlined under Major Initiatives.

Not only does Gloucester County attract great entrepreneurial spirit, but also those who strive to achieve the highest excellence in business and service. In the highly competitive Eastern Region of Virginia, which includes all of Hampton Roads, Gloucester businesses garnered Virginia Living Magazine's 2017 "Best of Eastern Virginia" awards in 16 different categories. Some notable winners include: "Best Mexican Restaurant" awarded to Juan's Mexican Café and Cantina; "Best Italian Restaurant" awarded to Tony &

Milena's Pizzeria, Inc.; as well as "Best Day Spa" and "Best Hair Salon" awarded to Bridgewaters Salon and Spa.



Also, notable award winners from the revitalization of Main Street in the Historic Courthouse District include: "Best Asian Restaurant" awarded to Bangkok Noi Thai Cuisine and Sushi; "Best Local Gourmet Grocery Store" second place and "Best Wine Shop" third place awards to Kelsick Specialty Market.



The County continued to receive submittals of new and expansions to existing major residential subdivisions and commercial developments in this fiscal year. Some of these developments include:

Riverside Walter Reed Hospital – various improvements including a two-story expansion is under construction.

Edgehill Town Centre – two story medical office building expansion/renovation underway in the Historic Courthouse District.

ALDI, Inc. – completed construction and opened an 18,850 sq. ft. grocery store in the Fox Mill Centre.

Christopher Crossing – plans approved for a single family residential subdivision development including 12 lots.

Fiddlers Crossing – 110-unit multifamily residential development is fully permitted and under active development in the Historic Courthouse District.

Murphy USA – gas station plans were approved for construction within the Foxmill Centre.

Coleman's Crossing - mixed-use development of 81 proposed residential townhouses and 14,000 sq. ft. of proposed commercial shopping center under construction.

Ryan's Run - plans approved for development of a residential subdivision consisting of 11 proposed single-family homes.

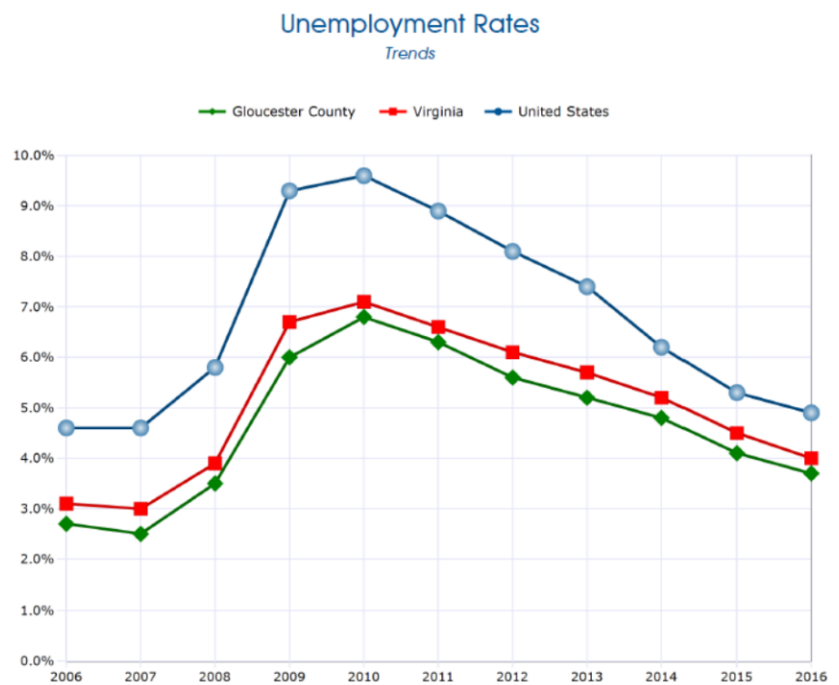
Southern Plumbing & Heating Supply – new plumbing and heating supply outlet under construction.

Daffodil Gardens II - an age restricted housing community with 40 proposed units, was awarded tax credits and grant funding and is expected to start construction in this next fiscal year.

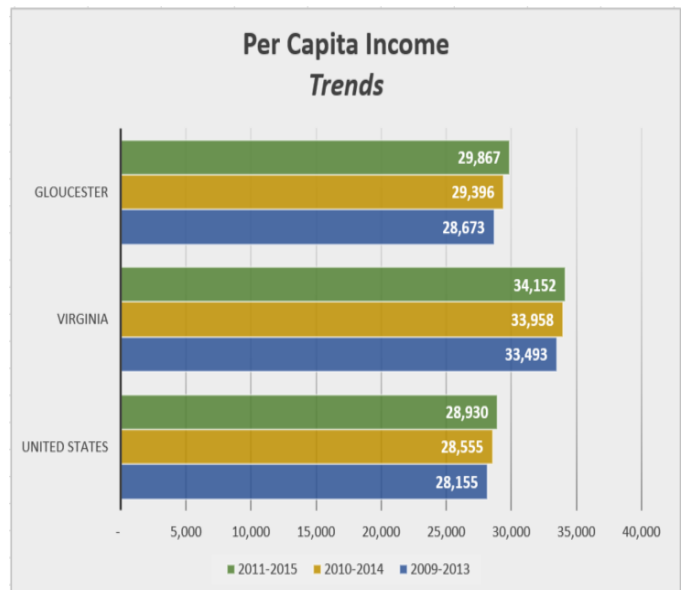
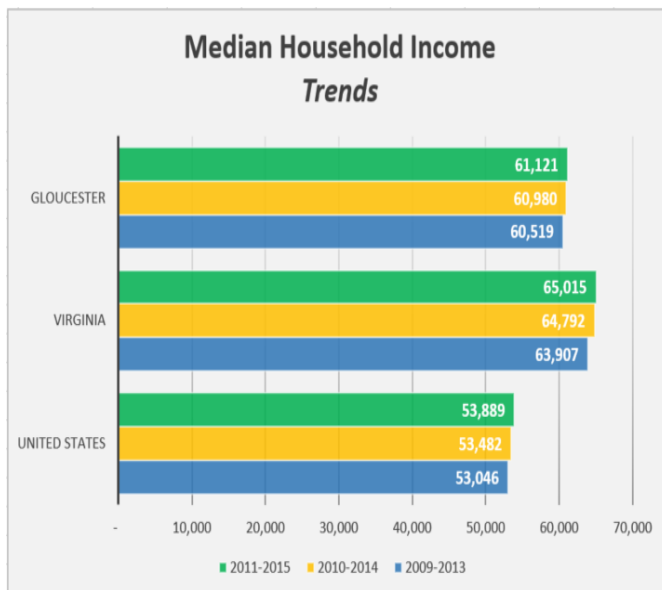
Maintaining and improving the quality of life for residents and business owners requires a commitment to long-term strategies for economic development. Gloucester County has demonstrated that commitment as positive trends continue to prevail in all areas of Gloucester County's economy, including real estate values, job growth, employment, median household and per capita income levels, and local sales tax collections.

The largest civilian employment sectors in Gloucester County with thousand employees or more are Retail Trade, Health Care and Social Assistance, Local Government, and Accommodation and Food Services (Source: Virginia Employment Commission). Though the civilian labor force has remained relatively stable, the region and the County are heavily dependent on defense and military related expenditures; therefore, federal budget uncertainty and any related decisions at the Federal level can impact the overall regional economy.

As of 2016, the Gloucester unemployment rate has continued its downward path to 3.7%, a .4% decrease from 2015 and follows the same trend and comparing favorably with Virginia at 4.0% (4.5% in 2015) and the United States at 4.9% (5.3% in 2015). (Source: Virginia Employment Commission)

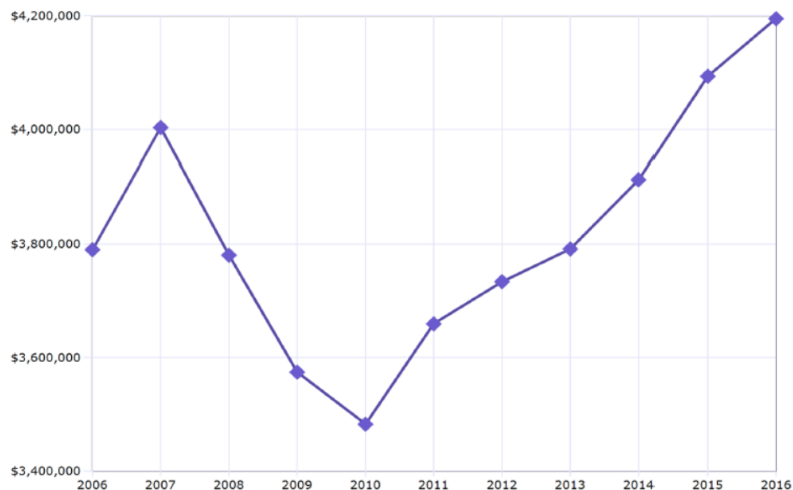


As the following charts illustrate, based on the most recent estimates available, Gloucester County has enjoyed increasing median household and per capita income levels over the past three cycles that have been consistently higher than the national average and trending similarly with the Commonwealth (Source: U.S. Census Bureau).



With the solid economic development results coupled with positively trending income levels, it is no surprise to see Gloucester County experiencing continued growth in local sales tax collection, progressing well past pre-Great Recession level of 2007.

Local Option Sales Tax
Trends



Long Term Financial Planning

The County has long recognized the need for formulating detailed public plans for its long-term financial health. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. The County's primary long-term financial plan is the Five-Year Capital Improvement Plan (CIP) which is guided by the County's Comprehensive Plan, updated and adopted in February 2016.

The development and evaluation process for the FY2018-FY2022 CIP was revised, soliciting more direct contact and input from the County's citizens. In August 2016, we conducted an online forum for citizen ideas regarding the needs of the community. The information received was then distributed to those departmental leaders who would be responsible for the initial evaluation and/or creation, of related CIP project requests, and/or incorporation into annual operating budget requests. The CIP requests were reviewed, compiled, and presented to the Planning Commission in early November. The Planning Commission was not only asked to review project requests for conformity with the Comprehensive Plan as per the Code of Virginia 15.2-2239, but also asked to act as citizen representation by providing a thorough review of submitted CIP project requests; evaluating eligibility, justification, and alignment with community needs; and prioritizing the recommended projects, based on the approved criteria ratings, for consideration by the County Administrator. The County Administrator, as part of his proposed budget to the Board, develops the recommended capital budget and 5 year plan; balancing the competing needs for capital investment with available funding options within the County's current debt and fund balance policies. The result represented a balance between finite resources and an ever-increasing number of competing priorities. This balance was achieved using the priorities and objectives established by the Board consistent with the County's Strategic Priorities Plan and Comprehensive Plan.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at a maximum 10% of governmental fund expenditures. Actual results have been around 7%. Gloucester County's last bond rating was AA due to the County's sound financial management, low debt burden, and strong fund balance reserves.

Relevant Financial Policies

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the Board

approved our recommendation to adjust the Unassigned General Fund Balance policy levels to be within 14% and 16% of budgeted governmental fund expenditures less any capital projects funded with bond proceeds. Due to the Great Recession and the slow measured recovery, many localities, including the Commonwealth, began reviewing and revising their policy reserve levels to reflect the new economic reality. In 2011, the Commonwealth raised its cap of Revenue Stabilization Fund from 10% to 15% of 3-year average annual revenues. After significant data-driven analysis on the cash flow needs of the County, it was determined that on-going business would be unsustainable if the actual Unassigned General Fund Balance levels were to be at 10% to 12% of budgeted governmental fund expenditures as the previous policy stipulated. Over the past seven fiscal years, the County maintained an actual Unassigned General Fund Balance level between 15% and 20%. These levels have been sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances.

In addition, budget language adopted by the Commonwealth during their 2017 general assembly session directs the Auditor of Public Accounts (APA) to develop an “early warning system” for localities in fiscal distress. The system, Financial Assessment Model (FAM), is intended to allow the Commonwealth to flag certain localities determined to be in financial trouble for certain follow-up actions, including potential State intervention. The proposed model uses factors such as a locality’s ratio of reserves relative to its liabilities and its sufficiency of reserves relative to its General Fund revenue. If a locality’s FAM score falls below the threshold of 15%, the APA would follow up with a questionnaire that would probe certain qualitative factors affecting a locality’s financial situation. The APA ran data from the last three fiscal years using the information provided in the localities’ CAFRs to generate sample scores. Gloucester County’s results were well above the minimum threshold. The model is likely to be finalized during FY2018.

Using regular financial reports at public meetings, the County recognizes the need to monitor revenue estimates to identify any potential shortfalls and trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing card policies and procedures.

In addition, policies and procedures are being developed or revised periodically to provide better clarification, more detail of practice, and to strengthen documentation of management processes.

Major Initiatives

As stated in the County’s Strategic Priorities Plan, the Board’s Vision for 2035 is that “...Gloucester will benefit from steady and consistent economic growth enabled by a robust infrastructure, business-friendly government and a top-notch public education system. Gloucester’s citizens will enjoy a wealth of recreational activities, shop locally at numerous and varied markets and stores, and have access to county-based, world-class health care. Gloucester will offer all the amenities of modern life, while continuing to surround its citizens with the tranquility of rural and waterfront living.”

Having a vision and a set of strategic goals provide County leaders with an improved framework to enhance their ability to prioritize and allocate resources with focus on results. The County’s strategic goals are to:

- Be a destination of choice for entrepreneurs looking for a qualified and stable workforce, affordable real estate, and a relaxed and fulfilling lifestyle;
- Provide the opportunity for all of its citizens to have a quality education;
- Have efficient and strategically placed roads, water, sewer, broadband, and natural gas that supports desired business growth and a high quality of life;
- Ensure that the needs of its citizens – children, adults, and the elderly – are met through a combination of government, commercial, and volunteer programs;
- Maintain the County’s essential character as a rural county while offering diverse housing opportunities that include a range of multi-family and single-family homes that meet the needs of singles and families of all ages and incomes;

- Maintain uniqueness among its peers because of the abundance and diversity of its natural resources, including clean protected waterways, forested landscapes, wildlife, and the longest coastline in the Commonwealth; and
- Implement the leanest form of government to minimize impediments to economic development and take advantage of collaborative processes, shared services, and other cost-effective measures for the maximum benefit of its citizens.

Though many initiatives were started and continued throughout the fiscal year and into the next, the major ones, outlined below, represent the results achieved towards these goals by the County staff.

The Utilities Department completed several major renovations and rehabilitations related to the water and wastewater systems. More than \$2M was spent within the fiscal year on improvements at the water treatment plant facility and on rehabilitations and replacements of various sewer pump stations and related infrastructure throughout the County. These system improvements and consent order projects were critical to the long-term sustainability of the enterprise and economic development of the community.

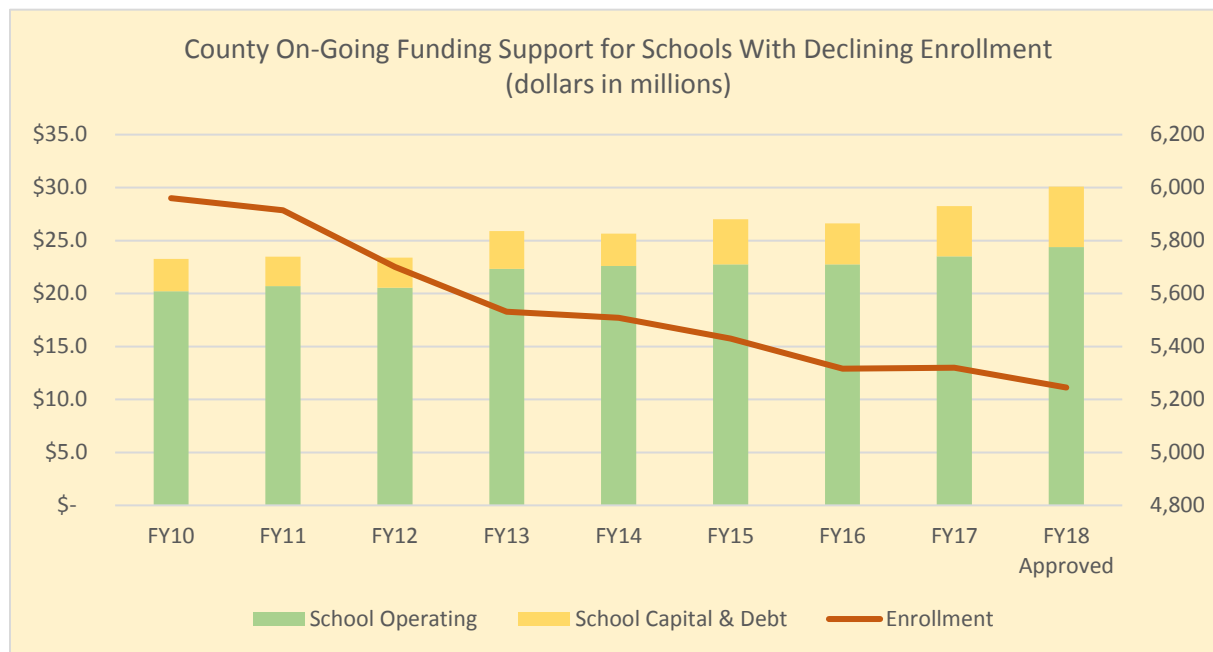
Since 2008, the Federal Emergency Management Agency (FEMA) awarded a series of grants totaling \$11.8 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation. As of FY2017, the program has benefited approximately 80 homes. The County continues to apply for this grant funding.

The County applied and was awarded the 2017 Virginia Telecommunications Initiative (VATI) Grant. The primary objective for the VATI is to provide financial assistance to supplement construction costs by private sector broadband service providers to extend service to areas that presently are underserved by any broadband provider. The goal of VATI is to create strong, competitive communities throughout the Commonwealth by preparing those communities to build, utilize, and capitalize on telecommunications infrastructure. In partnership with Cox Communications, the County is striving to meet on the Board's top long-term strategic priorities on Infrastructure – universal broadband access. This first phase will provide access to an estimated 100 homes and 8 local businesses. The County plans to apply every year the grant is available.

One of the most important services that the County provides to its citizens is public education and a quality education system continues to be one of the County's top priorities. During FY2017, the County increased its support for large capital maintenance, including HVAC and school bus replacements, by approximately \$1M. This effort was in direct response to pent-up demand since the Great Recession and the slow measured recovery over the past several years.

Planning continues for significant upcoming investments in various school construction projects. Total requests for the five-year CIP exceeded \$69M of which approximately \$59M was for GCPS. The major cost drivers of the GCPS requests relate to two projects – Gloucester High School (GHS) and the Transportation Facility. Two studies related to these projects began in FY2017. The first study was to develop a Gloucester High School (GHS) Master Plan. The original structure, built in 1974, has undergone various expansions and miscellaneous renovations. The goal is to provide options given the established guiding principles and program results desired from a modernized GHS. The second study started was for development of a School Transportation & Maintenance Facility. Current facilities are undersized for the increased number and diversity of the vehicles to be maintained. The future development of GHS and the Transportation Facility will require major investment and debt management of the County. Evaluation of these projects now allows for planning of debt capacity scheduled to be available in Fiscal Year 2019 when several debt retirements will occur.

Though enrollment has been on a slow decline since FY2011, the County continues to provide increasing support to the school system. Each successive fiscal year, the County budget provides for the highest per-pupil spending in the history of the school division.



Awards and Acknowledgements

Gloucester County received a number of awards and was recognized by a variety of organizations. Among these awards and recognitions are:

Community Engagement

Gloucester County's Community Engagement Department received the 2016 APEX Grand Award for Publication Excellence for the 2015 Gloucester County "Are You Prepared" Disaster Preparedness Guide.



The APEX award is a competitive national award given for best practices in print, web and e-publishing. Awards are based on excellence in graphic design, editorial content and the ability to achieve overall communications effectiveness and excellence. Of the more than 1,600 entries submitted, Gloucester County's disaster preparedness guide received the rare and prestigious Grand Award, presented to only 86 entries, in the category of One-of-a-Kind Publications.

Central Purchasing

For the sixth consecutive year, the Purchasing Department is the recipient of the Universal Public Procurement Certification Council's ("UPPCC") Excellence in Achievement Award for 2016. This award recognizes the department's commitment to professional excellence in public procurement, the value of professional certification in the public sector, and the expertise of the staff administering the County and the Schools purchasing operations.

Parks and Recreation

Carol Steele, Director of Parks, Recreation, and Tourism was recently recognized by the Virginia Department of Conservation and Recreation for her role and dedicated work in developing the State's comprehensive outdoor recreation plan. It was acknowledged that Ms. Steele helped bring the local parks and recreation perspective to statewide planning efforts and her insights were vital to keep services and programs relevant for Virginians in the 21st century.

Sheriff's Office

The Gloucester County Sheriff's Office received first place honors in both the 2016 Virginia and National Law Enforcement Challenge Awards presented by the International Association of Chiefs of Police and the National Highway Safety Administration for efforts and programs that address traffic safety efforts and initiatives. The Virginia Department of Motor Vehicles acknowledged the department for increased seat belt usage through the Click-It or Ticket-It Campaign. The Virginia Police Chiefs Foundation awarded first place to the department for overall traffic safety including public information, education, results, and enforcement. Captain John Schick, Jr. graduated from the Federal Bureau of Investigation's National Academy in Quantico, Virginia along with 221 other law enforcement officers from the United States and 20 international countries.



Schools

Achilles, Bethel, and Botetourt Elementary Schools all earned the 2016 Virginia Board of Education's Distinguished Achievement Award for meeting all state and federal benchmarks and for making progress towards the goals of the board of education. Ms. Marissa Spencer (Abingdon Elementary) earned \$1,000 for her school by winning a national drug awareness photo contest (National Family Partnership/Red Ribbon Photo Contest). Gloucester School Superintendent Dr. Walter Clemons has been honored by being selected for Governor McAuliffe's inaugural members of the School Readiness Committee. The committee was established by the General Assembly to better equip the next generation of early childhood educators with skills that will ensure student success. In addition, Dr. Clemons was named Region III Superintendent of the Year by the Virginia Association of Superintendents. Region III consists of 17 localities. He has served as Gloucester's superintendent since May 2014. Finally, for the fourth year, GCPS received one of the highest levels of Platinum Certification as a Green School Division from the Virginia School Board Association's Green Schools Challenge. The challenge is a friendly competition designed to encourage implementation of specific environmental policies and actions that reduce carbon emissions.

Finance

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the twenty-first consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA for consideration.

The GFOA also awarded the Distinguished Budget Presentation Award to Gloucester County for its FY2017 Approved Budget Book. This was the second year that the County achieved this prestigious award. In order to receive this award, a governmental entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.



This award is valid for a period of one year only. We believe that our current Approved Budget Book document continues to conform to program requirements and has been submitted to the GFOA to determine eligibility for another award.

The preparation of this Report would not have been possible without the efficient and dedicated services of the entire staff of the Treasurer's Office, School Board, Social Services Board, and Financial Services Department. Credit also must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of County finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'J. Brent Fedors', with a long horizontal flourish extending to the right.

J. Brent Fedors
County Administrator

A handwritten signature in blue ink, appearing to read 'Stephanie M. Tinsley', with a long horizontal flourish extending to the right.

Stephanie M. Tinsley, CPA, CPFO, CGFM
Director of Financial Services

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FINANCIAL SECTION

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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 Gloucester
Gloucester, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2017, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof 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 funding on pages 4-16, 101 and 102-107 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 Gloucester, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section 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 Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The introductory and statistical sections have 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 October 13, 2017, on our consideration of County of Gloucester, 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 Gloucester, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 13, 2017

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County of Gloucester, Virginia Management's Discussion and Analysis

As management of the County of Gloucester (the "County"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and with the County's basic financial statements which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

Financial Highlights

- At the end of the fiscal year, the County's total net position, excluding component units, increased by \$4 million from the beginning balance of \$51.4 million to \$55.4 million due to the increase in net investment in capital assets and increase in unrestricted balances for both governmental activities and business-type activities. The Component Units, of which School Board is the major unit, net position remained relatively constant from the beginning balance deficit of \$15.9 million to a deficit balance of \$15.5 million.
- At June 30, 2017, the unrestricted net position of the Primary Government is \$20.2 million which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2017, the County's governmental funds reported combined ending fund balances of \$23.5 million, an increase of \$1.3 million in comparison with the prior year, primarily due to the increase in the Committed County Capital Replacement, (FMRR-Facilities Maintenance Repair & Replacement), fund balance and the increase in the Nonspendable Fund Balance due to the increase in prepaid items at June 30, 2017. Approximately \$20.5 million of the combined ending fund balances, is *available for spending* at the County's discretion (*unassigned fund balance*).
- At June 30, 2017, the General Fund's unassigned fund balance was \$20.5 million. Adjusted Fund Balance per revised Fund Balance Policy is \$18.3 million (\$20.5 million less budgeted use of Unassigned Fund Balance for FY18), or approximately 18% of expected governmental fund expenditures less any capital projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy of 14-16%, governmental fund expenditures less any capital projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$3.3 million from the prior year balance of \$69.3 million to \$66 million at June 30, 2017 due primarily to principal payments on existing debt (bonds and capital leases).

Overview of the Financial Statements

The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and 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 the 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 how the financial standing of the County may be changing. Increases in net position may indicate an improved financial standing; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

The *statement of activities* presents information showing how the County's net position 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 this 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 the following functions: general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; community development; and education. The business-type activities are for public utilities.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* 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, like other state and 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, County Capital Improvements Fund, and School Construction Fund, all of which are considered to be major funds. Data from the other two County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains one type of **Proprietary Fund**. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found at Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found at Exhibit 10 of this report.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension benefits and health insurance to its employees. Required supplementary information can be found at Exhibits 11 through 17 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting at Exhibit 18 of this report.

Financial Analysis of the County as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets exceeded liabilities by \$55.4 million at June 30, 2017. A large portion of the County's net position (\$33.3 million, approximately 60.2% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and businesses; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of \$1.9 million is restricted for business-type activities for bond covenants which cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$20.2 million or 36.4% of the County's total net position may be used to meet the County's ongoing obligations to citizens and creditors.

The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statement:

Summary of Net Position As of June 30, 2017 and 2016 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 53,050	\$ 49,572	\$ 6,297	\$ 7,762	\$ 59,347	\$ 57,333	\$ 9,227	\$ 9,446
Capital assets	59,973	62,507	27,227	26,193	87,200	88,700	48,825	49,447
Total assets	\$ 113,023	\$ 112,079	\$ 33,523	\$ 33,955	\$ 146,547	\$ 146,034	\$ 58,053	\$ 58,894
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683	\$ 1,405
Item related to measurement of net pension liability	1,489	300	97	19	1,585	319	3,407	-
Pension contributions subsequent to measurement date	1,324	1,439	86	92	1,410	1,531	4,580	4,271
Deferred charges on refunding	154	169	265	335	418	504	-	-
Total deferred outflows	\$ 2,967	\$ 1,907	\$ 447	\$ 447	\$ 3,414	\$ 2,354	\$ 8,670	\$ 5,677
Long-term debt outstanding	\$ 48,395	\$ 49,619	\$ 10,965	\$ 13,403	\$ 59,360	\$ 63,023	\$ 69,397	\$ 64,818
Other liabilities	12,310	10,257	2,807	2,705	15,117	12,962	8,979	9,824
Total liabilities	\$ 60,705	\$ 59,876	\$ 13,772	\$ 16,109	\$ 74,477	\$ 75,985	\$ 78,376	\$ 74,642
Deferred revenue - property taxes	\$ 19,841	\$ 19,677	\$ -	\$ -	\$ 19,841	\$ 19,677	\$ -	\$ -
Items related to measurement of net pension liability	238	1,213	15	118	254	1,331	3,843	5,879
Total deferred inflows	20,079	20,890	15	118	20,094	21,008	3,843	5,879
Net position								
Net investment in capital assets	\$ 18,280	\$ 17,543	\$ 15,069	\$ 13,602	\$ 33,349	\$ 31,145	\$ 35,860	\$ 35,711
Restricted	-	-	1,866	1,867	1,866	1,867		
Unrestricted (deficit)	16,926	15,676	3,247	2,706	20,173	18,383	(51,357)	(51,662)
Total net position	\$ 35,206	\$ 33,220	\$ 20,183	\$ 18,175	\$ 55,389	\$ 51,395	\$ (15,497)	\$ (15,951)

The County's combined net position, which is the County's bottom line, increased by \$4 million or 7.8% from the beginning balance of \$51.4 million. The change in the County's combined net position is a combination of the governmental activities increase of \$2 million from the beginning balance of \$33.2 million and the business-type activities increase of \$2 million from the beginning balance of \$18.2 million. The increase in governmental activities can be attributed to the additional cash on hand, cash investments, and increase in net investment in capital assets. The increase in the net position from business-type activities was the result of decreases in the amount of outstanding debt, and the continued contribution of cash from governmental activities to help with operating activities and debt service payments.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2017 of \$15.5 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014. Fiscal year 2017 activity in the School Board component unit of approximately \$0.5 million reduced the overall net deficit balance.

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund governmental operations. The following table shows the revenue and expenses of government-wide activities:

Summary of Changes in Net Position Years Ended June 30, 2017 and 2016 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenue:								
Charges for services	\$ 1,726	\$ 1,437	\$ 4,966	\$ 4,162	\$ 6,692	\$ 5,599	\$ 3,070	\$ 2,766
Operating grants and contributions	8,238	8,432	-	-	8,238	8,432	32,896	31,081
Capital grants and contributions	1,232	582	-	713	1,232	1,295	-	-
General revenues:								
Property taxes	39,730	38,882	39	39	39,768	38,921	-	-
Other taxes	10,601	10,297	-	-	10,601	10,297	-	-
Unrestricted revenues	203	154	97	91	300	245	9	9
Miscellaneous	-	-	-	-	-	-	272	136
Grants and contributions	4,487	4,506	-	-	4,487	4,506	-	-
Payment from County	-	-	-	-	-	-	24,285	32,073
Total revenue	\$ 66,216	\$ 64,289	\$ 5,102	\$ 5,005	\$ 71,318	\$ 69,295	\$ 60,532	\$ 66,065
Expenses:								
General government	\$ 5,985	\$ 5,213	\$ -	\$ -	\$ 5,985	\$ 5,213	\$ -	\$ -
Judicial administration	1,748	1,833	-	-	1,748	1,833	-	-
Public safety	14,420	13,747	-	-	14,420	13,747	-	-
Public works	2,118	2,169	-	-	2,118	2,169	-	-
Health and welfare	5,515	5,018	-	-	5,515	5,018	-	-
Parks, recreation, and cultural	2,360	2,317	-	-	2,360	2,317	-	-
Community development	2,671	1,851	-	-	2,671	1,851	1,615	1,717
Interest on long-term debt	1,565	1,904	-	-	1,565	1,904	-	-
Education	27,273	33,925	-	-	27,273	33,925	58,463	56,256
Public Utilities	-	-	3,669	3,828	3,669	3,828	-	-
Total expenses	\$ 63,654	\$ 67,975	\$ 3,669	\$ 3,828	\$ 67,324	\$ 71,803	\$ 60,078	\$ 57,973
Change in net position, before transfers	\$ 2,562	\$ (3,686)	\$ 1,433	\$ 1,177	\$ 3,994	\$ (2,509)	\$ 454	\$ 8,092
Transfers	(576)	(673)	576	673	-	-	-	-
Change in net position	1,986	(4,359)	2,008	1,850	3,994	(2,509)	454	8,092
Net position, beginning	33,220	37,579	18,175	16,325	51,395	53,904	(15,950)	(24,042)
Net position, ending	\$ 35,206	\$ 33,220	\$ 20,183	\$ 18,175	\$ 55,389	\$ 51,395	\$ (15,497)	\$ (15,950)

Governmental activities – For the fiscal year ended June 30, 2017, revenues from governmental activities (not including Capital Projects) totaled \$66.2 million, which was an increase of approximately \$1.9 million. Property tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2016 and the first half of calendar year 2017, increased by \$0.5 million. The County's assessed real property tax base for calendar year 2017 saw an increase of approximately \$43M primarily due to economic development and continued improvements in the assessment model. The Board of Supervisors (BOS) approved a real estate tax rate increase of one and one-half cents to \$0.695 for calendar year 2016 to support the Board's top priorities of compensation increase for County and School employees, and capital improvement needs for the County's first responders/public safety.

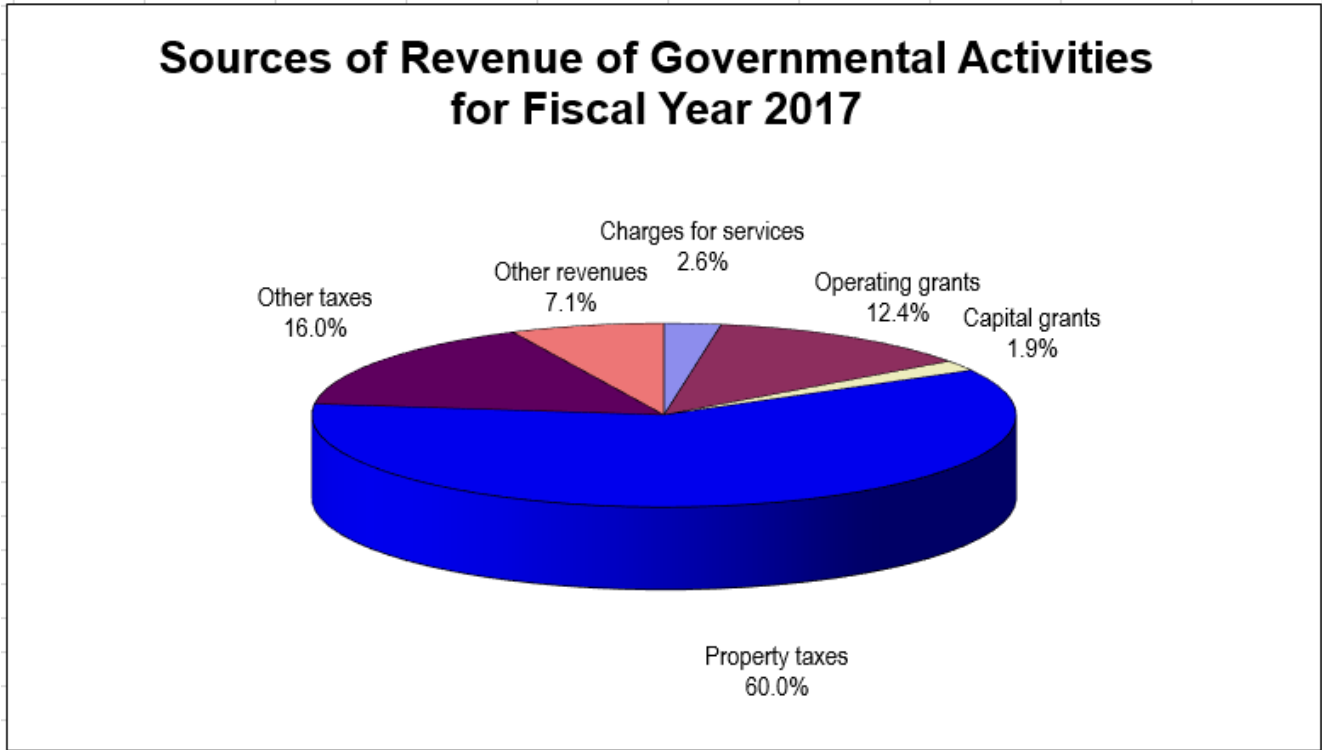
Also, effective calendar year 2017, the Board also restructured the Business, Professional, and Occupational License (BPOL) to support lowering the taxes and fees for business with gross receipts of \$100k or less, and revising those taxes and fees for those whose gross receipts are more than \$100k to be more in line with other more developed jurisdictions nearby. The real estate tax increase in 2016, along with the restructured BPOL rate and fee schedule in calendar year 2017, sets the County on the

course to tackle the Board's priorities. Strong collections, coupled with continued economic development and continued revenue growth, supported leaving the real estate tax rate unchanged in calendar year 2017. Collections from personal property taxes remained stable with no change to the tax rate of \$2.95. The increase in other tax revenues, which includes local sales taxes and local meals taxes, is evidence that the local economy continues to show signs of modest recovery from the economic downturn.

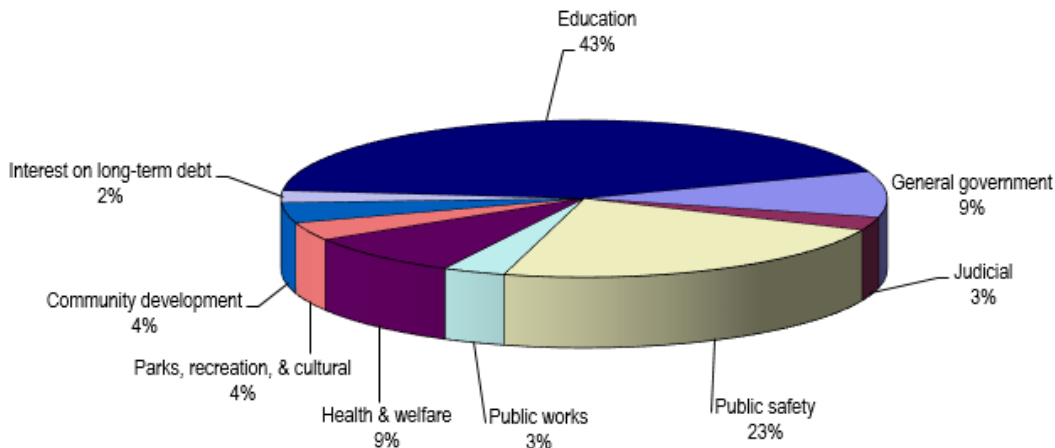
For the fiscal year ended June 30, 2017, expenses relating to governmental activities were \$4.3 million less than prior year. This decrease is attributed to the reduction of expenditures associated with the construction for Page Middle School that was completed in FY2016. Though the economy is improving, the County continued prudent budget management strategies to reduce expenses in other areas to include delaying filling vacancies, delaying capital and other major facility maintenance and replacement needs, and examining program and service efficiencies particularly through departmental reorganization taking advantage of synergistic opportunities.

Public education continues to be one of the County's highest priorities and commitments. The County contributed \$28.3 million to public school operations through direct local transfer, capital projects, and debt payments related to school projects. This does not include the shared support services of the County's Community Engagement, Cable Services, Central Purchasing, and Accounting departments. The County continues increasing its investment in education as demonstrated in fiscal year 2018 with a total appropriation of \$30.3 million covering local operating and capital transfer as well as debt service payments on behalf of school projects.

The following graphs illustrate revenues by source for governmental activities, as well as illustrating expenses for each of the functional areas of governmental activities:



Total Functional Expenses of Governmental Activities for Fiscal Year 2017



Business-type activities increased the County's net position by \$2 million for fiscal year 2017 from the beginning balance of \$18.2 million. Similar to the changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,800 customers in the County. Like all business-type activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- Several years ago, the County recognized that the Utility Fund had no capacity for additional debt, but needed to address the various capital repairs needed by the utility system, such as water treatment plant rehabilitation and upgrading sewer pump stations. During FY2016, the County issued \$9.4 million in Water and Sewer Revenue Refunding Bonds, Series 2016 with an interest rate of 2.1%. The proceeds were used to refund \$6.8 million of outstanding Water and Sewer Revenue Bonds, Series 2006B which had interest rates ranging from 4% to 4.5% and \$2.9 million of outstanding Water and Sewer Revenue Bonds, Series 2011 with an interest rate of 2.8%. The County refunded the Series 2006B and 2011 bonds to reduce its total debt service payments over 14 years by about \$1.4 million ultimately reducing the General Fund transfer by the savings going forward.
- Efforts to make the fund self-supporting continue and the fund is showing improvements through collection efforts and operating efficiencies as evident by the continued positive growth in unrestricted net position of \$2.7 million to \$3.2 million at June 30, 2017. The County recognizes the need to continue support of the fund through annual General Fund transfers. Total amount transferred from the General Fund to the Utility Fund was \$576K in fiscal year 2017.

Financial Analysis of the County's Funds

As noted earlier, the County uses 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 *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2017, the County's governmental funds reported combined ending fund balances of \$23.5 million, a net increase of \$1.3 million in comparison with the prior year. The \$1.3 million increase can be attributed to:

- The County's vacancy savings and transfer savings both contributed to expenditures (not including the Capital Fund) being \$2 million less than expected while revenue (not including the Capital Fund) being \$1.4 million more than expected due in part to:
 - General Property Taxes - Real Estate Tax collections being strong and reflect the economic development the County is experiencing with new construction results.
 - Other Local Taxes, specifically Local Sales, Meals, and Lodging Tax receipts are positive.
 - Permits, privilege fees, etc reflects the \$165K in unanticipated building permit fees from the Walter Reed Riverside Hospital for their additions and renovations projects.
 - Charges for services includes unexpected landfill tipping fees of \$100K.
- Approximately \$150K as it relates to FMRR (facilities maintenance, repair, and replacement) was requested as re-appropriation into FY18 to complete projects that began in FY17.
- The contribution of \$0.5 million to unassigned fund balance due to the positive revenue results and continued prudent budget management strategies.

The General Fund is the chief operating fund of the County. At June 30, 2017, total fund balance was \$22.7 million of which unassigned fund balance was \$20.5 million. The Board of Supervisors revised the County's fund balance policy in June 2017 to keep an unassigned general fund balance level of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds. Adjusted Fund Balance per revised Fund Balance Policy is \$18.3 million (\$20.5 million less budgeted use of Unassigned Fund Balance for FY18). The unassigned fund balance in the General Fund was approximately 18% using this policy criterion.

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund or School Construction Fund. The County Capital Improvements Fund has a fund balance of about \$0.8 million, which is essentially committed for future capital projects.

Proprietary funds: The County's proprietary funds provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Unrestricted net position of the Utility Fund at June 30, 2017 increased by \$0.5 million to \$3.2 million. Other factors concerning the finances of this fund have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Total General Fund expenditures in fiscal year 2017 came in at \$1.3 million or 3.2% below the final amended budget. Local expenditures for education were under budget by approximately \$200K.

General Fund revenues met and exceeded final budget projections in fiscal year 2017, which can be attributed to the signs of a measured recovery in the local economy and conservative revenue forecasting.

General Fund additional budget appropriation resulted in an increase of \$0.4 million between originally-adopted fiscal year 2017 budget appropriation for expenditures and transfers out and the final budget. The increase resulted primarily from re-appropriations of fiscal year 2016 budget commitments for completion of ongoing projects in fiscal year 2017.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$87.2 million (net of accumulated depreciation). This represents a decrease of \$1.5 million or 1.7% from fiscal year 2016. This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

The County does not own its roads; therefore, roads are not included in the capital assets.

Major capital expenditure events during fiscal year 2017 included the following:

- Renovations to the Historic Courthouse Annex Building to improve ADA accessibility.
- The School Division began to replace HVAC units at Peasley Middle School.
- The County renovated the bathrooms at Beaverdam Park.
- The School Division replaced 6 buses from their current fleet with new.

Funding for capital projects have been severely cut back. Only those capital projects where it did not make economic sense to delay a project to a future year or funding was already in place have moved forward.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

Capital Assets As of June 30, 2017 and 2016 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2017	2016	2017	2016	2017	2016	2017	2016	
Land	\$ 6,487	\$ 6,487	\$ 3,632	\$ 3,599	\$ 10,119	\$ 10,119	\$ 2,289	\$ 2,289	
Construction in progress	507	1,499	1,633	424	2,140	2,140			
Buildings	10,952	11,430	20,445	20,937	31,397	31,397	13,743	13,952	
Improvements other than buildings	3,049	2,165	-	-	3,049	3,049	-	-	
Equipment	7,580	7,589	1,515	1,232	9,095	9,095	2,536	2,522	
Jointly owned assets	31,399	33,337	-	-	31,399	31,399	30,256	30,684	
Total	\$ 59,973	\$ 62,507	\$ 27,227	\$ 26,193	\$ 87,200	\$ 88,700	\$ 48,825	\$ 49,447	

Additional information on the County's capital assets can be found in Note 6 in the notes to the financial statements section of this report.

Long-term debt: At June 30, 2017, the County's Primary Government had total outstanding debt of \$66 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2017 and 2016 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2017	2016	2017	2016	2017	2016	2017	2016	
Bonds Payable:									
General obligation bonds	\$ 32,755	\$ 34,799	\$ -	\$ -	\$ 32,755	\$ 34,799	\$ -	\$ -	
Revenue bonds	-	-	12,625	15,060	12,625	15,060	12,965	13,736	
Loans and Notes	-	-	-	-	-	-	-	-	
Literary loans	470	720	-	-	470	720	-	-	
Capital leases	8,467	9,445	-	-	8,467	9,445	-	-	
Derivative instrument liability	-	-	-	-	-	-	683	1,405	
OPEB liability	1,679	1,560	134	126	1,813	1,686	2,686	2,291	
Net pension liability	7,585	5,476	492	368	8,077	5,843	53,224	47,977	
Compensated absences	1,707	1,673	106	118	1,812	1,791	1,688	1,760	
Total	\$ 52,663	\$ 53,673	\$ 13,357	\$ 15,672	\$ 66,020	\$ 69,345	\$ 71,246	\$ 67,170	

Debt associated with governmental activities decreased by \$1 million or 1.9% from the beginning balance of \$53.7 million which is attributable to the pay down of principal and bond refunding activity during the fiscal year. Debt was increased by \$1.1 million for the Regional Public Safety Radio System Upgrades project will be financed through a financing agreement among the three member counties. The fiscal year 2017 payment was \$300K, with on-going annual payments of approximately \$190K for the next 4 years.

The debt associated with business-type activities decreased by \$2.3 million or 14.8% from the beginning total of \$15.7 million, which is primarily attributed to the pay down of principal. As a result of the implementation of GASB 68 in fiscal year 2015, total debt liability includes recognizing net pension liability on the face of the financials, whereas previously only displayed and discussed in the notes to the financials. The most significant impact was on the School Board component unit. For fiscal year 2017, the School Division recognized approximately \$53.2 million in net pension liability, about \$5.2 million increase from fiscal year 2016. Long-term debt balance as of June 30, 2017 increased by \$4.1 million to \$71.2 million for component units, which is primarily attributed the increase in net pension liability.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at \$1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2017, the County's net debt as a percentage of assessed value was 1.0%, the net debt per capita ratio was \$1,165, and the debt payments percentage was 7.2%.

Additional information on the County's long-term debt can be found in Note 8 in the notes to the financial statements section of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

Throughout the calendar year 2016, the County's unemployment rate continued to show steady improvement over the prior year. The unemployment rate for the County's was 3.7%, which was lower than the state of Virginia at 4.0% and the United States at 4.9%. *(Source: Virginia Employment Commission)* Furthermore, positive trends continue in the areas of job growth, employment, real estate assessments, and local sales tax collections.

The Board of Supervisors considered many factors when developing the fiscal year 2018 General Fund budget and the FY2018-FY2022 Five Year Capital Improvement Project (CIP) Plan - particularly the impacts of state and national economic conditions. The national economy continues to improve with job growth, wages and household incomes trending positively under the new Presidential administration. However, uncertainty lingers on how long the economy will continue to grow and at what level. Changes initiated by the Federal administration including changes in federal government priorities could have both positive and negative impacts on the Commonwealth and on the Hampton Roads region. Decreases in federal spending and shifting of funds among competing agencies could impact future state budgets. As in the past, the Commonwealth could pass these cuts on to the localities, reducing further what little budget flexibility we have.

Guidance provided by the Board specific to FY2018 Operating Budget and 5 Year CIP development was to produce a financial plan that incorporated little or no real estate tax increase; does not reduce service levels; and does not eliminate programs. In addition, the BOS requested development of "excursion options" that afforded the ability to contemplate elimination of any proposed real estate tax increase; adjusting the BPOL (Business, Professional, Occupational License) tax; funding unmet needs; and trading off between service/program impacts.

The Board's strategic priorities include the following:

- Compensation improvements for County and School employees

- Capital funding to improve/protect public infrastructure
- Economic development/growth
- Expanding broadband availability
- Long term solution for local jail overcrowding
- Protection of potable groundwater supply
- Upgrading public water/sewer infrastructure
- Enhanced public recreation/waterway access

The fiscal year 2018 General Fund approved budget is \$62.8 million, which is an increase of \$1 million from adopted original fiscal year 2017 budget. The real estate tax rate remained at \$0.695, with personal property tax rates remaining at \$2.95.

The fiscal year 2018 School Operating Budget was approved at \$57.1 million, which is a \$1.2 million increase over the adopted fiscal year 2017 School Operating Budget. Also included in the fiscal year 2018 budget was \$24.4 million in local funding from the general fund. Additional information regarding the Fiscal Year 2018 Adopted Budget can be found on the County's Finance Department website at <http://gloucesterva.info/Finance/BudgetsandFinancialReports>.

Economic conditions, trends, and revenue collections continue to be closely monitored. Key factors that are expected to impact future budgets include declining revenue sources, projected increases in health insurance premiums, citizens' demands for maintaining and/or increasing service levels, needed funding for facility maintenance and capital improvements, and replacing reductions in state educational funding.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, County of Gloucester, 6467 Main Street, Gloucester, VA 23061.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 13,003,705	\$ 775,464	\$ 13,779,169	\$ 171,479	\$ 176,696
Investments	13,027,911	1,101,617	14,129,528	798,233	651,329
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,496,165	1,154	23,497,319	-	-
Accounts receivable	540,016	508,857	1,048,873	121,188	-
Internal balances	7,792	(7,792)	-	-	-
Due from other governmental units	2,574,739	-	2,574,739	6,182,295	-
Inventories	-	67,508	67,508	33,032	1,083,044
Prepaid items	400,064	-	400,064	10,089	-
Restricted assets:					
Temporarily restricted:					
Investments - bond requirements	-	1,866,455	1,866,455	-	-
Cash and cash equivalents (in custody of others)	-	1,780,089	1,780,089	-	-
Investments (in custody of others)	-	203,313	203,313	-	-
Capital assets (net of accumulated depreciation):					
Land	6,486,853	3,632,327	10,119,180	1,476,061	813,267
Buildings and system	42,350,113	20,445,479	62,795,592	33,693,251	10,306,210
Improvements other than buildings	3,049,338	-	3,049,338	-	-
Machinery and equipment	7,579,920	1,515,421	9,095,341	2,536,450	-
Construction in progress	506,618	1,633,491	2,140,109	-	-
Total assets	<u>\$ 113,023,234</u>	<u>\$ 33,523,383</u>	<u>\$ 146,546,617</u>	<u>\$ 45,022,078</u>	<u>\$ 13,030,546</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 682,656
Item related to measurement of net pension liability	1,488,716	96,543	1,585,259	3,406,697	-
Pension contributions subsequent to measurement date	1,324,461	85,890	1,410,351	4,580,306	-
Deferred charges on refunding	153,670	264,741	418,411	-	-
Total deferred outflows of resources	<u>\$ 2,966,847</u>	<u>\$ 447,174</u>	<u>\$ 3,414,021</u>	<u>\$ 7,987,003</u>	<u>\$ 682,656</u>
LIABILITIES					
Accounts payable	\$ 1,443,067	\$ 210,157	\$ 1,653,224	\$ 1,642,710	\$ 65,364
Accrued liabilities	1,225,121	18,799	1,243,920	5,354,154	-
Accrued interest payable	662,329	58,708	721,037	-	-
Due to other governmental units	4,654,405	-	4,654,405	67,834	-
Unearned revenue	57,206	-	57,206	-	-
Deposits held in escrow	-	126,765	126,765	-	-
Long-term liabilities:					
Due within one year	4,267,722	2,392,595	6,660,317	168,752	817,561
Derivative instrument - rate swap	-	-	-	-	682,656
Due in more than one year	48,395,284	10,964,846	59,360,130	57,429,103	12,147,478
Total liabilities	<u>\$ 60,705,134</u>	<u>\$ 13,771,870</u>	<u>\$ 74,477,004</u>	<u>\$ 64,662,553</u>	<u>\$ 13,713,059</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 19,840,714	\$ -	\$ 19,840,714	\$ -	\$ -
Items related to measurement of net pension liability	238,283	15,453	253,736	3,843,475	-
Total deferred inflow of resources	<u>\$ 20,078,997</u>	<u>\$ 15,453</u>	<u>\$ 20,094,450</u>	<u>\$ 3,843,475</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 18,280,127	\$ 15,069,296	\$ 33,349,423	\$ 37,705,762	\$ (1,845,562)
Restricted:					
Debt service and bond covenants	-	1,866,455	1,866,455	-	-
Unrestricted (deficit)	16,925,823	3,247,483	20,173,306	(53,202,709)	1,845,705
Total net position	<u>\$ 35,205,950</u>	<u>\$ 20,183,234</u>	<u>\$ 55,389,184</u>	<u>\$ (15,496,947)</u>	<u>\$ 143</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ 5,985,400	\$ -	\$ 323,200
Judicial administration	1,747,820	209,190	1,155,792
Public safety	14,420,083	640,084	2,844,988
Public works	2,118,053	497,981	
Health and welfare	5,514,819	-	3,519,973
Education	27,272,736	258	
Parks, recreation, and cultural	2,359,727	369,051	150,410
Community development	2,670,768	9,300	9,512
Interest on long-term debt	1,564,983	-	234,275
Total governmental activities	\$ 63,654,389	\$ 1,725,864	\$ 8,238,150
Business-type activities:			
Public utilities	\$ 3,669,366	\$ 4,966,010	\$ -
Total business-type activities	\$ 3,669,366	\$ 4,966,010	\$ -
Total primary government	\$ 67,323,755	\$ 6,691,874	\$ 8,238,150
COMPONENT UNITS:			
School Board	\$ 58,463,334	\$ 1,136,601	\$ 32,896,252
Economic Development Authority	1,614,841	1,933,567	-
Total component units	\$ 60,078,175	\$ 3,070,168	\$ 32,896,252

General revenues:

General property taxes
 Local sales and use tax
 Consumer utility tax
 Business license taxes
 Restaurant food taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 Payment from Gloucester County
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Capital Grants and Contributions	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ -	\$ (5,662,200)	\$ -	\$ (5,662,200)		
-	(382,838)	-	(382,838)		
-	(10,935,011)	-	(10,935,011)		
-	(1,620,072)	-	(1,620,072)		
-	(1,994,846)	-	(1,994,846)		
-	(27,272,478)	-	(27,272,478)		
-	(1,840,266)	-	(1,840,266)		
1,232,247	(1,419,709)	-	(1,419,709)		
-	(1,330,708)	-	(1,330,708)		
<u>\$ 1,232,247</u>	<u>\$ (52,458,128)</u>	<u>\$ -</u>	<u>\$ (52,458,128)</u>		
\$ -	\$ -	\$ 1,296,644	\$ 1,296,644		
\$ -	\$ -	\$ 1,296,644	\$ 1,296,644		
<u>\$ 1,232,247</u>	<u>\$ (52,458,128)</u>	<u>\$ 1,296,644</u>	<u>\$ (51,161,484)</u>		
\$ -	\$ -	\$ -	\$ -	\$ (24,430,481)	\$ -
-	-	-	-	-	318,726
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,430,481)</u>	<u>\$ 318,726</u>
	\$ 39,729,693	\$ 38,722	\$ 39,768,415	\$ -	\$ -
	4,363,168	-	4,363,168	-	-
	725,381	-	725,381	-	-
	1,682,846	-	1,682,846	-	-
	2,194,698	-	2,194,698	-	-
	1,202,114	-	1,202,114	-	-
	202,694	97,263	299,957	7,439	1,597
	432,749	-	432,749	271,621	-
	4,486,617	-	4,486,617	-	-
	-	-	-	24,284,839	-
	(575,526)	575,526	-	-	-
<u>\$ 54,444,434</u>	<u>\$ 711,511</u>	<u>\$ 55,155,945</u>	<u>\$ 24,563,899</u>	<u>\$ 1,597</u>	
<u>\$ 1,986,306</u>	<u>\$ 2,008,155</u>	<u>\$ 3,994,461</u>	<u>\$ 133,418</u>	<u>\$ 320,323</u>	
<u>33,219,644</u>	<u>18,175,079</u>	<u>51,394,723</u>	<u>(15,630,365)</u>	<u>(320,180)</u>	
<u>\$ 35,205,950</u>	<u>\$ 20,183,234</u>	<u>\$ 55,389,184</u>	<u>\$ (15,496,947)</u>	<u>\$ 143</u>	

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FUND FINANCIAL STATEMENTS

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Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 13,003,705	\$ -	\$ -	\$ 13,003,705
Investments	12,904,852	123,059	-	13,027,911
Receivables (net of allowance for uncollectibles):				
Taxes receivable	23,496,165	-	-	23,496,165
Accounts receivable	538,885	-	1,131	540,016
Due from other funds	248,706	776,763	-	1,025,469
Due from other governmental units	1,533,144	732,620	308,975	2,574,739
Prepaid items	400,064	-	-	400,064
Total assets	<u>\$ 52,125,521</u>	<u>\$ 1,632,442</u>	<u>\$ 310,106</u>	<u>\$ 54,068,069</u>
LIABILITIES				
Accounts payable	\$ 553,252	\$ 820,623	\$ 69,192	\$ 1,443,067
Accrued liabilities	1,225,121	-	-	1,225,121
Due to other governmental units	4,654,405	-	-	4,654,405
Due to other funds	776,763	-	240,914	1,017,677
Unearned revenue	57,206	-	-	57,206
Total liabilities	<u>\$ 7,266,747</u>	<u>\$ 820,623</u>	<u>\$ 310,106</u>	<u>\$ 8,397,476</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 22,179,719	\$ -	\$ -	\$ 22,179,719
Total deferred inflows of resources	<u>\$ 22,179,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,179,719</u>
Fund balances:				
Nonspendable	\$ 400,064	\$ -	\$ -	\$ 400,064
Restricted	82,362	115,400	-	197,762
Committed	1,672,041	696,419	-	2,368,460
Unassigned	20,524,588	-	-	20,524,588
Total fund balances	<u>\$ 22,679,055</u>	<u>\$ 811,819</u>	<u>\$ -</u>	<u>\$ 23,490,874</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,125,521</u>	<u>\$ 1,632,442</u>	<u>\$ 310,106</u>	<u>\$ 54,068,069</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 23,490,874
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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	\$ 99,353,871	
Accumulated depreciation	<u>(39,381,029)</u>	59,972,842

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

Unavailable revenue - property taxes	\$ 2,339,005	
Deferred inflows - items related to measurement of net pension liability	<u>(238,283)</u>	2,100,722

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.

1,324,461

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

Bonds and loans payable	\$ (31,868,845)	
Add: Deferred charge on refunding (to be amortized as interest expense)	153,670	
Less: Issuance premium (to be amortized over life of debt)	(1,356,482)	
Accrued Interest payable	(662,329)	
Net OPEB obligation	(1,678,624)	
Net pension liability	(7,585,144)	
Deferred outflows - items related to measurement of net pension liability	1,488,716	
Capital leases	(8,467,388)	
Compensated absences	<u>(1,706,523)</u>	<u>(51,682,949)</u>

Net position of governmental activities	\$ <u>35,205,950</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 39,605,567	\$ -	\$ -	\$ -	\$ -	\$ 39,605,567
Other local taxes	10,168,207	-	-	-	-	10,168,207
Permits, privilege fees, and regulatory licenses	591,346	-	-	-	-	591,346
Fines and forfeitures	85,667	-	-	-	-	85,667
Revenue from the use of money and property	201,771	-	923	-	-	202,694
Charges for services	1,048,851	-	-	-	-	1,048,851
Miscellaneous	347,566	-	65,194	-	19,989	432,749
Recovered costs	413,302	-	-	-	-	413,302
Intergovernmental:						
Commonwealth	8,797,407	-	296,553	-	1,728,713	10,822,673
Federal	278,824	234,275	935,694	-	1,685,548	3,134,341
Total revenues	<u>\$ 61,538,508</u>	<u>\$ 234,275</u>	<u>\$ 1,298,364</u>	<u>\$ -</u>	<u>\$ 3,434,250</u>	<u>\$ 66,505,397</u>
EXPENDITURES						
Current:						
General government administration	\$ 5,725,817	\$ -	\$ -	\$ -	\$ -	\$ 5,725,817
Judicial administration	1,659,363	-	-	-	-	1,659,363
Public safety	13,267,144	-	-	-	-	13,267,144
Public works	2,066,222	-	-	-	-	2,066,222
Health and welfare	761,242	-	-	-	4,704,139	5,465,381
Education	24,202,067	-	-	-	-	24,202,067
Parks, recreation, and cultural	2,342,983	-	-	-	-	2,342,983
Community development	1,034,146	-	-	-	-	1,034,146
Nondepartmental	300,585	-	-	-	-	300,585
Capital projects	-	-	3,689,636	3,844	-	3,693,480
Debt service:						
Principal retirement	-	4,186,313	-	-	-	4,186,313
Interest and other fiscal charges	-	1,751,399	-	-	-	1,751,399
Total expenditures	<u>\$ 51,359,569</u>	<u>\$ 5,937,712</u>	<u>\$ 3,689,636</u>	<u>\$ 3,844</u>	<u>\$ 4,704,139</u>	<u>\$ 65,694,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,178,939</u>	<u>\$ (5,703,437)</u>	<u>\$ (2,391,272)</u>	<u>\$ (3,844)</u>	<u>\$ (1,269,889)</u>	<u>\$ 810,497</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 5,703,437	\$ 1,396,170	\$ -	\$ 1,269,889	\$ 8,369,496
Transfers out	(8,945,022)	-	-	-	-	(8,945,022)
Issuance of capital lease	-	-	1,020,726	-	-	1,020,726
Total other financing sources (uses)	<u>\$ (8,945,022)</u>	<u>\$ 5,703,437</u>	<u>\$ 2,416,896</u>	<u>\$ -</u>	<u>\$ 1,269,889</u>	<u>\$ 445,200</u>
Net change in fund balances	\$ 1,233,917	\$ -	\$ 25,624	\$ (3,844)	\$ -	\$ 1,255,697
Fund balances - beginning	21,445,138	-	786,195	3,844	-	22,235,177
Fund balances - ending	<u>\$ 22,679,055</u>	<u>\$ -</u>	<u>\$ 811,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,490,874</u>

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

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, 2017

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

Net change in fund balances - total governmental funds	\$	1,255,697
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	1,848,528	
Depreciation expense		(3,676,146)	
Jointly owned asset allocation of assets		(1,088,333)	
Jointly owned asset depreciation		<u>381,779</u>	(2,534,172)

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

Property taxes	\$	124,126	
Change in deferred inflows related to the measurement of the net pension liability/asset		<u>975,185</u>	1,099,311

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$	(1,020,726)	
Principal payments		<u>4,186,313</u>	3,165,587

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:

(Increase) decrease in compensated absences	\$	(33,231)	
(Increase) decrease in net OPEB obligation		(118,367)	
(Increase) decrease in net pension liability		(2,109,385)	
Amortization of deferred charges on refunding		(15,086)	
Premium amortization		105,462	
Increase (decrease) in deferred outflows related to pension contributions subsequent to measurement date		(114,492)	
Increase (decrease) in deferred outflows related to measurement of net pension liability		1,188,942	
(Increase) decrease in accrued interest payable		<u>96,040</u>	(1,000,117)

Change in net position of governmental activities	\$	<u><u>1,986,306</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position

Proprietary Fund

June 30, 2017

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 775,464
Investments	1,101,617
Taxes receivable (net of allowance for uncollectibles)	1,154
Accounts receivable (net of allowance for uncollectibles)	508,857
Inventories	67,508
Total current assets	<u>\$ 2,454,600</u>
Noncurrent assets:	
Restricted current assets:	
Investments - bond requirements	\$ 1,866,455
Cash and cash equivalents (in custody of others)	1,780,089
Investments (in custody of others)	203,313
Total restricted current assets	<u>\$ 3,849,857</u>
Capital assets:	
Land	\$ 3,632,327
Utility plant in service	35,140,955
Machinery and equipment	2,149,501
Buildings	6,132,616
Construction in progress	1,633,491
Accumulated depreciation	(21,462,172)
Total net capital assets	<u>\$ 27,226,718</u>
Total noncurrent assets	<u>\$ 31,076,575</u>
Total assets	<u>\$ 33,531,175</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 264,741
Items related to measurement of net pension liability	96,543
Pension contributions subsequent to measurement date	85,890
Total deferred outflows of resources	<u>\$ 447,174</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 210,157
Accrued liabilities	18,799
Accrued interest payable	58,708
Due to other funds	7,792
Compensated absences - current portion	10,595
Deposits held in escrow	126,765
Bonds payable - current portion	2,382,000
Total current liabilities	<u>\$ 2,814,816</u>

Statement of Net Position

Proprietary Fund

June 30, 2017

	Enterprise Fund Utilities Fund
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 10,243,476
Net OPEB obligation	134,127
Net pension liability	491,891
Compensated absences - net of current portion	95,352
Total noncurrent liabilities	\$ 10,964,846
Total liabilities	\$ 13,779,662
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	\$ 15,453
NET POSITION	
Net investment in capital assets	\$ 15,069,296
Restricted for debt service and bond covenants	1,866,455
Unrestricted	3,247,483
Total net position	\$ 20,183,234

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2017

	Enterprise Fund <u>Utilities Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,507,682
Sewer revenues	708,099
Other revenues	94,829
Total operating revenues	<u>\$ 4,310,610</u>
OPERATING EXPENSES	
Personnel services	\$ 958,564
Fringe benefits	293,424
Contractual services	301,330
Other charges	828,135
Depreciation	1,014,662
Total operating expenses	<u>\$ 3,396,115</u>
Operating income (loss)	<u>\$ 914,495</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 622,320
Investment income	97,263
Gain on disposal of equipment	33,080
Taxes	38,722
Interest expense	(273,251)
Total nonoperating revenues (expenses)	<u>\$ 518,134</u>
Income before transfers	<u>\$ 1,432,629</u>
Transfers in	575,526
Change in net position	<u>\$ 2,008,155</u>
Total net position - beginning	18,175,079
Total net position - ending	<u><u>\$ 20,183,234</u></u>

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2017

	Enterprise Fund
	Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,188,913
Receipts for miscellaneous items	95,594
Payments to suppliers	(1,123,857)
Payments to and for employees	(1,305,514)
Net cash provided by (used for) operating activities	\$ 1,855,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 571,147
Connection fees	622,320
Tax revenue	38,886
Net cash provided by (used for) noncapital financing activities	\$ 1,232,353
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (2,056,878)
Principal payments on bonds	(2,257,000)
Proceeds from sales of capital assets	41,780
Interest expense	(431,533)
Net cash provided by (used for) capital and related financing activities	\$ (4,703,631)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 104
Sale (purchase) of investments	2,244,362
Net cash provided by (used for) investing activities	\$ 2,244,466
Net increase (decrease) in cash and cash equivalents	\$ 628,324
Cash and cash equivalents - beginning - including restricted	1,927,229
Cash and cash equivalents - ending - including restricted	\$ 2,555,553
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:	
Operating income (loss)	\$ 914,495
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 1,014,662
(Increase) decrease in accounts receivable	(26,868)
(Increase) decrease in deferred outflows of resources	(71,057)
(Increase) decrease in inventories	(23,339)
(Increase) decrease in prepaid items	750
Increase (decrease) in customer deposits	765
Increase (decrease) in accrued liabilities	
Increase (decrease) in accounts payable	28,197
Increase (decrease) in net OPEB obligation	7,891
Increase (decrease) in net pension liability	124,168
Increase (decrease) in deferred inflows of resources	(102,502)
Increase (decrease) in compensated absences	(12,026)
Total adjustments	\$ 940,641
Net cash provided by (used for) operating activities	\$ 1,855,136

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 109,261
Investments	55,910
Accounts receivable	<u>1,475</u>
Total assets	<u><u>\$ 166,646</u></u>
LIABILITIES	
Accounts payable	\$ 76,297
Amounts held for social services clients	28,155
Amounts held for regional program	6,587
Amounts held for others	<u>55,607</u>
Total liabilities	<u><u>\$ 166,646</u></u>

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Gloucester, Virginia (the "County") is governed by an elected seven member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and volunteer fire protection and rescue services; sanitation services; recreational activities, cultural events, education, and social services.

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

Financial Statement Presentation

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. The exception to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 and business-type 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.

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).

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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 the original budget, 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 Gloucester (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.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2017.

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester 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 School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Gloucester County Economic Development Authority (EDA) is responsible for industrial prospective bond issues 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, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. The Authority does not issue a separate financial report.

C. Other Related Organizations

The Middle Peninsula Juvenile Detention Commission (the Commission) was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a new juvenile detention facility serving the eighteen member jurisdictions of which the Assistant County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Separate audited financial statements are available from the Commission, c/o the County of James City at P.O. Box 8784, Williamsburg, VA 23187-8784.

The Middle Peninsula Regional Airport Authority (Airport) was created in 1997 by the Virginia General Assembly for the purpose of owning and operating the airport. The Airport consists of five member jurisdictions. The Airport is fiscally independent of the County, because substantially all of its income comes from State and Federal funds. Separate audited financial statements are available from the Airport at 1000 Airport Road, Mattaponi, VA 23110.

Other Agencies-Certain agencies and commissions service both the County of Gloucester and surrounding localities. Board membership is allocated among the localities and their governing bodies appointments. These agencies include: Colonial Group Home Commission, Hampton Roads Planning District Commission, Middle Peninsula Planning District Commission, Northern Neck Regional Jail, Hampton Roads Economic Development Alliance, Peninsula Council Workforce Development and Hampton Roads Partnership.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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 45 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 other specific expenditures. 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 - are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund, Capital Projects Fund and School Construction Fund as major governmental funds.

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

Debt Service Fund - accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

Capital Projects Funds - 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 of the governments. The County reports the Capital Projects Fund and the School Construction Fund as a major Capital Projects Funds.

The County reports the following nonmajor governmental funds:

Special Revenue Funds - accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Virginia Public Assistance and Comprehensive Services Act.

Internal Service Funds - accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.

Fiduciary Funds - (Trust and Agency Funds) - accounts 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 Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare, Middle Peninsula Regional Special Education, Flexible Benefits and Sheriff/Jail.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's major Enterprise Funds consist of the Utilities Fund, which accounts for the operations of sewage pumping stations and collection systems, and the water distribution system.

E. Cash and Cash Equivalents:

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

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

G. Receivables and Payables

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

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 \$555,418 at June 30, 2017 and is comprised solely 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 30/December 5 (50% each date)	June 30/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)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 for both the County and the Component Unit School Board. 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. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The Component Unit Economic Development Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed at the business park.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Improvements other than buildings	35
Buildings	10-35
Machinery and Equipment	2-15
Infrastructure	25

I. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. 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. Use of Estimates

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. 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 represents 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.

L. 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.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund 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. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. 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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid items in governmental funds are reported as nonspendable fund balance.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Public Utilities Fund consists of expendable supplies held for consumption. Inventory in the Component Unit-School Board Cafeteria Fund consists of the purchased food and supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. Inventory in the Component Unit-Economic Development Authority consists of land held for resale.

Q. Fund Equity

The County reports fund balance 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:

- 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.

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.

The 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 the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors.

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to 10% of governmental fund expenditures, with a preferred target of 12% of governmental fund expenditures, less any capital outlay projects funded with bond proceeds.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Fund Equity (Continued)

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

	General Fund	Major Capital Projects Fund	Total
Fund Balances:			
Nonspendable:			
Prepaid items	\$ 400,064	\$ -	\$ 400,064
Total Nonspendable	\$ 400,064	\$ -	\$ 400,064
Restricted:			
Sheriff's asset forfeiture, federal	\$ 28,204	\$ -	\$ 28,204
Sheriff's asset forfeiture, state	45,364	-	45,364
Commonwealth Attorney's asset forfeiture, federal	464	-	464
Commonwealth Attorney's asset forfeiture, state	8,330	-	8,330
Proffers	-	115,400	115,400
Total Restricted	\$ 82,362	\$ 115,400	\$ 197,762
Committed:			
Mosquito control	\$ 142,204	\$ -	\$ 142,204
Tourism projects	251,675	-	251,675
Daffodil festival	66,587	-	66,587
Program donations	25,195	-	25,195
Subsequent expenditures	-	543,541	543,541
Probation and pretrial	102,542	-	102,542
Cable services	678,744	-	678,744
County capital replacement	405,094	-	405,094
Park projects	-	29,819	29,819
Older adult capital projects	-	123,059	123,059
Total Committed	\$ 1,672,041	\$ 696,419	\$ 2,368,460
Unassigned	\$ 20,524,588	\$ -	\$ 20,524,588
Total Fund Balances	\$ 22,679,055	\$ 811,819	\$ 23,490,874

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the financial reporting for the derivative debt incurred by the Component Economic Development Authority. The third item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The final item is comprised of certain items related to the measurement of the net pension liability. These include the differences in expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 two types of items that qualify 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 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

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. During the month of March, 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 required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.
5. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.
6. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit - School Board.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

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).

Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2017 were held by the County or in the County's name by the County's custodial banks.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AAA	AA-	
Primary Government:				
Local Government Investment Pool	\$ 14,185,438	\$ -	\$ -	
Virginia State Non-Arbitrage Pool	203,313	-	-	
Money Market Fund	-	1,866,455	-	
U.S. Government Obligations	1,780,089	-	-	
Total	<u>\$ 16,168,840</u>	<u>\$ 1,866,455</u>	<u>\$ -</u>	
Component Unit-School Board:				
Local Government Investment Pool	\$ 798,233	\$ -	\$ -	
Total	<u>\$ 798,233</u>	<u>\$ -</u>	<u>\$ -</u>	
Component Unit-Economic Development Authority:				
Corporate Bonds	\$ -	\$ -	\$ 99,942	
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,942</u>	

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 14,185,438	\$ 14,185,438	\$ -
Virginia State Non-Arbitrage Pool	203,313	203,313	-
U.S. Government Obligations	1,780,089	1,780,089	-
Money Market Fund	1,866,455	1,866,455	-
Total	<u>\$ 18,035,295</u>	<u>\$ 18,035,295</u>	<u>\$ -</u>
Component Unit-School Board:			
Local Government Investment Pool	\$ 798,233	\$ 798,233	\$ -
Total	<u>\$ 798,233</u>	<u>\$ 798,233</u>	<u>\$ -</u>
Component Unit-Economic Development Authority			
Corporate Bonds	\$ 200,946	\$ 99,972	\$ -
Total	<u>\$ 200,946</u>	<u>\$ 99,972</u>	<u>\$ -</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. This conversion was completed in November 2016. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U. S. Government securities (including securities issued or guaranteed by the U. S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2017, the County has receivables from and amounts due to other governments as follows:

		Component Unit	
	Primary Government	School Board	School Board Internal Service Fund
Other Local Governments:			
County of Gloucester	\$ -	\$ 4,180,543	\$ 473,862
Gloucester County Cafeteria	67,834	-	-
Commonwealth of Virginia:			
Local sales tax	802,345	-	-
Local communication sales tax	170,646	-	-
Local cable television fees	66,496	-	-
Mobile home titling tax	11,363	-	-
CSA funds	88,993	-	-
VPA funds	90,503	-	-
State sales tax	-	1,049,712	-
Constitutional officer reimbursements	290,459	-	-
Recordation tax	36,064	-	-
Other Grants	27,411	-	-
FEMA grant	202,888	-	-
E-911 funds	7,975	-	-
Federal Government:			
School fund grants	-	478,178	-
FEMA grant	529,732	-	-
VPA funds	129,479	-	-
Other federal grants	52,551	-	-
Total due from other governments	<u>\$ 2,574,739</u>	<u>\$ 5,708,433</u>	<u>\$ 473,862</u>
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 4,654,405	\$ -	\$ -
Gloucester County	-	67,834	-
Total due to other governments	<u>\$ 4,654,405</u>	<u>\$ 67,834</u>	<u>\$ -</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 248,706	\$ 776,763
Capital Projects	776,763	-
Virginia Public Assistance	-	219,215
Comprehensive Services Act	-	21,699
Total Governmental Funds	<u>\$ 1,025,469</u>	<u>\$ 1,017,677</u>
Utilities	\$ -	\$ 7,792
Total All Funds	<u>\$ 1,025,469</u>	<u>\$ 1,025,469</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year.

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2017:

Primary Government:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,486,853	\$ -	\$ -	\$ 6,486,853
Construction in progress	1,499,075	248,576	1,241,033	506,618
Total capital assets not subject to depreciation	<u>\$ 7,985,928</u>	<u>\$ 248,576</u>	<u>\$ 1,241,033</u>	<u>\$ 6,993,471</u>
Capital assets subject to depreciation:				
Buildings	\$ 19,814,400	\$ -	\$ -	\$ 19,814,400
Improvements other than buildings	2,918,446	1,036,995	-	3,955,441
Machinery and equipment	18,811,592	1,803,990	389,428	20,226,154
Jointly owned assets - buildings	49,452,738	-	1,088,333	48,364,405
Total capital assets subject to depreciation	<u>\$ 90,997,176</u>	<u>\$ 2,840,985</u>	<u>\$ 1,477,761</u>	<u>\$ 92,360,400</u>
Accumulated depreciation:				
Buildings	\$ (8,384,100)	\$ (478,708)	\$ -	\$ (8,862,808)
Improvements other than buildings	(753,866)	(152,237)	-	(906,103)
Machinery and equipment	(11,222,273)	(1,813,389)	(389,428)	(12,646,234)
Jointly owned assets - buildings	(16,115,851)	(1,231,812)	(381,779)	(16,965,884)
Total accumulated depreciation	<u>\$ (36,476,090)</u>	<u>\$ (3,676,146)</u>	<u>\$ (771,207)</u>	<u>\$ (39,381,029)</u>
Total capital assets being depreciated, net	<u>\$ 54,521,086</u>	<u>\$ (835,161)</u>	<u>\$ 706,554</u>	<u>\$ 52,979,371</u>
Governmental activities capital assets, net	<u>\$ 62,507,014</u>	<u>\$ (586,585)</u>	<u>\$ 1,947,587</u>	<u>\$ 59,972,842</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government administration	\$	310,218
Judicial administration		214,338
Public safety		1,716,329
Public works		34,404
Health and welfare		55,261
Education		1,252,855
Parks, recreation and cultural		85,901
Community development		6,840
Total Governmental activities	\$	<u>3,676,146</u>

A summary of proprietary fund property, plant, and equipment at June 30, 2017 follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,246	\$ 41,781	\$ 8,700	\$ 3,632,327
Construction in progress	<u>424,433</u>	<u>1,564,773</u>	<u>355,715</u>	<u>1,633,491</u>
Total capital assets not subject to depreciation	\$ <u>4,023,679</u>	\$ <u>1,606,554</u>	\$ <u>364,415</u>	\$ <u>5,265,818</u>
Capital assets subject to depreciation:				
Plant in service	\$ 34,700,316	\$ 440,639	\$ -	\$ 35,140,955
Machinery and equipment	1,784,101	365,400	-	2,149,501
Buildings	<u>6,132,616</u>	<u>-</u>	<u>-</u>	<u>6,132,616</u>
Total capital assets subject to depreciation	\$ <u>42,617,033</u>	\$ <u>806,039</u>	\$ <u>-</u>	\$ <u>43,423,072</u>
Accumulated depreciation:				
Plant in service	\$ (16,035,647)	\$ (752,154)	\$ -	\$ (16,787,801)
Machinery and equipment	(551,963)	(82,117)	-	(634,080)
Buildings	<u>(3,859,900)</u>	<u>(180,391)</u>	<u>-</u>	<u>(4,040,291)</u>
Total accumulated depreciation	\$ <u>(20,447,510)</u>	\$ <u>(1,014,662)</u>	\$ <u>-</u>	\$ <u>(21,462,172)</u>
Total capital assets being depreciated, net	\$ <u>22,169,523</u>	\$ <u>(208,623)</u>	\$ <u>-</u>	\$ <u>21,960,900</u>
Business-type activities capital assets, net	\$ <u>26,193,202</u>	\$ <u>1,397,931</u>	\$ <u>364,415</u>	\$ <u>27,226,718</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2017:

Component Unit - School Board:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Total capital assets not subject to depreciation	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Capital assets subject to depreciation:				
Buildings	\$ 3,155,161	\$ 576,232	\$ -	\$ 3,731,393
Machinery and equipment	11,263,062	558,604	-	11,821,666
Jointly owned assets - buildings	45,516,879	-	(1,088,333)	46,605,212
Total capital assets subject to depreciation	\$ 59,935,102	\$ 1,134,836	\$ (1,088,333)	\$ 62,158,271
Accumulated depreciation:				
Buildings	\$ (205,539)	\$ (89,044)	\$ -	\$ (294,583)
Machinery and equipment	(8,741,072)	(544,144)	-	(9,285,216)
Jointly owned assets - buildings	(14,833,217)	(1,133,775)	381,779	(16,348,771)
Total accumulated depreciation	\$ (23,779,828)	\$ (1,766,963)	\$ 381,779	\$ (25,928,570)
Total capital assets being depreciated, net	\$ 36,155,274	\$ (632,127)	\$ (706,554)	\$ 36,229,701
Governmental activities capital assets, net	\$ 37,631,335	\$ (632,127)	\$ (706,554)	\$ 37,705,762

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 current 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 Gloucester, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$31,398,521 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2017 follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 813,267	\$ -	\$ -	\$ 813,267
Total capital assets not subject to depreciation	\$ 813,267	\$ -	\$ -	\$ 813,267
Capital assets subject to depreciation:				
Buildings	\$ 18,403,393	\$ 38,869	\$ -	\$ 18,442,262
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	\$ 18,410,627	\$ 38,869	\$ -	\$ 18,449,496
Accumulated depreciation:				
Buildings	\$ (7,400,578)	\$ (735,474)	\$ -	\$ (8,136,052)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (7,407,812)	\$ (735,474)	\$ -	\$ (8,143,286)
Total capital assets being depreciated, net	\$ 11,002,815	\$ (696,605)	\$ -	\$ 10,306,210
Business-type activities capital assets, net	\$ 11,816,082	\$ (696,605)	\$ -	\$ 11,119,477

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 8,945,022
Debt Service	5,703,437	-
Capital Projects	1,396,170	-
Other Governmental Funds	1,269,889	-
Total Governmental Funds	\$ 8,369,496	\$ 8,945,022
Enterprise Funds:		
Utilities	575,526	-
Total-All Funds	\$ <u>8,945,022</u>	\$ <u>8,945,022</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 authorization.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2017 is as follows:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences	\$ 1,673,292	\$ 1,452,472	\$ 1,419,241	\$ 1,706,523	\$ 170,652
Net OPEB obligation	1,560,257	150,482	32,115	1,678,624	-
Net pension liability	5,475,759	5,361,029	3,251,644	7,585,144	-
Capital leases	9,444,609	1,020,726	1,997,947	8,467,388	1,939,110
Total incurred by County	\$ 18,153,917	\$ 7,984,709	\$ 6,700,947	\$ 19,437,679	\$ 2,109,762
Incurred by School Board:					
State Literary Fund Loans	\$ 720,324	\$ -	\$ 250,000	\$ 470,324	\$ 250,000
General obligation bonds	33,336,887	-	1,938,366	31,398,521	1,907,960
Add deferred amounts:					
For issuance premium	1,461,944	-	105,462	1,356,482	-
Total incurred by School Board	\$ 35,519,155	\$ -	\$ 2,293,828	\$ 33,225,327	\$ 2,157,960
Total Governmental Activities	\$ 53,673,072	\$ 7,984,709	\$ 8,994,775	\$ 52,663,006	\$ 4,267,722
Business-type Activities:					
Compensated absences	\$ 117,973	\$ 88,602	\$ 100,628	\$ 105,947	\$ 10,595
Net OPEB obligation	126,236	10,032	2,141	134,127	-
Net pension liability	367,723	347,659	223,491	491,891	-
Revenue bonds	14,527,000	-	2,257,000	12,270,000	2,382,000
Add deferred amounts:					
For issuance premium	533,213	-	177,737	355,476	-
Total Business-type Activities	\$ 15,672,145	\$ 446,293	\$ 2,760,997	\$ 13,357,441	\$ 2,392,595

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities	
	Capital Leases	
	Principal	Interest
2018	\$ 1,939,110	\$ 245,157
2019	570,216	168,600
2020	580,065	154,046
2021	598,997	139,125
2022	423,000	123,779
2023	432,000	112,194
2024	441,000	100,365
2025	459,000	88,170
2026	471,000	75,568
2027	483,000	62,642
2028	498,000	49,349
2029	508,000	35,718
2030	523,000	21,748
2031	541,000	7,331
Total	\$ <u>8,467,388</u>	\$ <u>1,383,792</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Governmental Activities			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 250,000	\$ 14,109	\$ 1,907,960	\$ 1,345,191
2019	220,324	6,609	2,262,778	1,256,636
2020	-	-	2,342,866	1,165,801
2021	-	-	2,418,219	1,071,132
2022	-	-	2,518,853	970,440
2023	-	-	2,581,258	878,352
2024	-	-	2,661,126	791,492
2025	-	-	2,005,284	707,585
2026	-	-	2,067,045	631,358
2027	-	-	2,129,162	557,061
2028	-	-	1,686,650	490,400
2029	-	-	1,365,490	436,215
2030	-	-	990,490	398,483
2031	-	-	1,020,489	357,543
2032	-	-	1,022,712	315,313
2033	-	-	1,057,713	282,310
2034	-	-	1,087,713	247,910
2035	-	-	272,713	115,194
Total	\$ <u>470,324</u>	\$ <u>20,718</u>	\$ <u>31,398,521</u>	\$ <u>12,018,416</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2018	\$ 2,382,000	\$ 309,767
2019	2,486,000	208,543
2020	714,000	147,945
2021	708,000	133,014
2022	719,000	118,031
2023	729,000	102,826
2024	749,000	87,308
2025	759,000	71,473
2026	775,000	55,367
2027	699,000	39,889
2028	506,000	27,237
2029	517,000	16,496
2030	527,000	5,534
Total	\$ <u>12,270,000</u>	\$ <u>1,323,430</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-Term Obligations:</u>	
Governmental activities	
<u>Capital Leases:</u>	
\$6,725,000 capital lease revenue refunding bond (payable from the General Fund) issued August 12, 2015, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at 2.71%.	\$ 6,357,000
\$1,020,726 capital lease (payable from the General Fund) dated July 1, 2016, secured by communications equipment, due in combined annual installments of principal and interest of \$190,015 through July 1, 2020, including interest at 2.16%.	720,726
\$11,245,000 capital lease (payable from the General Fund) dated December 28, 2006, secured by communications equipment, due in combined annual installments of principal and interest of \$1,452,058 through July 1, 2017, including interest at 4.49%.	<u>1,389,662</u>
Total Capital Leases	\$ 8,467,388
Compensated absences (payable from the General Fund)	1,706,523
Net OPEB obligation (payable from the General Fund)	1,678,624
Net pension liability (payable from the General Fund)	<u>7,585,144</u>
Total long-term obligations incurred by County	<u><u>\$ 19,437,679</u></u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds:</u>	
\$500,000 General Obligation School Bond, Series 2011, dated December 15, 2011 payable in various annual installments each December 1 through 2030, interest payable semi-annually at 4.25%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	\$ 450,000
\$5,999,684 General Obligation School Bond, Series 2012, dated October 31, 2012 payable in various annual installments each December 1 through 2034, interest payable semi-annually at 3.84%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	5,519,704
\$7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Face amount of bonds outstanding, \$3,540,000 plus unamortized issuance premium of \$140,237.	3,680,237
\$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Face amount of bonds outstanding, \$4,005,000 plus unamortized issuance premium of \$81,011.	4,086,011
\$15,845,000 School Bonds issued November 21, 2013 payable in various annual installments each July 15 through 2033. Interest payable semi-annually at various interest rates from 2.3% through 5.05%. Face amount of bonds outstanding, \$14,145,000 plus unamortized issuance premium of \$957,837.	15,102,837
\$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Face amount of bonds outstanding, \$3,738,817 plus unamortized issuance premium of \$177,397.	3,916,214
Total school bonds	\$ <u>32,755,003</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	\$ <u>470,324</u>
Total long-term obligations incurred by School Board, payable from the General Fund	\$ <u>33,225,327</u>
Total governmental activities obligations	\$ <u>52,663,006</u>
<u>Business-type activities:</u>	
<u>Revenue Bonds:</u>	
\$9,427,000 Water and Sewer Revenue and Refunding Bonds issued March 30, 2016, payable in various amounts through December 1, 2029, interest payable semi-annually at 2.1%.	\$ 8,790,000
\$9,740,000 Water and Sewer Revenue and Refunding Bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.286% to 5.125%. Face amount of bonds outstanding, \$3,480,000 plus unamortized issuance premium of \$355,476.	3,835,476
Total revenue bonds	\$ <u>12,625,476</u>
Compensated absences (payable from the Enterprise Fund)	105,947
Net Pension liability (payable from the Enterprise Fund)	491,891
Net OPEB obligation (payable from the Enterprise Fund)	134,127
Total business-type activities obligations	\$ <u>13,357,441</u>

All Enterprise Fund revenue is pledged to collateralize all revenue bonds as long as they remain outstanding. Outstanding revenue bonds at June 30, 2017 report remaining principal and interest balances payable of \$12,270,000 and \$1,323,429, respectively.

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of a new courthouse and radio equipment for judicial administration and public safety. 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Courthouse Construction	\$ 7,237,000
Radio Equipment	13,513,899
Less: Accumulated depreciation	<u>(10,468,483)</u>
	<u>\$ 10,282,416</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2018	\$ 2,184,266
2019	738,816
2020	734,111
2021	738,122
2022	546,779
2023	544,194
2024	541,365
2025	547,170
2026	546,568
2027	545,642
2028	547,349
2029	543,718
2030	544,748
2031	<u>548,330</u>
Total minimum lease payments	\$ 9,851,178
Less: amount representing interest	<u>(1,383,790)</u>
Present value of minimum lease payments	<u>\$ 8,467,388</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board:

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 1,760,289	\$ 2,010,743	\$ 2,083,513	\$ 1,687,519	\$ 168,752
Net OPEB obligation	2,291,371	654,492	259,549	2,686,314	-
Net pension liability	<u>47,976,823</u>	<u>13,609,569</u>	<u>8,362,370</u>	<u>53,224,022</u>	<u>-</u>
Total incurred by School Board	<u>\$ 52,028,483</u>	<u>\$ 16,274,804</u>	<u>\$ 10,705,432</u>	<u>\$ 57,597,855</u>	<u>\$ 168,752</u>

Component Unit—Economic Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Bonds and Note Payable	\$ 13,736,447	\$ -	\$ 771,408	\$ 12,965,039	\$ 817,561
Derivative instrument	<u>1,405,254</u>	<u>-</u>	<u>722,598</u>	<u>682,656</u>	<u>-</u>
Total	<u>\$ 15,141,701</u>	<u>\$ -</u>	<u>\$ 1,494,006</u>	<u>\$ 13,647,695</u>	<u>\$ 817,561</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority: (Continued)

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Bonds and Note Payable:</u>	
\$18,500,000 variable rate taxable Lease Revenue and Refunding Bonds, Series 2008, issued August 1, 2008, due in monthly installments through March 1, 2019, variable interest rate equal to 100% of the Bank's LIBOR rate plus 1.30%, adjusted monthly with an interest rate swap option effectively making this a loan with a fixed rate of 5.96%.	\$ 12,791,250
\$173,789 Promissory Note with BB&T dated July 12, 2017, payable in monthly installments of combined principal and interest of \$1,400 through June 12, 2022, interest at 5.21%, balance due on July 12, 2022. This note refinanced a similar note that matured on July 12, 2017.	<u>173,789</u>
Total Debt incurred by the Component Unit Economic Development Authority	<u>\$ 12,965,039</u>

Interest rate swap

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in August 2008, the Authority entered into an interest rate swap in connection with its \$18.5 million Taxable Lease Revenue and Refunding Bonds, Series 2008. The intention of the swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 5.96 percent. Utilizing the synthetic instrument method, the Authority has determined that the swap is an effective hedging derivative instrument and hedge accounting is applies.

Terms. The bonds and the related swap agreement mature on March 1, 2019. The swap's notional value of \$13,647,695 is more than the balance outstanding on the bonds payable of \$12,965,039. The difference of \$682,656 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap (Continued)

Fair Value. The fair values and changes in fair values of the swap are as follows:

		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Fair value	\$	(1,590,397)	\$ (2,504,543)	\$ (2,220,148)	\$ (3,313,813)	
Change in fair value		(1,590,397)	(914,146)	284,395	(1,093,665)	
		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fair value	\$	(2,363,123)	\$ (2,051,465)	\$ (1,665,311)	(1,405,254)	(682,656)
Change in fair value		950,690	311,658	386,154	260,057	722,598

Annual amounts required to amortize the Authority loan using the fixed rate provided by the swap agreement which is not significantly different from the variable rate are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 817,561	\$ 748,606
2019	11,989,269	587,757
2020	8,770	8,035
2021	9,238	7,567
2022	9,731	7,074
2023	130,470	566
Total	\$ 12,965,039	\$ 1,359,605

NOTE 9—LANDFILL POST CLOSURE COSTS:

The County stopped receiving waste at its landfill in September 1993, which was prior to the date mandated by State and Federal laws and regulations, so as to be liable for post-closure monitoring for a period of only ten years. The Department of Environmental Quality has agreed to stop requiring groundwater monitoring for this landfill, but continue to require monitoring for landfill gas. Post-closure monitoring costs for this function are believed to be minimal and will be paid for with general fund revenues.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS: (CONTINUED)

In 1993, the County contracted with a third party, Waste Management Disposal Services of Virginia, Inc., to collect and dispose of all County solid waste generated after October 1, 1993. As required by this contract, an environmental trust fund was established for the benefit of the County to provide assurance against any environmental problems on the landfill property. No amounts have been recorded in these financial statements for post-closure monitoring of this landfill, because the third party has assumed all post-closure obligations.

NOTE 10—DEFERRED AND UNAVAILABLE REVENUE:

At June 30, 2017, deferred and unavailable revenue are reported as follows:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 2,339,005
2nd half assessments due in December 2017	19,533,718	19,533,718
Prepaid property taxes due in December 2017 but paid in advance by taxpayers	306,996	306,996
	\$ <u>19,840,714</u>	\$ <u>22,179,719</u>

NOTE 11—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance 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.

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8a) between the state Water Control Board and the Hampton Roads Sanitation District, the cities of Chesapeake, Hampton, Newport News, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg; the counties of Gloucester, Isle of Wight, and York; the James City Service Authority; and the town of Smithfield for the purpose of resolving certain alleged violations of environmental laws and regulations. All parties have agreed to a two-phased approach to address the initiative: the first phase is principally a data collection, evaluation and plan development program and the second phase will implement long-term capacity enhancement and sewer rehabilitation plans.

The County entered into a Financing Lease Agreement and an Amended Cooperation Agreement on September 1, 2016 with the Counties of Northumberland, Richmond, and Westmoreland to become a member of the Northern Neck Regional Jail. As a result of these agreements, the County is committed to pay the Northern Neck Regional Jail \$342,027 for 15 years through 2031.

NOTE 12—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

The County is 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. The County joined together with other local governments in Virginia to form the Virginia Association of Counties Group Self-Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool 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.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units - School Board and Economic Development Authority, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 13—RISK MANAGEMENT: (CONTINUED)

The Component Unit School Board utilizes a self-insurance program for employee health insurance. The School Board accounts for this program in an internal service fund. A summary of the claims liability for the current and prior year follows:

Unpaid claims, June 30, 2015	\$ 663,743
Incurred claims (including IBNR and changes in estimates)	7,858,103
Claim payments	<u>(7,681,758)</u>
Unpaid claims, June 30, 2016	\$ <u>840,088</u>
Incurred claims (including IBNR and changes in estimates)	5,900,448
Claim payments	<u>(5,836,674)</u>
Unpaid claims, June 30, 2017	\$ <u><u>903,862</u></u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 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.</p>	<p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in 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.</p> <p>Hybrid Opt-In Election Eligible 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>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.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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. Plan 1 or 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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: 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 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage</p> <p>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.</p>	<p>Disability Coverage</p> <p>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.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and School divisions (including Plan 1 and 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.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	183	102
Inactive members:		
Vested inactive members	58	22
Non-vested inactive members	68	49
Inactive members active elsewhere in VRS	132	19
Total inactive members	258	90
Active members	312	198
Total covered employees	753	390

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,410,351 and \$1,531,127 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 6.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$184,184 and \$297,344 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 57,992,265	\$ 52,148,783	\$ 5,843,482
Changes for the year:			
Service cost	\$ 1,729,707	\$ -	\$ 1,729,707
Interest	3,978,981	-	3,978,981
Benefits changes			
Differences between expected and actual experience	(348,414)	-	(348,414)
Contributions - employer	-	1,524,213	(1,524,213)
Contributions - employee	-	721,049	(721,049)
Net investment income	-	913,929	(913,929)
Benefit payments, including refunds			
Refunds of employee contributions	(2,299,345)	(2,299,345)	-
Administrative expenses	-	(32,083)	32,083
Other changes	-	(387)	387
Net changes	\$ 3,060,929	\$ 827,376	\$ 2,233,553
Balances at June 30, 2016	\$ 61,053,194	\$ 52,976,159	\$ 8,077,035

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 17,241,817	\$ 16,710,994	\$ 530,823
Changes for the year:			
Service cost	\$ 426,688	\$ -	\$ 426,688
Interest	1,180,310	-	1,180,310
Benefit changes			
Differences between expected and actual experience	(120,700)	-	(120,700)
Contributions - employer	-	294,552	(294,552)
Contributions - employee	-	171,445	(171,445)
Net investment income	-	287,673	(287,673)
Benefit payments, including refunds			
Refunds of employee contributions	(760,487)	(760,487)	-
Administrative expenses	-	(10,449)	10,449
Other changes	-	(122)	122
Net changes	\$ 725,811	\$ (17,388)	\$ 743,199
Balances at June 30, 2016	\$ 17,967,628	\$ 16,693,606	\$ 1,274,022

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 16,195,484	\$ 8,077,035	\$ 1,335,935
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	3,418,352	1,274,022	(535,194)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$1,413,796 and \$132,449 respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Component Unit School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 206,263	\$ 253,736	\$ -	\$ 294,475
Net difference between projected and actual earnings on pension plan investments	1,378,996	-	438,697	-
Employer contributions subsequent to the measurement date	1,410,351	-	184,184	-
Total	<u>\$ 2,995,610</u>	<u>\$ 253,736</u>	<u>\$ 622,881</u>	<u>\$ 294,475</u>

\$1,410,351 and \$184,184 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2018	\$ 41,073	\$ (154,582)
2019	21,909	(106,040)
2020	721,848	230,560
2021	546,693	174,284
2022	-	-
Thereafter	-	-

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$4,396,122 and \$3,973,959 for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school division reported a liability of \$51,950,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .37070% as compared to .37696% at June 30, 2015.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, the school division recognized pension expense of \$3,906,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 1,684,000
Net difference between projected and actual earnings on pension plan investments	2,968,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,865,000
Employer contributions subsequent to the measurement date	<u>4,396,122</u>	<u>-</u>
Total	<u>\$ 7,364,122</u>	<u>\$ 3,549,000</u>

\$4,396,122 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (909,000)
2019	(909,000)
2020	834,000
2021	582,000
2022	(179,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
		<hr/>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
	\$	<hr/>
		14,014,115
		<hr/>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	74,055,000 \$	51,950,000 \$	33,741,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L. Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Darrell W. Warren, Jr., Sheriff	30,000
Western Surety	
Carol Dehoux, Clerk of the School Board	10,000
Betty Jane Duncan, Deputy Clerk of the School Board	10,000
Zane S. Barry, Director of Social Services	20,000
NGM Insurance Company	
J. Brent Fedors, County Administrator	5,000
VA CORP Insurance Program - Surety	
All County and Social Services Employees - Blanket Bond	250,000

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$165,000 for the year ended June 30, 2017. In FY 2015, the County decided to accept the first renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 165,000
2019	151,250
Total	<u>\$ 316,250</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 16—OPERATING LEASES: (CONTINUED)

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was \$46,184 for the year ended June 30, 2017. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 47,338
2019	48,522
2020	49,735
2021	50,978
2022	52,253
2023 - 2032	509,914
Total	<u><u>\$ 758,740</u></u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$67,005 for the year ended June 30, 2017. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 69,015
2019	29,110
Total	<u><u>\$ 98,125</u></u>

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NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

A. Post-retirement Medical Plan for Employee

Plan Description

Gloucester County and Gloucester County Public Schools offers eligible retirees post-retirement medical coverage if they retire directly from the County or Schools with at least fifteen years of continuous County of Gloucester or Gloucester County Public School, service and are eligible to receive an early or regular retirement benefit from the Virginia Retirement System (VRS). Health benefits include medical and dental coverage. The Gloucester County retirees are responsible for 100% of the premium and is paid directly to the subscriber. Retirees from the Gloucester County Public School System can elect one of two options whereby the employer pays a portion of the retiree's medical coverage. Benefits end at the age of 65 or when retirees become eligible for medicare for both the County and the School System.

Funding Policy

The County retirees pay 100% of the premiums directly to the subscriber. Retirees from the Gloucester County Public Schools may elect one of two options. Retirees may elect to receive a supplemental payment equal to \$4 for each year of service which is capped at \$120 per month. The second option requires the School Board to pay a percentage of the retiree contribution, less the Virginia Retiree Health Care Credit for retirees who have unused sick leave. The percentage is determined according to the following schedule:

<u>Days of Sick Leave</u>	<u>School Board Contribution</u>
Less than 100	0%
100-124	40%
125-149	55%
150-174	70%
175-200	85%
200 or more	100%

The Schools currently have 38 retirees and no covered beneficiaries in their plan. The County has 9 retirees and no covered beneficiaries in their plan.

Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

A. Post-retirement Medical Plan for Employee (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 County and School Board. The following table shows the components of the County and School Board's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

	Primary Government	Component Unit School Board
Annual required contribution	\$ 163,271	\$ 658,347
Interest on net OPEB obligation	67,460	94,343
Adjustment to annual required contribution	(70,217)	(98,198)
Annual OPEB cost (expense)	\$ 160,514	\$ 654,492
Contributions made	(34,256)	(259,549)
Increase in net OPEB obligation	126,258	394,943
Net OPEB obligation-beginning of year	1,686,493	2,291,371
Net OPEB obligation-end of year	\$ 1,812,751	\$ 2,686,314

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2015	\$ 253,553	20.04%	\$ 1,566,189
6/30/2016	152,023	20.86%	1,686,493
6/30/2017	160,514	21.34%	1,812,751
Schools:			
6/30/2015	\$ 540,258	46.38%	\$ 2,039,293
6/30/2016	562,265	55.17%	2,291,371
6/30/2017	654,492	39.66%	2,686,314

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

A. Post-retirement Medical Plan for Employee: (Continued)

Funded Status and Funding Progress

As of July 1, 2016, the date of the most recent actuarial valuation, the County's actuarial accrued liability for benefits was \$1,664,847, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,631,772, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.21%.

As of July 1, 2016, the date of the most recent actuarial valuation, the School Board's actuarial accrued liability for benefits was \$6,937,567, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$27,327,582, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.39%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 State Employees 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 RP2000 Employee & Disability Mortality Tables for males and females with a 2-5 year setback in pre-retirement for males and females.

Coverage elections - The actuarial assumed that 75% of current actives of the Gloucester County Public Schools will elect medical coverage when they retire and that 10% of retirees who elect coverage will cover a spouse. The actuarial assumed that 60% of current actives of Gloucester County will elect medical coverage when they retire and that 50% of retirees who elect coverage will cover a spouse.

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

A. Post-retirement Medical Plan for Employee: (Continued)

Actuarial Methods and Assumptions (Continued)

Based on the historical and expected returns of the County and 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 June 30, 2017 was thirty years for the County and the School Board.

B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

Gloucester County and the Gloucester County Public Schools participate in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and 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.

Employees of Gloucester County and non-professional employee of the Gloucester County Public Schools (School Board), who retire under VRS with at least 15 years of total creditable service under the System and are enrolled in a health insurance plan, are eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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 14.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

B. Health Insurance Credit Program Through Virginia Retirement System: (Continued)

Funding Policy

As a participating local political subdivision, the County and the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rates for the fiscal year ended 2017 were .19% and .62% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2017, the County's contribution of \$12,479 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 9,726	100.00%	\$ -
6/30/2016	9,574	100.00%	-
6/30/2017	12,479	100.00%	-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 293,035
Actuarial value of plan assets	\$ 247,167
Unfunded actuarial accrued liability (UAAL)	\$ 45,868
Funded ratio (actuarial value of plan assets/AAL)	84.35%
Covered payroll (active plan members)	\$ 6,480,612
UAAL as a percentage of covered payroll	0.71%

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)B. Health Insurance Credit Program Through Virginia Retirement System: (Continued)Funded Status and Funding Progress: (Continued)

For 2017, the School Board's contribution of \$18,508 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 23,456	100.00%	\$ -
6/30/2016	20,653	100.00%	-
6/30/2017	18,508	100.00%	-

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 380,373
Actuarial value of plan assets	\$ 128,023
Unfunded actuarial accrued liability (UAAL)	\$ 252,350
Funded ratio (actuarial value of plan assets/AAL)	33.66%
Covered payroll (active plan members)	\$ 3,067,192
UAAL as a percentage of covered payroll	8.23%

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 and reflect a long-term perspective. Examples include 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 liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

B. Health Insurance Credit Program Through Virginia Retirement System: (Continued)

Actuarial Methods and Assumptions: (Continued)

Retiree postemployment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2017 was 18-27 years using an open amortization period.

Professional Employees - Discretely Presented Component Unit School Board

The School Board professional employees participate 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.

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.

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 years ended June 30, 2017, 2016, and 2015 were \$332,859, \$299,601, and \$297,107, respectively and equaled the required contributions for each year.

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NOTE 18-FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 18-FAIR VALUE MEASUREMENTS: (CONTINUED)

The County has the following recurring fair value measurements as of June 30, 2017:

Investment type	Balance June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Treasury Note	\$ 1,866,455	\$ 1,866,455	\$ -	\$ -
Money Market Fund	1,780,089	1,780,089	-	-
	<u>\$ 3,646,544</u>	<u>\$ 3,646,544</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit--				
Economic Development Authority				
Debt Securities:				
Corporate Debt	\$ 99,942	\$ 99,942	\$ -	\$ -
Investments in derivative instruments:				
Interest rate swap liability	682,656	-	686,656	-
	<u>\$ 782,598</u>	<u>\$ 99,942</u>	<u>\$ 686,656</u>	<u>\$ -</u>

NOTE 19-UPCOMING PRONOUNCEMENTS:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 19-UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

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General Fund

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

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 38,701,728	\$ 38,701,728	\$ 39,605,567	\$ 903,839
Other local taxes	9,782,461	9,782,461	10,168,207	385,746
Permits, privilege fees, and regulatory licenses	369,363	369,363	591,346	221,983
Fines and forfeitures	70,700	70,700	85,667	14,967
Revenue from the use of money and property	148,400	148,400	201,771	53,371
Charges for services	933,440	933,440	1,048,851	115,411
Miscellaneous	251,161	279,661	347,566	67,905
Recovered costs	367,500	367,500	413,302	45,802
Intergovernmental:				
Commonwealth	8,963,482	8,954,202	8,797,407	(156,795)
Federal	134,208	227,933	278,824	50,891
Total revenues	\$ 59,722,443	\$ 59,835,388	\$ 61,538,508	\$ 1,703,120
EXPENDITURES				
Current:				
General government administration	\$ 6,882,379	\$ 6,299,929	\$ 5,725,817	\$ 574,112
Judicial administration	1,812,229	1,715,140	1,659,363	55,777
Public safety	12,631,872	13,542,854	13,267,144	275,710
Public works	2,150,992	2,144,456	2,066,222	78,234
Health and welfare	792,537	792,537	761,242	31,295
Education	24,108,147	24,414,255	24,202,067	212,188
Parks, recreation, and cultural	2,216,584	2,414,502	2,342,983	71,519
Community development	1,086,144	1,071,815	1,034,146	37,669
Nondepartmental	300,585	300,585	300,585	-
Total expenditures	\$ 51,981,469	\$ 52,696,073	\$ 51,359,569	\$ 1,336,504
Excess (deficiency) of revenues over (under) expenditures	\$ 7,740,974	\$ 7,139,315	\$ 10,178,939	\$ 3,039,624
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (9,896,613)	\$ (9,581,978)	\$ (8,945,022)	\$ 636,956
Total other financing sources (uses)	\$ (9,896,613)	\$ (9,581,978)	\$ (8,945,022)	\$ 636,956
Net change in fund balances	\$ (2,155,639)	\$ (2,442,663)	\$ 1,233,917	\$ 3,676,580
Fund balances - beginning	2,155,639	2,442,663	21,445,138	19,002,475
Fund balances - ending	\$ -	\$ -	\$ 22,679,055	\$ 22,679,055

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

Primary Government:

County Retiree Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2016	\$ -	\$ 1,644,847	\$ 1,664,847	0.00%	\$ 13,631,772	12.21%
7/1/2014	-	2,414,936	2,414,936	0.00%	13,807,344	17.49%
7/1/2012	-	3,372,078	3,372,078	0.00%	13,196,398	25.55%
7/1/2010	-	2,366,069	2,366,069	0.00%	12,277,374	19.27%
7/1/2008	-	2,678,945	2,678,945	0.00%	11,995,920	22.33%

Health Insurance Credit Program Through Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	\$ 247,167	\$ 293,035	\$ 45,868	84.35%	\$ 6,480,612	0.71%
6/30/2015	251,925	290,670	38,745	86.67%	6,530,066	0.59%
6/30/2014	248,235	285,926	37,691	86.82%	6,816,456	0.55%
6/30/2013	223,106	249,411	26,305	89.45%	6,647,751	0.40%
6/30/2012	203,933	245,989	42,056	82.90%	5,756,073	0.73%
6/30/2011	204,974	248,235	43,261	82.57%	5,843,050	0.74%
6/30/2010	171,632	228,694	57,062	75.05%	12,277,374	0.46%
6/30/2009	139,865	216,660	76,795	64.56%	12,748,300	0.60%
6/30/2008	163,197	255,701	92,504	63.82%	11,995,920	0.77%
6/30/2007	127,706	343,764	216,058	37.15%	11,967,890	1.81%

Discretely Presented Component Unit:

School Board Retiree Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2016	\$ -	\$ 6,937,567	\$ 6,937,567	0.00%	\$ 27,327,582	25.39%
7/1/2014	-	6,424,548	6,424,548	0.00%	32,195,779	19.95%
7/1/2012	-	7,292,483	7,292,483	0.00%	32,094,234	22.72%
7/1/2010	-	5,868,787	5,868,787	0.00%	32,258,781	18.19%
7/1/2008	-	7,709,733	7,709,733	0.00%	33,962,089	22.70%

Health Insurance Credit Program Through Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2016	\$ 128,023	\$ 380,373	\$ 252,350	33.66%	\$ 3,067,192	8.23%
6/30/2015	128,090	404,877	276,787	31.64%	4,014,131	6.90%
6/30/2014	120,760	385,578	264,818	31.32%	4,021,156	6.59%
6/30/2013	98,247	374,893	276,646	26.21%	3,890,155	7.11%
6/30/2012	79,815	379,558	299,743	21.03%	3,871,577	7.74%
6/30/2011	74,576	361,955	287,379	20.60%	3,940,206	7.29%
6/30/2010	55,923	348,133	292,210	16.06%	4,308,860	6.78%
6/30/2009	26,963	315,031	288,068	8.56%	4,351,373	6.62%

Schedule of Changes in Net Pension Liability and Related Ratios

Primary Government

For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,729,707	\$ 1,746,320	\$ 1,706,383
Interest	3,978,981	3,729,750	3,522,284
Differences between expected and actual experience	(348,414)	431,689	-
Benefit payments, including refunds of employee contributions	(2,299,345)	(2,395,275)	(2,134,451)
Net change in total pension liability	\$ 3,060,929	\$ 3,512,484	\$ 3,094,216
Total pension liability - beginning	57,992,265	54,479,781	51,385,565
Total pension liability - ending (a)	<u>\$ 61,053,194</u>	<u>\$ 57,992,265</u>	<u>\$ 54,479,781</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,524,213	\$ 1,533,287	\$ 1,630,763
Contributions - employee	721,049	693,210	711,429
Net investment income	913,929	2,298,831	6,835,011
Benefit payments, including refunds of employee contributions	(2,299,345)	(2,395,275)	(2,134,451)
Administrative expense	(32,083)	(31,171)	(36,335)
Other	(387)	(486)	360
Net change in plan fiduciary net position	\$ 827,376	\$ 2,098,396	\$ 7,006,777
Plan fiduciary net position - beginning	52,148,783	50,050,387	43,043,610
Plan fiduciary net position - ending (b)	<u>\$ 52,976,159</u>	<u>\$ 52,148,783</u>	<u>\$ 50,050,387</u>
County's net pension liability - ending (a) - (b)	\$ 8,077,035	\$ 5,843,482	\$ 4,429,394
Plan fiduciary net position as a percentage of the total pension liability	86.77%	89.92%	91.87%
Covered payroll	\$ 13,744,410	\$ 13,824,211	\$ 13,810,687
County's net pension liability as a percentage of covered payroll	58.77%	42.27%	32.07%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 426,688	\$ 427,429	\$ 409,024
Interest	1,180,310	1,153,160	1,095,611
Differences between expected and actual experience	(120,700)	(462,410)	-
Benefit payments, including refunds of employee contributions	(760,487)	(700,146)	(664,869)
Net change in total pension liability	\$ 725,811	\$ 418,033	\$ 839,766
Total pension liability - beginning	17,241,817	16,823,784	15,984,018
Total pension liability - ending (a)	<u>\$ 17,967,628</u>	<u>\$ 17,241,817</u>	<u>\$ 16,823,784</u>
Plan fiduciary net position			
Contributions - employer	\$ 294,552	\$ 337,412	\$ 369,055
Contributions - employee	171,445	197,164	201,136
Net investment income	287,673	736,846	2,207,074
Benefit payments, including refunds of employee contributions	(760,487)	(700,146)	(664,869)
Administrative expense	(10,449)	(10,111)	(11,877)
Other	(122)	(154)	116
Net change in plan fiduciary net position	\$ (17,388)	\$ 561,011	\$ 2,100,635
Plan fiduciary net position - beginning	16,710,994	16,149,983	14,049,348
Plan fiduciary net position - ending (b)	<u>\$ 16,693,606</u>	<u>\$ 16,710,994</u>	<u>\$ 16,149,983</u>
School Division's net pension liability - ending (a) - (b)	\$ 1,274,022	\$ 530,823	\$ 673,801
Plan fiduciary net position as a percentage of the total pension liability	92.91%	96.92%	95.99%
Covered payroll	\$ 3,485,857	\$ 3,973,266	\$ 4,025,922
School Division's net pension liability as a percentage of covered payroll	36.55%	13.36%	16.74%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.37070%	0.37696%	0.38539%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 51,950,000	\$ 47,446,000	\$ 46,573,000
Employer's Covered Payroll	28,264,289	28,026,897	28,183,593
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.80%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

For the Years Ended June 30, 2015 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 1,410,351	1,410,351	- \$	14,117,623	9.99%
2016	1,531,127	1,531,127	-	13,744,410	11.14%
2015	1,533,287	1,533,287	-	13,824,211	11.09%
2014	1,631,042	1,631,042	-	13,810,687	11.81%
2013	1,560,294	1,560,294	-	13,211,634	11.81%
2012	1,136,083	1,136,083	-	12,189,732	9.32%
2011	1,144,691	1,144,691	-	12,282,090	9.32%
2010	999,941	999,941	-	12,514,910	7.99%
2009	1,014,964	1,014,964	-	12,702,932	7.99%
2008	981,626	981,626	-	12,239,724	8.02%
Component Unit School Board (nonprofessional)					
2017	\$ 184,184	184,184	- \$	2,985,162	6.17%
2016	297,344	297,344	-	3,485,857	8.53%
2015	337,412	337,412	-	3,973,266	8.49%
2014	369,177	369,177	-	4,025,922	9.17%
2013	362,215	362,215	-	3,950,003	9.17%
2012	262,579	262,579	-	3,822,107	6.87%
2011	266,997	266,997	-	3,886,418	6.87%
2010	299,100	299,100	-	4,303,592	6.95%
2009	302,859	302,859	-	4,357,689	6.95%
2008	302,827	302,827	-	4,326,103	7.00%
Component Unit School Board (professional)					
2017	\$ 4,396,122	4,396,122	- \$	30,132,419	14.66%
2016	3,973,959	3,973,959	-	28,264,289	14.06%
2015	4,063,900	4,063,900	-	28,026,897	14.50%
2014	3,286,207	3,286,207	-	28,183,593	11.66%
2013	3,283,284	3,283,284	-	28,158,525	11.66%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Only 5 years of information is available for the professional group of the Component Unit School Board.

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL STATEMENT
AND SCHEDULES*

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Debt Service Fund

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

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental:				
Federal	\$ 233,268	\$ 233,268	\$ 234,275	\$ 1,007
Total revenues	\$ 233,268	\$ 233,268	\$ 234,275	\$ 1,007
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,886,314	\$ 4,186,314	\$ 4,186,313	\$ 1
Interest and other fiscal charges	1,762,705	1,762,705	1,751,399	11,306
Total expenditures	\$ 5,649,019	\$ 5,949,019	\$ 5,937,712	\$ 11,307
Excess (deficiency) of revenues over (under) expenditures	\$ (5,415,751)	\$ (5,715,751)	\$ (5,703,437)	\$ 12,314
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,415,751	\$ 5,715,751	\$ 5,703,437	\$ (12,314)
Total other financing sources (uses)	\$ 5,415,751	\$ 5,715,751	\$ 5,703,437	\$ (12,314)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Capital Projects Fund

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

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 923	\$ 923
Miscellaneous	140,000	140,000	65,194	(74,806)
Intergovernmental:				
Commonwealth	801,427	801,427	296,553	(504,874)
Federal	1,500,000	1,604,482	935,694	(668,788)
Total revenues	<u>\$ 2,441,427</u>	<u>\$ 2,545,909</u>	<u>\$ 1,298,364</u>	<u>\$ (1,247,545)</u>
EXPENDITURES				
Capital projects	<u>\$ 4,424,139</u>	<u>\$ 4,233,986</u>	<u>\$ 3,689,636</u>	<u>\$ 544,350</u>
Total expenditures	<u>\$ 4,424,139</u>	<u>\$ 4,233,986</u>	<u>\$ 3,689,636</u>	<u>\$ 544,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,982,712)</u>	<u>\$ (1,688,077)</u>	<u>\$ (2,391,272)</u>	<u>\$ (703,195)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,982,712	\$ 1,688,077	\$ 1,396,170	\$ (291,907)
Issuance of capital lease	-	-	1,020,726	1,020,726
Total other financing sources (uses)	<u>\$ 1,982,712</u>	<u>\$ 1,688,077</u>	<u>\$ 2,416,896</u>	<u>\$ 728,819</u>
Net change in fund balances	\$ -	\$ -	\$ 25,624	\$ 25,624
Fund balances - beginning	-	-	786,195	786,195
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,819</u>	<u>\$ 811,819</u>

School Construction Fund

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 3,844	\$ (3,844)
Total expenditures	\$ -	\$ -	\$ 3,844	\$ (3,844)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (3,844)	\$ (3,844)
Net change in fund balances	\$ -	\$ -	\$ (3,844)	\$ (3,844)
Fund balances - beginning	-	-	3,844	3,844
Fund balances - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 399	\$ 732	\$ 1,131
Due from other governmental units	219,982	88,993	308,975
Total assets	<u>\$ 220,381</u>	<u>\$ 89,725</u>	<u>\$ 310,106</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,166	\$ 68,026	\$ 69,192
Due to other funds	219,215	21,699	240,914
Total liabilities	<u>\$ 220,381</u>	<u>\$ 89,725</u>	<u>\$ 310,106</u>
 Total liabilities and fund balances	 <u>\$ 220,381</u>	 <u>\$ 89,725</u>	 <u>\$ 310,106</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 4,777	\$ 15,212	\$ 19,989
Intergovernmental:			
Commonwealth	1,231,479	497,234	1,728,713
Federal	1,650,712	34,836	1,685,548
Total revenues	<u>\$ 2,886,968</u>	<u>\$ 547,282</u>	<u>\$ 3,434,250</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 3,813,163	\$ 890,976	\$ 4,704,139
Total expenditures	<u>\$ 3,813,163</u>	<u>\$ 890,976</u>	<u>\$ 4,704,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (926,195)</u>	<u>\$ (343,694)</u>	<u>\$ (1,269,889)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 926,195	\$ 343,694	\$ 1,269,889
Total other financing sources (uses)	<u>\$ 926,195</u>	<u>\$ 343,694</u>	<u>\$ 1,269,889</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 4,777	\$ 4,777
Intergovernmental:				
Commonwealth	1,433,401	1,433,401	1,231,479	(201,922)
Federal	1,470,197	1,470,197	1,650,712	180,515
Total revenues	<u>\$ 2,903,598</u>	<u>\$ 2,903,598</u>	<u>\$ 2,886,968</u>	<u>\$ (16,630)</u>
EXPENDITURES				
Health and welfare	<u>\$ 4,175,222</u>	<u>\$ 4,015,222</u>	<u>\$ 3,813,163</u>	<u>\$ 202,059</u>
Total expenditures	<u>\$ 4,175,222</u>	<u>\$ 4,015,222</u>	<u>\$ 3,813,163</u>	<u>\$ 202,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,271,624)</u>	<u>\$ (1,111,624)</u>	<u>\$ (926,195)</u>	<u>\$ 185,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,271,624</u>	<u>\$ 1,111,624</u>	<u>\$ 926,195</u>	<u>\$ (185,429)</u>
Total other financing sources (uses)	<u>\$ 1,271,624</u>	<u>\$ 1,111,624</u>	<u>\$ 926,195</u>	<u>\$ (185,429)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 23

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,720	\$ 3,720	\$ 15,212	\$ 11,492
843,280	843,280	497,234	(346,046)
18,000	18,000	34,836	16,836
<u>\$ 865,000</u>	<u>\$ 865,000</u>	<u>\$ 547,282</u>	<u>\$ (317,718)</u>
\$ 1,516,000	\$ 1,356,000	\$ 890,976	\$ 465,024
<u>\$ 1,516,000</u>	<u>\$ 1,356,000</u>	<u>\$ 890,976</u>	<u>\$ 465,024</u>
\$ (651,000)	\$ (491,000)	\$ (343,694)	\$ 147,306
\$ 651,000	\$ 491,000	\$ 343,694	\$ (147,306)
<u>\$ 651,000</u>	<u>\$ 491,000</u>	<u>\$ 343,694</u>	<u>\$ (147,306)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Agency Funds				
	Middle Peninsula Regional				
	Special Welfare	Special Education	Flexible Benefits	Sheriff/Jail	Total
ASSETS					
Cash and cash equivalents	\$ 28,155	\$ 25,499	\$ 37,079	\$ 18,528	\$ 109,261
Investments		55,910			55,910
Accounts receivable	-	1,475	-	-	1,475
Total assets	<u>\$ 28,155</u>	<u>\$ 82,884</u>	<u>\$ 37,079</u>	<u>\$ 18,528</u>	<u>\$ 166,646</u>
LIABILITIES					
Accounts payable	\$ -	\$ 76,297	\$ -	\$ -	\$ 76,297
Amounts held for social services clients	28,155	-	-	-	28,155
Amounts held for regional program	-	6,587	-	-	6,587
Amounts held for others	-	-	37,079	18,528	55,607
Total liabilities	<u>\$ 28,155</u>	<u>\$ 82,884</u>	<u>\$ 37,079</u>	<u>\$ 18,528</u>	<u>\$ 166,646</u>

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 27,333	\$ 27,674	\$ 26,852	\$ 28,155
Total assets	<u>\$ 27,333</u>	<u>\$ 27,674</u>	<u>\$ 26,852</u>	<u>\$ 28,155</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 27,333</u>	<u>\$ 27,674</u>	<u>\$ 26,852</u>	<u>\$ 28,155</u>
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	\$ 73,820	\$ 579,171	\$ 627,492	\$ 25,499
Accounts receivable	-	1,475	-	1,475
Investments	-	55,910	-	55,910
Total assets	<u>\$ 73,820</u>	<u>\$ 636,556</u>	<u>\$ 627,492</u>	<u>\$ 82,884</u>
Liabilities:				
Accounts payable	\$ 71,799	\$ 76,297	\$ 71,799	\$ 76,297
Amounts held for regional program	2,021	560,259	555,693	6,587
Total liabilities	<u>\$ 73,820</u>	<u>\$ 636,556</u>	<u>\$ 627,492</u>	<u>\$ 82,884</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 48,029</u>	<u>\$ 180,256</u>	<u>\$ 191,206</u>	<u>\$ 37,079</u>
Liabilities:				
Amounts held for others	<u>\$ 48,029</u>	<u>\$ 180,256</u>	<u>\$ 191,206</u>	<u>\$ 37,079</u>
Total liabilities	<u>\$ 48,029</u>	<u>\$ 180,256</u>	<u>\$ 191,206</u>	<u>\$ 37,079</u>
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 19,548</u>	<u>\$ 56,864</u>	<u>\$ 57,884</u>	<u>\$ 18,528</u>
Liabilities:				
Amounts held for others	<u>\$ 19,548</u>	<u>\$ 56,864</u>	<u>\$ 57,884</u>	<u>\$ 18,528</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 168,730	\$ 843,965	\$ 903,434	\$ 109,261
Investments	-	55,910	-	55,910
Accounts receivable	-	1,475	-	1,475
Total assets	<u>\$ 168,730</u>	<u>\$ 901,350</u>	<u>\$ 903,434</u>	<u>\$ 166,646</u>
Liabilities:				
Accounts payable	\$ 71,799	\$ 76,297	\$ 71,799	\$ 76,297
Amounts held for social services clients	27,333	27,674	26,852	28,155
Amounts held for regional program	2,021	560,259	555,693	6,587
Amounts held for others	67,577	237,120	249,090	55,607
Total liabilities	<u>\$ 168,730</u>	<u>\$ 901,350</u>	<u>\$ 903,434</u>	<u>\$ 166,646</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 171,429	\$ 171,479
Investments	-	798,233	798,233
Receivables (net of allowance for uncollectibles):			
Accounts receivable	117,610	2,070	119,680
Due from other governmental units	5,708,433	-	5,708,433
Inventories	-	33,032	33,032
Prepaid items	9,989	100	10,089
Total assets	<u>\$ 5,836,082</u>	<u>\$ 1,004,864</u>	<u>\$ 6,840,946</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 632,376	\$ 106,472	\$ 738,848
Accrued liabilities	5,203,706	150,448	5,354,154
Due to other governmental units	-	67,834	67,834
Total liabilities	<u>\$ 5,836,082</u>	<u>\$ 324,754</u>	<u>\$ 6,160,836</u>
Fund balances:			
Nonspendable	\$ 9,989	\$ 33,132	\$ 43,121
Assigned	-	646,978	646,978
Unassigned	(9,989)	-	(9,989)
Total fund balances	<u>\$ -</u>	<u>\$ 680,110</u>	<u>\$ 680,110</u>
Total liabilities and fund balances	<u>\$ 5,836,082</u>	<u>\$ 1,004,864</u>	<u>\$ 6,840,946</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 680,110
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost		\$ 63,634,332	
Accumulated depreciation		<u>(25,928,570)</u>	37,705,762
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred inflow items related to measurement of net pension liability			(3,843,475)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			4,580,306
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			
			(428,492)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (1,687,519)	
Net OPEB obligation		(2,686,314)	
Deferred outflow items related to measurement of net pension liability		3,406,697	
Net pension liability		<u>(53,224,022)</u>	(54,191,158)
Net position of governmental activities			<u>\$ (15,496,947)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 4,939	\$ 7,439
Charges for services	46,030	1,090,571	1,136,601
Miscellaneous	56,998	214,623	271,621
Recovered costs	444,991	-	444,991
Intergovernmental:			
Local government	23,578,285	-	23,578,285
Commonwealth	29,290,797	43,367	29,334,164
Federal	2,291,719	1,270,369	3,562,088
Total revenues	\$ 55,711,320	\$ 2,623,869	\$ 58,335,189
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,466,924	\$ 2,466,924
Instruction	40,619,165	-	40,619,165
Administration, Attendance, Health	2,243,253	-	2,243,253
Pupil Transportation	3,827,183	-	3,827,183
Operations and Maintenance	6,176,907	-	6,176,907
Technology	2,844,812	-	2,844,812
Total expenditures	\$ 55,711,320	\$ 2,466,924	\$ 58,178,244
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 156,945	\$ 156,945
Net change in fund balances	\$ -	\$ 156,945	\$ 156,945
Fund balances - beginning	-	523,165	523,165
Fund balances - ending	\$ -	\$ 680,110	\$ 680,110
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			\$ 156,945
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.			
Capital asset additions	\$	2,223,169	
Depreciation expense		(2,148,742)	74,427
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			2,035,605
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:			
(Increase) decrease in compensated absences	\$	72,770	
(Increase) decrease in net pension liability		(5,247,199)	
Increase (decrease) in deferred outflows related to pension		3,715,700	
(Increase) decrease in net OPEB obligation		(394,943)	(1,853,672)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.			(279,887)
Change in net position of governmental activities			\$ 133,418

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

School Operating Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	48,950	48,950	46,030	(2,920)
Miscellaneous	94,247	94,247	56,998	(37,249)
Recovered costs	410,528	410,528	444,991	34,463
Intergovernmental:				
Local government	23,518,988	23,778,058	23,578,285	(199,773)
Commonwealth	29,149,334	29,149,334	29,290,797	141,463
Federal	2,414,806	2,414,806	2,291,719	(123,087)
Total revenues	\$ 55,639,353	\$ 55,898,423	\$ 55,711,320	\$ (187,103)
EXPENDITURES				
Current:				
Instruction	\$ 40,564,893	\$ 40,679,673	\$ 40,619,165	\$ 60,508
Administration, Attendance, Health	2,246,998	2,246,998	2,243,253	3,745
Pupil Transportation	3,915,766	3,915,766	3,827,183	88,583
Operations and Maintenance	6,173,179	6,209,749	6,176,907	32,842
Technology	2,738,517	2,846,237	2,844,812	1,425
Total expenditures	\$ 55,639,353	\$ 55,898,423	\$ 55,711,320	\$ 187,103
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Cafeteria Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 4,939	\$ 1,939
Charges for services	1,347,486	1,347,486	1,090,571	(256,915)
Miscellaneous	61,300	61,300	214,623	153,323
Intergovernmental:				
Commonwealth	38,459	38,459	43,367	4,908
Federal	1,202,049	1,202,049	1,270,369	68,320
Total revenues	<u>\$ 2,652,294</u>	<u>\$ 2,652,294</u>	<u>\$ 2,623,869</u>	<u>\$ (28,425)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,687,294</u>	<u>\$ 2,664,689</u>	<u>\$ 2,466,924</u>	<u>\$ 197,765</u>
Total expenditures	<u>\$ 2,687,294</u>	<u>\$ 2,664,689</u>	<u>\$ 2,466,924</u>	<u>\$ 197,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,000)</u>	<u>\$ (12,395)</u>	<u>\$ 156,945</u>	<u>\$ 169,340</u>
Net change in fund balances	\$ (35,000)	\$ (12,395)	\$ 156,945	\$ 169,340
Fund balances - beginning	35,000	12,395	523,165	510,770
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,110</u>	<u>\$ 680,110</u>

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2017

	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 331,143
Total assets	<hr/> <hr/> \$ 331,143
NET POSITION	
Held in trust for scholarships	<hr/> <hr/> \$ 331,143

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2017

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 26,538
Total contributions	<u>\$ 26,538</u>
Investment earnings:	
Interest	\$ 3,230
Total investment earnings	<u>\$ 3,230</u>
Total additions	<u>\$ 29,768</u>
DEDUCTIONS	
Scholarships	\$ 24,090
Total deductions	<u>\$ 24,090</u>
Change in net position	\$ 5,678
Net position - beginning	325,465
Net position - ending	<u><u>\$ 331,143</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2017

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 1,508
Due from other governmental units	473,862
Total current assets	\$ <u>475,370</u>
 Total assets	 \$ <u>475,370</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 903,862
Total liabilities	\$ <u>903,862</u>
 NET POSITION	
Unrestricted	\$ (428,492)
Total net position	\$ <u><u>(428,492)</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	Self- Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 5,684,335
Total operating revenues	<u>\$ 5,684,335</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 5,964,222
Total operating expenses	<u>\$ 5,964,222</u>
 Operating income (loss)	 <u>\$ (279,887)</u>
 Total net position - beginning	 <u>\$ (148,605)</u>
Total net position - ending	<u><u>\$ (428,492)</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2017

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 5,900,448
Payments for premiums	(5,900,448)
Net cash provided by (used for) operating activities	<u>\$ -</u>
 Cash and cash equivalents - beginning	 \$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (279,887)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 216,113
Increase (decrease) in accounts payable	63,774
Total adjustments	<u>\$ 279,887</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$	176,696
Investments		651,329
Inventories		1,083,044
Total current assets	\$	<u>1,911,069</u>

Noncurrent assets:

Capital assets:

Land	\$	813,267
Buildings		18,442,262
Machinery and equipment		7,234
Accumulated depreciation		(8,143,286)
Total net capital assets	\$	<u>11,119,477</u>
Total noncurrent assets	\$	<u>11,119,477</u>
Total assets	\$	<u>13,030,546</u>

DEFERRED OUTFLOWS

Accumulated decrease in fair value of hedging derivatives	\$	<u>682,656</u>
---	----	----------------

LIABILITIES

Current liabilities:

Accounts payable	\$	65,364
Bonds payable - current portion		817,561
Total current liabilities	\$	<u>882,925</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	12,147,478
Derivative instrument - rate swap		682,656
Total noncurrent liabilities	\$	<u>12,830,134</u>
Total liabilities	\$	<u>13,713,059</u>

NET POSITION

Net investment in capital assets	\$	(1,845,562)
Unrestricted		1,845,705
Total net position	\$	<u>143</u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

OPERATING REVENUES

Charges for services:

Rents	\$	1,547,112
Contributions from local governments		338,000
Other revenues		9,586
Grant income		32,550
Inkind contribution		6,319
Total operating revenues	\$	<u>1,933,567</u>

OPERATING EXPENSES

Contractual services	\$	17,470
Other charges		13,149
Insurance		3,524
Economic development incentive programs		42,669
Depreciation		735,474
Total operating expenses	\$	<u>812,286</u>

Operating income (loss)	\$	<u>1,121,281</u>
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NONOPERATING REVENUES (EXPENSES)

Investment income	\$	1,597
Interest expense		(802,555)
Total nonoperating revenues (expenses)	\$	<u>(800,958)</u>

Change in net position	\$	320,323
------------------------	----	---------

Total net position - beginning		(320,180)
Total net position - ending	\$	<u><u>143</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,606,698
Receipts for miscellaneous items	32,550
Payments for operating activities	(88,607)
Net cash provided by (used for) operating activities	<u>\$ 1,550,641</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES

Principal payments on bonds	\$ (771,408)
Purchase of capital assets	(32,550)
Interest payments	<u>(802,555)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,606,513)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	\$ 150,000
Net cash provided by (used for) investing activities	<u>\$ 150,000</u>

Net increase (decrease) in cash and cash equivalents	\$ 94,128
--	-----------

Cash and cash equivalents - beginning	<u>82,568</u>
Cash and cash equivalents - ending	<u><u>\$ 176,696</u></u>

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

Operating income (loss)	<u>\$ 1,121,281</u>
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Adjustments to reconcile operating income (loss) to net cash
provided (used) by operating activities:

Depreciation	\$ 735,474
In-kind contribution	(6,319)
Increase (decrease) in accounts payable	(11,795)
Increase (decrease) in amounts due to other governmental units	<u>(288,000)</u>
Total adjustments	<u>\$ 429,360</u>

Net cash provided by (used for) operating activities	<u><u>\$ 1,550,641</u></u>
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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 28,485,647	\$ 28,485,647	\$ 29,177,472	\$ 691,825
Real and personal public service corporation taxes	825,234	825,234	984,562	159,328
Personal property taxes	8,800,000	8,800,000	8,875,450	75,450
Mobile home taxes	50,000	50,000	48,973	(1,027)
Penalties	350,541	350,541	343,382	(7,159)
Interest	190,306	190,306	175,728	(14,578)
Total general property taxes	\$ 38,701,728	\$ 38,701,728	\$ 39,605,567	\$ 903,839
Other local taxes:				
Local sales and use taxes	\$ 4,287,209	\$ 4,287,209	\$ 4,363,168	\$ 75,959
Consumers' utility taxes	711,000	711,000	725,381	14,381
Electric consumption taxes	136,000	136,000	129,399	(6,601)
Business license taxes	1,889,000	1,889,000	1,682,846	(206,154)
Bank stock taxes	300,000	300,000	310,683	10,683
Taxes on recordation and wills	380,000	380,000	552,883	172,883
Hotel and motel room taxes	179,252	179,252	209,149	29,897
Restaurant food taxes	1,900,000	1,900,000	2,194,698	294,698
Total other local taxes	\$ 9,782,461	\$ 9,782,461	\$ 10,168,207	\$ 385,746
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 29,000	\$ 29,000	\$ 30,167	\$ 1,167
Permits and other licenses	340,363	340,363	561,179	220,816
Total permits, privilege fees, and regulatory licenses	\$ 369,363	\$ 369,363	\$ 591,346	\$ 221,983
Fines and forfeitures:				
Court fines and forfeitures	\$ 70,000	\$ 70,000	\$ 85,447	\$ 15,447
Parking fines	700	700	220	(480)
Total fines and forfeitures	\$ 70,700	\$ 70,700	\$ 85,667	\$ 14,967
Revenue from use of money and property:				
Revenue from use of money	\$ 33,600	\$ 33,600	\$ 79,620	\$ 46,020
Revenue from use of property	114,800	114,800	122,151	7,351
Total revenue from use of money and property	\$ 148,400	\$ 148,400	\$ 201,771	\$ 53,371

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 35,000	\$ 35,000	\$ 39,975	\$ 4,975
Charges for courthouse maintenance	14,000	14,000	13,546	(454)
Circuit court judge fees	20,000	20,000	41,964	21,964
Charges for courthouse security	60,000	60,000	52,929	(7,071)
Charges for probation	12,000	12,000	11,064	(936)
Charges for Commonwealth's Attorney	4,000	4,000	4,020	20
Miscellaneous dog fees	10,000	10,000	8,763	(1,237)
Charges for library	48,000	48,000	42,184	(5,816)
Charges for sanitation and waste removal	366,000	366,000	497,981	131,981
Charges for parks and recreation	282,500	282,500	262,190	(20,310)
Charges for community education	500	500	258	(242)
Charges for sale of publications and commemorative material	8,500	8,500	9,063	563
Charges for daffodil festival	72,640	72,640	64,677	(7,963)
Charges for sale of historical material	300	300	237	(63)
Total charges for services	\$ 933,440	\$ 933,440	\$ 1,048,851	\$ 115,411
Miscellaneous:				
Miscellaneous	\$ 251,161	\$ 279,661	\$ 347,566	\$ 67,905
Total miscellaneous	\$ 251,161	\$ 279,661	\$ 347,566	\$ 67,905
Recovered costs:				
Recovered costs sheriff	\$ 240,000	\$ 240,000	\$ 266,844	\$ 26,844
Recovered costs jail	8,000	8,000	18,160	10,160
Treasurer recovered costs	75,000	75,000	71,307	(3,693)
Probation & pretrial recovered costs	36,000	36,000	27,920	(8,080)
Demolition recovered costs	8,500	8,500	29,071	20,571
Total recovered costs	\$ 367,500	\$ 367,500	\$ 413,302	\$ 45,802
Total revenue from local sources	\$ 50,624,753	\$ 50,653,253	\$ 52,462,277	\$ 1,809,024
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ 1,579	\$ (421)
Mobile home titling tax	30,000	30,000	42,503	12,503
Motor vehicle rental tax	54,000	54,000	82,042	28,042
State recordation tax	120,000	120,000	139,392	19,392
Communication tax	1,598,000	1,598,000	1,442,461	(155,539)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	\$ 4,582,640	\$ 4,582,640	\$ 4,486,617	\$ (96,023)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 394,584	\$ 394,584	\$ 416,929	\$ 22,345
Sheriff	2,451,770	2,451,770	2,376,539	(75,231)
Jail	150,000	150,000	73,804	(76,196)
Asset forfeiture	-	-	14,747	14,747
Commissioner of revenue	130,000	130,000	129,159	(841)
Treasurer	135,000	135,000	135,419	419
Registrar/electoral board	40,500	40,500	41,897	1,397
Clerk of the Circuit Court	273,555	273,555	300,560	27,005
Total shared expenses	<u>\$ 3,575,409</u>	<u>\$ 3,575,409</u>	<u>\$ 3,489,054</u>	<u>\$ (86,355)</u>
Other categorical aid:				
Emergency medical services	\$ 40,000	\$ 40,000	\$ 41,545	\$ 1,545
Litter control grant	10,000	10,000	9,512	(488)
E911 wireless grant	44,000	60,009	62,914	2,905
Library grant	150,433	150,433	150,410	(23)
Probation & pretrial	400,000	400,000	412,650	12,650
Victim-witness grant	51,000	25,711	25,096	(615)
Fire programs	110,000	110,000	119,609	9,609
Total other categorical aid	<u>\$ 805,433</u>	<u>\$ 796,153</u>	<u>\$ 821,736</u>	<u>\$ 25,583</u>
Total categorical aid	<u>\$ 4,380,842</u>	<u>\$ 4,371,562</u>	<u>\$ 4,310,790</u>	<u>\$ (60,772)</u>
Total revenue from the Commonwealth	<u>\$ 8,963,482</u>	<u>\$ 8,954,202</u>	<u>\$ 8,797,407</u>	<u>\$ (156,795)</u>
Revenue from the federal government:				
Categorical aid:				
V-stop prosecutor grant	\$ 23,981	\$ 23,981	\$ 25,653	\$ 1,672
Public assistance and welfare administration	90,000	90,000	105,712	15,712
Highway safety grant	-	-	36,065	36,065
Victim witness grant	-	77,000	75,288	(1,712)
Payment in lieu of taxes	-	16,725	16,725	-
Public safety	20,227	20,227	19,381	(846)
Total categorical aid	<u>\$ 134,208</u>	<u>\$ 227,933</u>	<u>\$ 278,824</u>	<u>\$ 50,891</u>
Total revenue from the federal government	<u>\$ 134,208</u>	<u>\$ 227,933</u>	<u>\$ 278,824</u>	<u>\$ 50,891</u>
Total General Fund	<u>\$ 59,722,443</u>	<u>\$ 59,835,388</u>	<u>\$ 61,538,508</u>	<u>\$ 1,703,120</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 4,777	\$ 4,777
Total revenue from local sources	\$ -	\$ -	\$ 4,777	\$ 4,777
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,433,401	\$ 1,433,401	\$ 1,231,479	\$ (201,922)
Total categorical aid	\$ 1,433,401	\$ 1,433,401	\$ 1,231,479	\$ (201,922)
Total revenue from the Commonwealth	\$ 1,433,401	\$ 1,433,401	\$ 1,231,479	\$ (201,922)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,470,197	\$ 1,470,197	\$ 1,650,712	\$ 180,515
Total categorical aid	\$ 1,470,197	\$ 1,470,197	\$ 1,650,712	\$ 180,515
Total revenue from the federal government	\$ 1,470,197	\$ 1,470,197	\$ 1,650,712	\$ 180,515
Total Virginia Public Assistance Fund	\$ 2,903,598	\$ 2,903,598	\$ 2,886,968	\$ (16,630)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 15,212	\$ 11,492
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 15,212	\$ 11,492
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 841,000	\$ 841,000	\$ 495,697	\$ (345,303)
Public assistance and welfare administration	2,280	2,280	1,537	(743)
Total categorical aid	\$ 843,280	\$ 843,280	\$ 497,234	\$ (346,046)
Total revenue from the Commonwealth	\$ 843,280	\$ 843,280	\$ 497,234	\$ (346,046)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 34,836	\$ 16,836
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 34,836	\$ 16,836
Total Comprehensive Services Act Fund	\$ 865,000	\$ 865,000	\$ 547,282	\$ (317,718)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 233,268	\$ 233,268	\$ 234,275	\$ 1,007
Total Debt Service Fund	<u>\$ 233,268</u>	<u>\$ 233,268</u>	<u>\$ 234,275</u>	<u>\$ 1,007</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 923	\$ 923
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 923</u>
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 18,000	18,000
Donations or other miscellaneous	140,000	140,000	47,194	(92,806)
Total miscellaneous	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 65,194</u>	<u>\$ (74,806)</u>
Total revenue from local sources	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 66,117</u>	<u>\$ (73,883)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Acquisition/elevation grant	\$ 714,000	\$ 714,000	\$ 209,126	\$ (504,874)
Other state funds	87,427	87,427	87,427	-
Total categorical aid	<u>\$ 801,427</u>	<u>\$ 801,427</u>	<u>\$ 296,553</u>	<u>\$ (504,874)</u>
Total revenue from the Commonwealth	<u>\$ 801,427</u>	<u>\$ 801,427</u>	<u>\$ 296,553</u>	<u>\$ (504,874)</u>
Revenue from the federal government:				
Categorical aid:				
Enhancement program (Fairfield project)	\$ -	\$ 104,482	\$ 10,159	\$ (94,323)
Acquisition/elevation grant	1,500,000	1,500,000	784,222	(715,778)
NPS Land & Water Conservation Fund	-	-	141,313	141,313
Total categorical aid	<u>\$ 1,500,000</u>	<u>\$ 1,604,482</u>	<u>\$ 935,694</u>	<u>\$ (668,788)</u>
Total revenue from the federal government	<u>\$ 1,500,000</u>	<u>\$ 1,604,482</u>	<u>\$ 935,694</u>	<u>\$ (668,788)</u>
Total County Capital Improvements Fund	<u>\$ 2,441,427</u>	<u>\$ 2,545,909</u>	<u>\$ 1,298,364</u>	<u>\$ (1,247,545)</u>
Total Primary Government	<u>\$ 66,165,736</u>	<u>\$ 66,383,163</u>	<u>\$ 66,505,397</u>	<u>\$ 122,234</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
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	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 48,950	\$ 48,950	\$ 46,030	\$ (2,920)
Miscellaneous:				
Other miscellaneous	\$ 94,247	\$ 94,247	\$ 56,998	\$ (37,249)
Recovered costs:				
Medicaid reimbursements	\$ 215,300	\$ 215,300	\$ 265,762	\$ 50,462
Other recovered costs	195,228	195,228	179,229	(15,999)
Total recovered costs	\$ 410,528	\$ 410,528	\$ 444,991	\$ 34,463
Total revenue from local sources	\$ 556,225	\$ 556,225	\$ 550,519	\$ (5,706)
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 23,518,988	\$ 23,778,058	\$ 23,578,285	\$ (199,773)
Total revenue from local governments	\$ 23,518,988	\$ 23,778,058	\$ 23,578,285	\$ (199,773)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,976,993	\$ 5,976,993	\$ 5,843,455	\$ (133,538)
Basic school aid	14,915,331	14,915,331	14,918,681	3,350
ISAEF	15,717	15,717	16,835	1,118
Remedial summer education	85,757	85,757	86,071	314
Remedial education	396,941	396,941	396,832	(109)
Special education	1,737,868	1,737,868	1,737,392	(476)
Regular foster care	5,327	5,327	2,841	(2,486)
Gifted and talented	160,111	160,111	160,067	(44)
English as a second language	35,277	35,277	36,494	1,217
Textbook payment	366,187	366,187	366,138	(49)
Vocational standards of quality payments	160,111	160,111	160,067	(44)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Social security fringe benefits	\$ 887,280	\$ 887,280	\$ 887,037	\$ (243)
Retirement fringe benefits	1,831,266	1,831,266	1,830,764	(502)
Group life insurance fringe benefits	60,042	60,042	60,025	(17)
Early reading intervention	63,466	63,466	63,466	-
Project graduation	-	-	16,899	16,899
Homebound education	22,837	22,837	23,201	364
Salary supplements	223,394	223,394	-	(223,394)
Enrollment Loss	-	-	263,849	263,849
Regional program tuition	606,902	606,902	687,573	80,671
Vocational educational equipment	15,380	15,380	20,810	5,430
Special education - foster children	-	-	9,169	9,169
At risk payments	248,164	248,164	248,001	(163)
National Board Certification TC	35,000	35,000	40,000	5,000
Industry credential student	7,500	7,500	2,913	(4,587)
Industrial based cert	-	-	4,796	4,796
Primary class size	470,635	470,635	458,994	(11,641)
VA Preschool	207,380	207,380	207,380	-
Race to GED	-	-	2,800	2,800
Standards of Learning algebra readiness	52,627	52,627	56,722	4,095
Mentor teacher program	3,614	3,614	10,212	6,598
VPSA technology	470,800	470,800	416,000	(54,800)
Other state funds	87,427	87,427	255,313	167,886
Total categorical aid	\$ 29,149,334	\$ 29,149,334	\$ 29,290,797	\$ 141,463
Total revenue from the Commonwealth	\$ 29,149,334	\$ 29,149,334	\$ 29,290,797	\$ 141,463
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 690,168	\$ 690,168	\$ 679,906	\$ (10,262)
Title VI-B, special education	1,143,840	1,143,840	1,194,256	50,416
Vocational education	73,158	73,158	72,207	(951)
Title II	196,072	196,072	187,881	(8,191)
Impact aid	50,000	50,000	60,992	10,992

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 111,568	\$ 111,568	\$ 94,471	\$ (17,097)
Other federal funds	150,000	150,000	2,006	(147,994)
Total categorical aid	<u>\$ 2,414,806</u>	<u>\$ 2,414,806</u>	<u>\$ 2,291,719</u>	<u>\$ (123,087)</u>
Total revenue from the federal government	<u>\$ 2,414,806</u>	<u>\$ 2,414,806</u>	<u>\$ 2,291,719</u>	<u>\$ (123,087)</u>
Total School Operating Fund	<u><u>\$ 55,639,353</u></u>	<u><u>\$ 55,898,423</u></u>	<u><u>\$ 55,711,320</u></u>	<u><u>\$ (187,103)</u></u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ 3,000	\$ 4,939	\$ 1,939
Total revenue from use of money and property	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 4,939</u>	<u>\$ 1,939</u>
Charges for services:				
Cafeteria sales	\$ 1,339,000	\$ 1,339,000	\$ 1,080,065	\$ (258,935)
Other charges for services	8,486	8,486	10,506	2,020
Total charges for services	<u>\$ 1,347,486</u>	<u>\$ 1,347,486</u>	<u>\$ 1,090,571</u>	<u>\$ (256,915)</u>
Miscellaneous:				
Other miscellaneous	\$ 61,300	\$ 61,300	\$ 214,623	\$ 153,323
Total miscellaneous	<u>\$ 61,300</u>	<u>\$ 61,300</u>	<u>\$ 214,623</u>	<u>\$ 153,323</u>
Total revenue from local sources	<u><u>\$ 1,411,786</u></u>	<u><u>\$ 1,411,786</u></u>	<u><u>\$ 1,310,133</u></u>	<u><u>\$ (101,653)</u></u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 38,459	\$ 38,459	\$ 38,467	\$ 8
Other categorical aid	-	-	4,900	4,900
Total categorical aid	<u>\$ 38,459</u>	<u>\$ 38,459</u>	<u>\$ 43,367</u>	<u>\$ 4,908</u>
Total revenue from the Commonwealth	<u>\$ 38,459</u>	<u>\$ 38,459</u>	<u>\$ 43,367</u>	<u>\$ 4,908</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,202,049	\$ 1,202,049	\$ 1,108,662	\$ (93,387)
USDA commodities	-	-	161,707	161,707
Total categorical aid	<u>\$ 1,202,049</u>	<u>\$ 1,202,049</u>	<u>\$ 1,270,369</u>	<u>\$ 68,320</u>
Total revenue from the federal government	<u>\$ 1,202,049</u>	<u>\$ 1,202,049</u>	<u>\$ 1,270,369</u>	<u>\$ 68,320</u>
Total School Cafeteria Fund	<u><u>\$ 2,652,294</u></u>	<u><u>\$ 2,652,294</u></u>	<u><u>\$ 2,623,869</u></u>	<u><u>\$ (28,425)</u></u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 58,291,647</u></u>	<u><u>\$ 58,550,717</u></u>	<u><u>\$ 58,335,189</u></u>	<u><u>\$ (215,528)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 157,502	\$ 307,502	\$ 289,565	\$ 17,937
General and financial administration:				
County administrator	\$ 1,774,999	\$ 995,372	\$ 527,987	\$ 467,385
Human resources	379,937	393,370	403,893	(10,523)
County attorney	270,409	275,753	272,528	3,225
Commissioner of revenue	481,118	493,973	483,542	10,431
County assessor	432,114	452,078	440,173	11,905
Treasurer	686,036	712,889	678,162	34,727
Finance	437,772	447,999	436,996	11,003
Department of information technology	1,265,885	1,234,111	1,185,046	49,065
GIS	234,560	258,280	287,949	(29,669)
Purchasing	267,415	278,226	266,900	11,326
Other general and financial administration	266,531	241,531	239,179	2,352
Total general and financial administration	\$ 6,496,776	\$ 5,783,582	\$ 5,222,355	\$ 561,227
Board of elections:				
Electoral board and officials	\$ 228,101	\$ 208,845	\$ 213,897	\$ (5,052)
Total board of elections	\$ 228,101	\$ 208,845	\$ 213,897	\$ (5,052)
Total general government administration	\$ 6,882,379	\$ 6,299,929	\$ 5,725,817	\$ 574,112
Judicial administration:				
Courts:				
Circuit court	\$ 71,549	\$ 75,136	\$ 75,492	\$ (356)
General district court	12,550	19,104	16,665	2,439
Commissioner of accounts	600	600	772	(172)
Magistrate	1,000	1,000	830	170
Juvenile and domestic relations district court	15,050	15,050	14,658	392
Clerk of the circuit court	469,435	483,922	465,836	18,086
Victim and witness assistance	75,972	115,854	116,623	(769)
Court services unit	287,390	107,390	96,123	11,267
Group home commission	214,158	214,158	212,066	2,092
Total courts	\$ 1,147,704	\$ 1,032,214	\$ 999,065	\$ 33,149
Commonwealth's attorney:				
Commonwealth's attorney	\$ 664,525	\$ 682,926	\$ 660,298	\$ 22,628
Total commonwealth's attorney	\$ 664,525	\$ 682,926	\$ 660,298	\$ 22,628
Total judicial administration	\$ 1,812,229	\$ 1,715,140	\$ 1,659,363	\$ 55,777
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,026,890	\$ 5,777,076	\$ 5,567,964	\$ 209,112
Total law enforcement and traffic control	\$ 5,026,890	\$ 5,777,076	\$ 5,567,964	\$ 209,112

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 2,207,494	\$ 2,207,494	\$ 2,218,648	\$ (11,154)
Radio system	565,149	572,673	564,166	8,507
State forestry service	7,500	7,500	7,427	73
Office of emergency services	248,742	257,260	246,365	10,895
Total fire and rescue services	<u>\$ 3,028,885</u>	<u>\$ 3,044,927</u>	<u>\$ 3,036,606</u>	<u>\$ 8,321</u>
Correction and detention:				
County operated institutions	\$ 2,941,078	\$ 2,990,519	\$ 2,968,429	\$ 22,090
Probation and pretrial	428,187	443,537	442,031	1,506
Total correction and detention	<u>\$ 3,369,265</u>	<u>\$ 3,434,056</u>	<u>\$ 3,410,460</u>	<u>\$ 23,596</u>
Inspections:				
Building	\$ 487,379	\$ 535,108	\$ 527,027	\$ 8,081
Total inspections	<u>\$ 487,379</u>	<u>\$ 535,108</u>	<u>\$ 527,027</u>	<u>\$ 8,081</u>
Other protection:				
Environmental programs	\$ 331,183	\$ 340,506	\$ 318,053	\$ 22,453
Animal control	387,970	410,881	405,055	5,826
Medical examiner	300	300	1,979	(1,679)
Total other protection	<u>\$ 719,453</u>	<u>\$ 751,687</u>	<u>\$ 725,087</u>	<u>\$ 26,600</u>
Total public safety	<u>\$ 12,631,872</u>	<u>\$ 13,542,854</u>	<u>\$ 13,267,144</u>	<u>\$ 275,710</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 276,311	\$ 201,337	\$ 195,868	\$ 5,469
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 276,311</u>	<u>\$ 201,337</u>	<u>\$ 195,868</u>	<u>\$ 5,469</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,100	\$ 9,100	\$ 15,213	\$ (6,113)
Total sanitation and waste removal	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u>\$ 15,213</u>	<u>\$ (6,113)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,865,581	\$ 1,934,019	\$ 1,855,141	\$ 78,878
Total maintenance of general buildings and grounds	<u>\$ 1,865,581</u>	<u>\$ 1,934,019</u>	<u>\$ 1,855,141</u>	<u>\$ 78,878</u>
Total public works	<u>\$ 2,150,992</u>	<u>\$ 2,144,456</u>	<u>\$ 2,066,222</u>	<u>\$ 78,234</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 563,307	\$ 563,307	\$ 558,360	\$ 4,947
Mosquito control	111,971	111,971	85,623	26,348
Total health	<u>\$ 675,278</u>	<u>\$ 675,278</u>	<u>\$ 643,983</u>	<u>\$ 31,295</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 117,259	\$ 117,259	\$ 117,259	\$ -
Total mental health and mental retardation	\$ 117,259	\$ 117,259	\$ 117,259	\$ -
Total health and welfare	\$ 792,537	\$ 792,537	\$ 761,242	\$ 31,295
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 13,224	\$ 13,224	\$ 13,224	\$ -
Contribution to community education	556,156	580,022	572,574	7,448
Cable services	19,779	42,951	37,984	4,967
Contribution to County School Board	23,518,988	23,778,058	23,578,285	199,773
Total education	\$ 24,108,147	\$ 24,414,255	\$ 24,202,067	\$ 212,188
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 666,812	\$ 710,614	\$ 644,861	\$ 65,753
Beaverdam reservoir park	458,936	559,915	554,623	5,292
Total parks and recreation	\$ 1,125,748	\$ 1,270,529	\$ 1,199,484	\$ 71,045
Cultural enrichment:				
Daffodil festival	\$ 79,622	\$ 79,622	\$ 72,632	\$ 6,990
Total cultural enrichment	\$ 79,622	\$ 79,622	\$ 72,632	\$ 6,990
Library:				
Contribution to county library	\$ 1,011,214	\$ 1,064,351	\$ 1,070,867	\$ (6,516)
Total library	\$ 1,011,214	\$ 1,064,351	\$ 1,070,867	\$ (6,516)
Total parks, recreation, and cultural	\$ 2,216,584	\$ 2,414,502	\$ 2,342,983	\$ 71,519
Community development:				
Planning and community development:				
Community development	\$ 479,535	\$ 459,646	\$ 438,623	\$ 21,023
Tourism	183,590	188,810	188,310	500
Economic development	303,927	301,278	294,143	7,135
Total planning and community development	\$ 967,052	\$ 949,734	\$ 921,076	\$ 28,658
Environmental management:				
Clean community program	\$ 21,967	\$ 22,609	\$ 19,953	\$ 2,656
Total environmental management	\$ 21,967	\$ 22,609	\$ 19,953	\$ 2,656
Cooperative extension program:				
Extension office	\$ 97,125	\$ 99,472	\$ 93,117	\$ 6,355
Total cooperative extension program	\$ 97,125	\$ 99,472	\$ 93,117	\$ 6,355
Total community development	\$ 1,086,144	\$ 1,071,815	\$ 1,034,146	\$ 37,669

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 300,585	\$ 300,585	\$ 300,585	\$ -
Total nondepartmental	\$ 300,585	\$ 300,585	\$ 300,585	\$ -
Total General Fund	\$ 51,981,469	\$ 52,696,073	\$ 51,359,569	\$ 1,336,504
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,808,243	\$ 2,648,243	\$ 2,554,604	\$ 93,639
Public assistance	1,268,000	1,268,000	1,190,881	77,119
Purchased services	87,217	87,217	57,076	30,141
Grants	7,150	7,150	5,990	1,160
Board of public welfare	4,612	4,612	4,612	-
Total welfare and social services	\$ 4,175,222	\$ 4,015,222	\$ 3,813,163	\$ 202,059
Total health and welfare	\$ 4,175,222	\$ 4,015,222	\$ 3,813,163	\$ 202,059
Total Virginia Public Assistance Fund	\$ 4,175,222	\$ 4,015,222	\$ 3,813,163	\$ 202,059
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,516,000	\$ 1,356,000	\$ 890,976	\$ 465,024
Total Comprehensive Services Act Fund	\$ 1,516,000	\$ 1,356,000	\$ 890,976	\$ 465,024
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,886,314	\$ 4,186,314	\$ 4,186,313	\$ 1
Interest and other fiscal charges	1,762,705	1,762,705	1,751,399	11,306
Total Debt Service Fund	\$ 5,649,019	\$ 5,949,019	\$ 5,937,712	\$ 11,307
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 3,473,642	\$ 2,950,800	\$ 2,589,468	\$ 361,332
Equipment and vehicles	390,575	-	-	-
School capital assets	559,922	1,283,186	1,100,168	183,018
Total capital projects expenditures	\$ 4,424,139	\$ 4,233,986	\$ 3,689,636	\$ 544,350
Total County Capital Improvements Fund	\$ 4,424,139	\$ 4,233,986	\$ 3,689,636	\$ 544,350
School Construction Fund:				
Capital projects expenditures:				
Page Middle School	\$ -	\$ -	\$ 3,844	\$ (3,844)
Total School Construction Fund	\$ -	\$ -	\$ 3,844	\$ (3,844)
Total Primary Government	\$ 67,745,849	\$ 68,250,300	\$ 65,694,900	\$ 2,555,400

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 40,564,893	\$ 40,679,673	\$ 40,619,165	\$ 60,508
Total instruction costs	\$ 40,564,893	\$ 40,679,673	\$ 40,619,165	\$ 60,508
Administration, and Attendance and Health:				
School board	\$ 115,506	\$ 115,506	\$ 117,406	\$ (1,900)
Other administration	2,131,492	2,131,492	2,125,847	5,645
Total administration of schools	\$ 2,246,998	\$ 2,246,998	\$ 2,243,253	\$ 3,745
Pupil transportation:				
Pupil transportation	\$ 3,915,766	\$ 3,915,766	\$ 3,827,183	\$ 88,583
Total pupil transportation	\$ 3,915,766	\$ 3,915,766	\$ 3,827,183	\$ 88,583
Operating and maintenance costs:				
Operation and maintenance	\$ 6,173,179	\$ 6,209,749	\$ 6,176,907	\$ 32,842
Total operating and maintenance costs	\$ 6,173,179	\$ 6,209,749	\$ 6,176,907	\$ 32,842
Technology:				
Technology	\$ 2,738,517	\$ 2,846,237	\$ 2,844,812	\$ 1,425
Total technology	\$ 2,738,517	\$ 2,846,237	\$ 2,844,812	\$ 1,425
Total education	\$ 55,639,353	\$ 55,898,423	\$ 55,711,320	\$ 187,103
Total School Operating Fund	\$ 55,639,353	\$ 55,898,423	\$ 55,711,320	\$ 187,103
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,687,294	\$ 2,664,689	\$ 2,305,217	\$ 359,472
USDA commodities	-	-	161,707	(161,707)
Total school food services	\$ 2,687,294	\$ 2,664,689	\$ 2,466,924	\$ 197,765
Total education	\$ 2,687,294	\$ 2,664,689	\$ 2,466,924	\$ 197,765
Total School Cafeteria Fund	\$ 2,687,294	\$ 2,664,689	\$ 2,466,924	\$ 197,765
Total Discretely Presented Component Unit - School Board	\$ 58,326,647	\$ 58,563,112	\$ 58,178,244	\$ 384,868

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STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and wellbeing have changed over time.

1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

9-11

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

12-13

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

14-17

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 18,280,127	\$ 17,543,250	\$ 20,771,917	\$ 22,330,023
Unrestricted	16,925,823	15,676,394	16,806,802	23,927,330
Total governmental activities net position	\$ 35,205,950	\$ 33,219,644	\$ 37,578,719	\$ 46,257,353
Business-type activities				
Net investment in capital assets	\$ 15,069,296	\$ 13,266,968	\$ 12,233,762	\$ 11,267,065
Restricted	1,866,455	1,866,690	1,869,579	1,869,878
Unrestricted	3,247,483	3,041,421	2,221,268	2,328,518
Total business-type activities net position	\$ 20,183,234	\$ 18,175,079	\$ 16,324,609	\$ 15,465,461
Primary government				
Net investment in capital assets	\$ 33,349,423	\$ 30,810,218	\$ 33,005,679	\$ 33,597,088
Restricted	1,866,455	1,866,690	1,869,579	1,869,878
Unrestricted	20,173,306	18,717,815	19,028,070	26,255,848
Total primary government net position	\$ 55,389,184	\$ 51,394,723	\$ 53,903,328	\$ 61,722,814

Note: The County early implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in FY11. With the implementation of this Statement, the financial descriptions have changed from "net assets" to "net position".

Table 1

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 13,292,660	\$ 15,463,123	\$ 13,656,652	\$ 12,177,861	\$ 9,990,778	\$ 6,263,692
31,083,034	26,438,615	20,720,020	16,694,480	15,820,860	21,316,656
<u>\$ 44,375,694</u>	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>	<u>\$ 27,580,348</u>
\$ 4,461,919	\$ 6,470,887	\$ 9,328,625	\$ 7,299,353	\$ 6,653,014	\$ 6,500,868
4,720,154	2,036,544	2,031,743	2,025,385	2,015,652	-
4,956,253	4,654,757	1,733,605	2,177,368	2,575,848	3,192,808
<u>\$ 14,138,326</u>	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>	<u>\$ 9,693,676</u>
\$ 17,754,579	\$ 21,934,010	\$ 22,985,277	\$ 19,477,214	\$ 16,643,792	\$ 12,764,560
4,720,154	2,036,544	2,031,743	2,025,385	2,015,652	-
36,039,287	31,093,372	22,453,625	18,871,848	18,396,708	24,509,464
<u>\$ 58,514,020</u>	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>	<u>\$ 37,274,024</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government administration	\$ 5,985,400	\$ 5,213,213	\$ 5,402,313	\$ 5,575,520
Judicial administration	1,747,820	1,832,619	1,830,328	1,978,698
Public safety	14,420,083	13,746,855	12,838,684	13,224,115
Public works	2,118,053	2,168,694	2,140,168	2,487,293
Health and welfare	5,514,819	5,018,243	5,441,279	5,223,039
Education	27,272,736	33,924,847	29,991,304	27,169,073
Parks, recreation, culture	2,359,727	2,316,509	2,198,664	2,375,530
Community development	2,670,768	1,850,500	3,330,733	2,604,102
Interest on long-term debt	1,564,983	1,903,921	2,019,045	1,912,060
Total governmental activities expenses	<u>63,654,389</u>	<u>67,975,401</u>	<u>65,192,518</u>	<u>62,549,430</u>
Business-type activities:				
Public utilities	<u>3,669,366</u>	<u>3,828,006</u>	<u>3,873,419</u>	<u>4,164,968</u>
Total business-type activities expenses	<u>3,669,366</u>	<u>3,828,006</u>	<u>3,873,419</u>	<u>4,164,968</u>
Total Primary government expenses	<u>\$ 67,323,755</u>	<u>\$ 71,803,407</u>	<u>\$ 69,065,937</u>	<u>\$ 66,714,398</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	209,190	225,492	172,895	214,556
Public safety	640,084	416,526	422,313	399,325
Public works	497,981	411,479	315,626	219,143
Health and welfare	-	44,851	40,620	-
Education	258	-	-	-
Parks, recreation, culture	369,051	264,424	240,605	286,509
Community development	9,300	74,260	74,798	67,428
Operating grants and contributions	8,238,150	8,431,639	8,064,461	8,018,257
Capital grants and contributions	1,232,247	581,781	2,099,005	3,882,214
Total governmental activities program revenues	<u>\$ 11,196,261</u>	<u>\$ 10,450,452</u>	<u>\$ 11,430,323</u>	<u>\$ 13,087,432</u>
Business-type activities:				
Charges for services	\$ 4,966,010	\$ 4,161,870	\$ 4,135,611	\$ 4,193,272
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	713,180	277,732	499,050
Total business-type activities program revenues	<u>4,966,010</u>	<u>4,875,050</u>	<u>4,413,343</u>	<u>4,692,322</u>
Total primary government program revenue	<u>\$ 16,162,271</u>	<u>\$ 15,325,502</u>	<u>\$ 15,843,666</u>	<u>\$ 17,779,754</u>
Net(Expense)/Revenue				
Governmental activities	\$ (52,458,128)	\$ (57,524,949)	\$ (53,762,195)	\$ (49,461,998)
Business-type activities	<u>1,296,644</u>	<u>1,047,044</u>	<u>539,924</u>	<u>527,354</u>
Total primary government net expense	<u>\$ (51,161,484)</u>	<u>\$ (56,477,905)</u>	<u>\$ (53,222,271)</u>	<u>\$ (48,934,644)</u>

Table 2
Page 1 of 2

2013	2012	2011	2010	2009	2008
\$ 5,465,093	\$ 4,420,563	\$ 4,526,232	\$ 4,654,227	\$ 4,868,825	\$ 5,059,027
1,802,483	1,784,911	1,685,971	1,629,116	1,784,423	1,789,176
12,943,310	12,376,310	10,660,881	10,652,290	10,900,401	11,897,730
2,218,227	2,496,814	2,097,050	1,929,966	1,955,625	1,991,262
5,052,386	4,446,775	4,531,487	4,533,563	4,429,077	4,065,857
25,586,345	24,339,028	24,091,981	22,357,066	27,072,029	24,969,859
2,166,475	2,111,087	1,922,593	1,824,076	2,170,357	2,015,572
1,254,998	1,170,407	1,599,847	2,299,482	2,255,957	2,780,816
1,598,864	1,624,212	1,751,068	2,057,826	2,726,734	1,754,490
58,088,181	54,770,107	52,867,110	51,937,612	58,163,428	56,323,789
4,561,013	4,765,426	4,264,717	4,572,653	4,459,194	4,223,756
4,561,013	4,765,426	4,264,717	4,572,653	4,459,194	4,223,756
\$ 62,649,194	\$ 59,535,533	\$ 57,131,827	\$ 56,510,265	\$ 62,622,622	\$ 60,547,545
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
237,742	239,615	248,950	257,806	246,684	336,565
364,823	356,342	297,524	332,743	476,364	544,106
197,204	134,654	149,214	256,838	387,726	390,002
-	-	-	-	-	-
-	290	311	555	152	1,676
293,796	310,646	351,840	341,498	355,746	362,618
59,655	57,913	18,895	33,309	28,013	27,180
7,634,001	7,417,709	7,130,907	7,275,332	8,963,448	7,595,236
1,108,506	5,391,436	4,703,030	1,382,366	978,111	1,948,761
\$ 9,895,727	\$ 13,908,605	\$ 12,900,671	\$ 9,880,447	\$ 11,436,244	\$ 11,206,144
\$ 4,375,188	\$ 4,216,540	\$ 4,212,115	\$ 3,984,395	\$ 3,155,016	\$ 3,332,589
-	-	-	188,300	407,040	1,058,499
537,710	-	1,007,300	-	1,548,183	-
4,912,898	4,216,540	5,219,415	4,172,695	5,110,239	4,391,088
\$ 14,808,625	\$ 18,125,145	\$ 18,120,086	\$ 14,053,142	\$ 16,546,483	\$ 15,597,232
\$ (48,192,454)	\$ (40,861,502)	\$ (39,966,439)	\$ (42,057,165)	\$ (46,727,184)	\$ (45,117,645)
351,885	(548,886)	954,698	(399,958)	651,045	167,332
\$ (47,840,569)	\$ (41,410,388)	\$ (39,011,741)	\$ (42,457,123)	\$ (46,076,139)	\$ (44,950,313)

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2017	2016	2015	2014
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 39,729,693	\$ 38,881,635	\$ 37,735,100	\$ 37,840,631
Local sales and use tax	4,363,168	4,132,108	3,993,673	3,811,874
Communication sales tax (1)	-	-	-	-
Consumer utility tax	725,381	716,300	711,867	707,280
Business license taxes	1,682,846	1,552,245	1,547,404	1,560,493
Restaurant food taxes	2,194,698	2,116,520	1,896,892	1,857,472
Other local taxes	1,202,114	1,109,601	989,921	938,370
Unrestricted revenues from use of money and property	202,694	154,286	174,416	182,207
Miscellaneous	432,749	670,380	438,304	579,009
Grants and contributions not restricted to specific programs	4,486,617	4,505,799	4,500,206	4,540,079
Loss on disposal of capital assets	-	-	-	-
Transfers	(575,526)	(673,000)	(673,758)	(673,758)
Total governmental activities	\$ 54,444,434	\$ 53,165,874	\$ 51,314,025	\$ 51,343,657
Business-type activities:				
General property taxes	\$ 38,722	\$ 39,235	\$ 39,471	\$ 39,533
Unrestricted revenues from use of money and property	97,263	91,191	86,723	86,490
Transfers	575,526	673,000	673,758	673,758
Total business-type activities	\$ 711,511	\$ 803,426	\$ 799,952	\$ 799,781
Total primary government	\$ 55,155,945	\$ 53,969,300	\$ 52,113,977	\$ 52,143,438
Change in Net Position				
Governmental activities	\$ 1,986,306	\$ (4,359,075)	\$ (2,448,170)	\$ 1,881,659
Business-type activities	2,008,155	1,850,470	1,339,876	1,327,135
Total primary government	\$ 3,994,461	\$ (2,508,605)	\$ (1,108,294)	\$ 3,208,794

(1) Beginning in FY10, the County began receiving communication sales tax from the Commonwealth of Virginia and reporting funds under grants and contributions not restricted to specific programs.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 37,352,864	\$ 34,983,672	\$ 32,588,654	\$ 32,195,182	\$ 31,934,077	\$ 30,064,891
3,777,448	3,729,207	3,537,751	3,547,316	3,622,137	3,944,337
-	-	-	1,258,546	1,267,909	1,453,787
702,582	699,428	700,959	698,238	695,930	686,877
1,504,047	1,516,103	1,446,819	1,384,024	1,436,852	1,569,709
1,857,427	1,789,149	1,669,468	1,632,857	1,616,050	1,660,639
947,651	779,100	833,117	1,206,722	1,229,135	1,322,440
177,210	154,387	159,151	203,980	273,362	951,284
664,749	672,476	516,200	477,007	543,271	583,074
4,559,150	4,543,046	4,518,651	3,013,996	3,019,751	3,014,716
-	-	-	-	-	-
(673,758)	(480,000)	(500,000)	(500,000)	(680,000)	(800,000)
\$ 50,869,370	\$ 48,386,568	\$ 45,470,770	\$ 45,117,868	\$ 44,958,474	\$ 44,451,754
\$ 39,313	\$ 38,705	\$ 38,638	\$ 37,470	\$ 36,179	\$ 36,222
112,266	98,396	98,531	120,080	183,614	221,205
673,758	480,000	500,000	500,000	680,000	800,000
\$ 825,337	\$ 617,101	\$ 637,169	\$ 657,550	\$ 899,793	\$ 1,057,427
\$ 51,694,707	\$ 49,003,669	\$ 46,107,939	\$ 45,775,418	\$ 45,858,267	\$ 45,509,181
\$ 2,676,916	\$ 7,525,066	\$ 5,504,331	\$ 3,060,703	\$ (1,768,710)	\$ (665,891)
1,177,222	68,215	1,591,867	257,592	1,550,838	1,224,759
\$ 3,854,138	\$ 7,593,281	\$ 7,096,198	\$ 3,318,295	\$ (217,872)	\$ 558,868

COUNTY OF GLOUCESTER, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2017	2016	2015	2014
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	400,064	48,681	65,035	52,694
Restricted	82,362	77,013	133,004	141,770
Committed	1,672,041	1,310,127	1,118,337	1,015,138
Unassigned	20,524,588	20,009,317	17,523,379	18,249,344
Total General Fund	\$ 22,679,055	\$ 21,445,138	\$ 18,839,755	\$ 19,458,946
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Restricted	115,400	97,400	54,400	31,400
Committed	696,419	692,639	4,986,303	22,701,947
Assigned	-	-	-	257,062
Total all other governmental funds	\$ 811,819	\$ 790,039	\$ 5,040,703	\$ 22,990,409

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY11. Restatement of prior year balance is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 3

2013	2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ 149,442	\$ 238,285	\$ 495,576
-	-	-	14,334,402	12,622,904	13,140,232
51,122	52,204	50,598	-	-	-
141,989	128,885	132,450	-	-	-
1,024,155	921,746	799,389	-	-	-
16,960,462	15,321,565	14,967,748	-	-	-
<u>\$ 18,177,728</u>	<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>	<u>\$ 13,635,808</u>
\$ -	\$ -	\$ -	\$ 19,000	\$ 19,000	\$ 2,389,898
-	-	-	-	808	649
-	-	-	2,810,371	3,678,708	5,466,719
19,000	19,000	19,000	-	-	-
13,398,162	9,840,182	5,225,558	-	-	-
244,485	239,297	-	-	-	-
<u>\$ 13,661,647</u>	<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>	<u>\$ 7,857,266</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015
REVENUES			
General property taxes	\$ 39,605,567	\$ 38,899,618	\$ 37,944,859
Other local taxes	10,168,207	9,626,774	9,139,757
Permits, privilege fees, and regulatory licenses	591,346	361,437	379,645
Fines and forfeitures	85,667	94,470	68,265
Revenue from the use of money and property	202,694	154,286	174,416
Charges for services	1,048,851	981,125	818,947
Miscellaneous	432,749	670,380	438,304
Recovered costs	413,302	362,494	378,821
Intergovernmental revenues:			
Commonwealth	10,822,673	11,074,903	11,800,473
Federal	3,134,341	2,444,316	2,863,199
Total revenues	\$ 66,505,397	\$ 64,669,803	\$ 64,006,686
EXPENDITURES			
Current:			
General government administration	\$ 5,725,817	\$ 5,559,742	\$ 5,506,522
Judicial administration	1,659,363	1,776,474	1,720,444
Public safety	13,267,144	12,431,841	12,260,636
Public works	2,066,222	2,203,795	2,156,828
Health and welfare	5,465,381	5,064,135	5,427,503
Education	24,202,067	22,873,774	23,055,992
Parks, recreation, and cultural	2,342,983	2,180,280	2,139,478
Community development	1,034,146	1,040,427	972,068
Nondepartmental	300,585	300,585	353,497
Capital projects	3,693,480	6,548,321	22,500,605
Debt service:			
Principal retirement	4,186,313	10,276,799	3,437,958
Interest and other fiscal charges	1,751,399	2,110,911	2,293,936
Principal retirement-School leases	-	-	72,317
Interest and other fiscal charges-School	-	-	4,041
Total expenditures	\$ 65,694,900	\$ 72,367,084	\$ 81,901,825
Excess (deficiency) of revenues over (under) expenditures	\$ 810,497	\$ (7,697,281)	\$ (17,895,139)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 8,369,496	\$ 7,729,031	\$ 9,188,198
Transfers out	(8,945,022)	(8,402,031)	(9,861,956)
Issuance of general obligation bonds	-	-	-
Bond premium issuance	-	-	-
Issuance of capital leases	1,020,726	-	-
Insurance recovery	-	-	-
Refunding of lease revenue bonds	-	6,725,000	-
Total other financing sources (uses)	\$ 445,200	\$ 6,052,000	\$ (673,758)
Net change in fund balances	\$ 1,255,697	\$ (1,645,281)	\$ (18,568,897)
Fund balances - beginning	22,235,177	23,880,458	42,449,355
Fund balances - ending	\$ 23,490,874	\$ 22,235,177	\$ 23,880,458
Debt Service as a percentage of noncapital expenditures	9.30%	18.66%	9.20%

N/A - This information was unavailable.

Table 4

	2014	2013	2012	2011	2010	2009	2008
\$	37,996,998	\$ 37,534,509	\$ 34,600,348	\$ 32,277,667	\$ 31,916,749	\$ 32,090,454	\$ 29,677,158
	8,875,489	8,789,155	8,512,987	8,188,114	9,727,703	9,868,013	10,637,789
	352,330	307,747	318,074	262,490	285,060	421,907	505,444
	80,625	108,507	114,403	87,571	120,804	94,148	111,970
	182,207	177,210	154,387	159,151	203,980	273,362	909,595
	754,006	736,966	666,983	716,673	816,885	978,630	1,044,733
	579,009	664,749	672,476	516,200	477,007	543,271	583,074
	409,810	337,904	312,995	306,934	360,700	413,418	300,414
	11,034,381	10,781,890	10,422,899	10,517,539	9,033,241	9,927,995	9,467,389
	2,681,235	2,385,926	2,242,337	2,041,209	2,638,453	2,940,280	3,091,324
\$	<u>62,946,090</u>	<u>\$ 61,824,563</u>	<u>\$ 58,017,889</u>	<u>\$ 55,073,548</u>	<u>\$ 55,580,582</u>	<u>\$ 57,551,478</u>	<u>\$ 56,328,890</u>
\$	5,418,618	\$ 5,027,276	\$ 4,580,732	\$ 4,391,984	\$ 4,796,836	\$ 4,766,294	\$ 4,744,278
	1,812,592	1,634,575	1,644,976	1,511,513	1,473,565	1,619,429	1,616,046
	11,609,450	11,388,578	10,548,498	10,237,522	10,430,536	10,622,469	10,657,869
	2,172,118	2,119,356	2,021,420	1,879,012	1,866,165	1,873,556	1,820,371
	5,197,208	5,000,044	4,424,273	4,487,974	4,482,064	4,348,208	4,001,667
	22,839,193	22,777,077	20,419,880	20,969,964	20,323,168	21,703,289	21,561,837
	2,117,069	2,067,452	1,959,087	1,834,819	1,857,339	1,970,594	2,040,444
	1,034,876	901,444	746,246	731,327	728,581	776,991	828,242
	365,585	312,185	325,145	263,170	272,035	272,035	271,250
	14,208,476	5,825,679	5,540,772	2,925,484	2,698,567	19,493,940	15,512,754
	2,886,672	3,141,033	3,201,337	3,394,093	3,385,644	3,055,466	2,317,442
	1,653,660	1,695,351	1,702,835	1,858,998	2,012,572	2,547,578	1,603,656
	69,529	65,736	263,189	-	-	-	-
	8,255	12,048	18,318	-	-	-	-
\$	<u>71,393,301</u>	<u>\$ 61,967,834</u>	<u>\$ 57,396,708</u>	<u>\$ 54,485,860</u>	<u>\$ 54,327,072</u>	<u>\$ 73,049,849</u>	<u>\$ 66,975,856</u>
\$	<u>(8,447,211)</u>	<u>\$ (143,271)</u>	<u>\$ 621,181</u>	<u>\$ 587,688</u>	<u>\$ 1,253,510</u>	<u>\$ (15,498,371)</u>	<u>\$ (10,646,966)</u>
\$	8,000,299	\$ 7,758,145	\$ 10,042,633	\$ 6,671,343	\$ 6,578,300	\$ 7,891,873	\$ 6,288,819
	(8,674,057)	(8,431,903)	(10,522,633)	(7,171,343)	(7,078,300)	(8,571,873)	(7,088,819)
	15,845,000	5,999,684	500,000	-	-	-	6,364,713
	1,161,015	-	-	-	-	-	343,349
	-	-	-	-	-	11,245,000	-
	2,724,934	133,841	4,686,955	3,793,840	-	-	-
	-	-	-	-	-	-	-
\$	<u>19,057,191</u>	<u>\$ 5,459,767</u>	<u>\$ 4,706,955</u>	<u>\$ 3,293,840</u>	<u>\$ (500,000)</u>	<u>\$ 10,565,000</u>	<u>\$ 5,908,062</u>
\$	10,609,980	\$ 5,316,496	\$ 5,328,136	\$ 3,881,528	\$ 753,510	\$ (4,933,371)	\$ (4,738,904)
	31,839,375	26,522,879	21,194,743	17,313,215	16,559,705	21,493,076	26,231,980
\$	<u>42,449,355</u>	<u>\$ 31,839,375</u>	<u>\$ 26,522,879</u>	<u>\$ 21,194,743</u>	<u>\$ 17,313,215</u>	<u>\$ 16,559,705</u>	<u>\$ 21,493,076</u>
	<u>7.94%</u>	<u>8.57%</u>	<u>9.53%</u>	<u>9.84%</u>	<u>10.26%</u>	<u>9.88%</u>	<u>6.76%</u>

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2017		2008	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 21,925,050	0.51 %	\$ 21,953,900	0.58 %
Wal-Mart Real Estate Business Trust	13,293,940	0.31	12,653,600	0.33
York River Crossing Assoc., LLC	13,052,950	0.30	12,078,400	0.32
Lowe's Home Center, Inc.	9,415,010	0.22	7,387,400	0.19
Timberneck, LLC	9,335,650	0.22		
Horn Harbor Nursing Home Inc.	8,886,130	0.21	7,146,400	0.19
Thousand Trail, Inc.	8,554,860	0.20	5,545,700	0.15
Gloucester Medical Arts I, LLC	7,932,740	0.19		
Walter Reed Memorial Hospital	7,541,590	0.18		
Aggregate Industries Land Company Inc	7,276,050	0.17		
Centex Homes			10,771,900	0.28
Dunnwood Holdings, LLC			7,315,900	0.19
Affordable Homes, LLC			7,522,200	0.20
Somerset Stokes			8,037,900	0.21
	<u>\$ 107,213,970</u>	<u>2.51 %</u>	<u>\$ 100,413,300</u>	<u>2.64 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 22,593,114	\$ 32,474	\$ 22,625,588	\$ 21,946,260	97.14%	\$ 676,900	\$ 22,623,160	99.99%
2009	23,972,690	29,664	24,002,354	23,326,961	97.31%	670,081	23,997,042	99.98%
2010	24,014,793	13,119	24,027,912	23,210,366	96.65%	808,660	24,019,026	99.96%
2011	23,809,339	21,823	23,831,162	23,008,680	96.64%	811,940	23,820,620	99.96%
2012	25,336,144	25,647	25,361,791	24,405,721	96.33%	942,743	25,348,464	99.95%
2013	26,903,346	5,391	26,908,737	26,076,913	96.93%	813,204	26,890,117	99.93%
2014	27,043,283	(16,870)	27,026,413	26,277,315	97.17%	715,491	26,992,806	99.88%
2015	27,615,708	(3,466)	27,612,242	26,880,696	97.34%	642,160	27,522,856	99.68%
2016	28,574,808	(1,507)	28,573,301	27,850,881	97.47%	462,367	28,313,248	99.09%
2017	29,192,667	-	29,192,667	28,438,565	97.42%	-	28,438,565	97.42%

Source: Gloucester County Treasurer's Department

Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
(in thousands of dollars)

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2008	\$ 3,420,549	\$ 379,187	\$ 277,551	\$ 3,799,736	0.61	\$ 4,269,366
2009	3,607,036	388,516	271,530	3,995,552	0.61	4,597,873
2010	3,713,586	443,021	305,263	4,156,607	0.58	4,156,607
2011	3,722,124	438,534	309,207	4,160,658	0.58	4,160,658
2012	3,752,701	439,874	306,387	4,192,575	0.65	4,192,575
2013	3,771,667	439,721	321,037	4,211,388	0.65	4,211,388
2014	3,799,377	437,932	322,225	4,237,310	0.65	4,237,310
2015	3,765,494	444,104	373,475	4,209,598	0.68	4,209,598
2016	3,797,973	443,944	358,584	4,241,916	0.695	4,241,916
2017	3,832,436	450,593	379,400	4,283,030	0.695	4,283,030

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Ten Calendar Years

Calendar Year Ended		Personal Property (1)		Machinery & Tools (1)		Boats (1)		Public Service (2)		Total
2009	\$	355,192,059	\$	7,573,930	\$	33,365,200	\$	75,965,554	\$	472,096,743
2010		391,285,273		8,608,825		32,179,200		80,613,575		512,686,873
2011		385,778,693		7,811,202		35,990,400		87,981,942		517,562,237
2012		386,217,977		8,305,399		34,894,358		104,938,440		534,356,174
2013		400,536,792		8,218,191		43,702,556		155,642,943		608,100,482
2014		385,658,488		10,197,427		43,689,419		155,392,600		594,937,934
2015		385,720,050		10,298,798		-		158,444,423		554,463,271
2016		399,860,453		8,258,417		-		137,719,792		545,838,662
2017		401,812,412		8,221,958		-		139,424,060		549,458,430

(1) Source: Commissioner of Revenue, BOS eliminated the Boat Tax effective calendar year 2015

(2) Property assessments performed by the State Corporation Commission and includes real estate

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government		
2008	\$ 23,125,057	\$ 4,143,520	\$ 9,699,036	\$ 91,502	\$ 24,950,999	\$ 62,010,114	4.55%	\$ 1,701.80
2009	21,742,912	3,603,520	19,777,296	53,636	23,480,592	68,657,956	5.05%	1,866.92
2010	20,343,490	3,063,520	18,297,844	10,465	21,974,346	63,689,665	4.62%	1,727.97
2011	18,965,853	2,523,520	16,788,573	-	20,414,345	58,692,291	4.09%	1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.66%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.78%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.46%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	3.96%	1,774.80
2016	34,798,831	720,324	9,444,609	-	15,060,214	60,023,978	N/A*	1,623.02
2017	32,755,003	470,324	8,467,388	-	12,625,476	54,318,191	N/A*	1,468.73

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

*Information not available at the time of completion.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total			
2008	\$ 23,125,057	\$ 91,502	\$ 23,216,559	\$ 637.15	\$	0.54%
2009	21,742,912	53,636	21,796,548	592.68		0.47%
2010	20,343,490	10,465	20,353,955	552.23		0.49%
2011	18,965,853	-	18,965,853	512.77		0.46%
2012	18,089,833	-	18,089,833	489.23		0.43%
2013	22,804,937	-	22,804,937	612.51		0.54%
2014	38,548,607	-	38,548,607	1,035.36		0.91%
2015	36,773,293	-	36,773,293	<i>987.87</i>		<i>0.87%</i>
2016	34,798,831	-	34,798,831	<i>938.68</i>		<i>0.82%</i>
2017	32,755,003	-	32,755,003	<i>885.68</i>		<i>0.76%</i>

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(a) Population data can be found in Table 12

(b) See Table 7 for property value data

(c) Italicized amounts are estimates.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage
							Principal	Interest	
2008	\$	3,332,589	\$	2,031,348	\$	1,301,241	\$ 746,086	\$ 1,283,177	\$ 0.64
2009		3,155,016		2,334,014		821,002	1,508,273	1,199,560	0.30
2010		3,983,717		2,512,351		1,471,366	1,549,417	1,116,472	0.55
2011		3,992,815		2,262,613		1,730,202	1,553,840	1,045,582	0.67
2012		3,893,650		2,780,595		1,113,055	1,790,872	1,063,304	0.39
2013		3,845,738		2,609,469		1,236,269	1,106,435	990,618	0.59
2014		4,193,272		2,550,179		1,643,093	1,987,000	793,760	0.59
2015		4,135,611		2,324,954		1,810,657	2,043,000	729,787	0.65
2016		4,161,870		2,318,445		1,843,425	1,980,000	766,538	0.67
2017		4,310,610		2,381,453		1,929,157	2,257,000	431,533	0.72

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Operating expenses above exclude interest, depreciation and amortization of loan costs.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
2007	36,203	\$ 1,250,578	\$ 34,543	% 2.5	5,949
2008	36,438	1,364,129	37,437	3.5	5,910
2009	36,776	1,360,621	36,998	6.1	5,925
2010	36,858	1,379,324	37,423	6.4	5,860
2011	36,987	1,434,937	38,796	5.2	5,925
2012	36,976	1,573,440	42,553	5.5	5,650
2013	37,232	1,583,328	42,526	5.1	5,469
2014	37,225	1,606,493	43,207	4.9	5,413
2015	37,072	1,661,331	44,728	4.1	5,316
2016	36,983	N/A*	N/A*	3.7	5,320

*Information not available at the time of completion.

Sources:

- (1) Weldon Cooper Center for Public Service at the University of Virginia
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) Gloucester County Schools (Budget Document)

Principal Employers
Current Year and Nine Years Ago

Employer	2017		2008	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County Schools	500 - 999	10+	1000+	10+
Riverside Regional Medical Center	500 - 999	5 - 9.9	250 - 499	2.5 - 4.9
Wal-Mart	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
County of Gloucester	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
Virginia Institute of Marine Science	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
Rappahannock Community College	100 - 249	1 - 2.4		
York Convalescent Center	100 - 249	1 - 2.4		
Lowes	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Food Lion	100 - 249	1 - 2.4		
The Home Depot	100 - 249	1 - 2.4	100 - 249	1 - 2.4
JL Jkm Enterprises Lc	50 - 99	Less than 1		
Industrial Resources Technologies	50 - 99	Less than 1	250 - 499	2.5 - 4.9
Farm Fresh	50 - 99	Less than 1		

Sources:
Virginia Employment Commission

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government Administration										
Administration	4.5	5.0	7.0	6.0	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0
Human Resources	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	8.0	8.0	7.5	7.5	7.5	8.5	9.5	9.5
County Assessor	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.0	6.0	6.0
Treasurer	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.5	10.5
Finance	5.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Information Technology	9.0	9.0	8.0	9.0	9.0	9.0	12.5	13.0	13.0	13.0
GIS (included with IT until 2012)	2.5	2.5	3.5	3.5	3.5	3.5				
Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5
VA Housing Dev. Authority		-	-	-	-	-	-	2.0	2.0	2.5
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Judicial Administration										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Victim Witness	2.5	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0
Commonwealth Attorney	7.5	7.5	7.5	7.5	7.5	7.5	8.0	8.5	8.5	8.5
Public Safety										
Sheriff	65.0	64.0	64.0	61.5	50.0	50.0	48.0	49.0	53.0	53.0
E-911 (Combined w/Sheriff 2014)		-	-	-	11.5	11.5	11.5	11.5	12.0	12.0
Jail (included w/Sheriff until 2006)	33.0	36.5	38.5	37.5	37.0	35.0	35.5	38.0	38.0	38.0
Probation/Pretrial	7.0	7.0	7.0	7.0	7.0	7.0	7.5	7.5	7.5	8.0
Codes		-	-	-	14.0	13.0	13.0	14.0	16.0	16.0
Building Inspections	8.0	8.0	7.0	6.0						
Environmental Programs	4.5	4.0	4.0	4.0						
Animal Control	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	3.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	2.5	2.5
Public Works										
Engineering	3.5	4.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	3.0
Buildings & Grounds	27.0	28.0	28.0	28.5	28.5	28.5	28.0	28.0	29.0	28.0
Education										
Community Education	8.0	8.0	7.5	7.5	7.5	7.5	8.0	8.0	8.0	8.0
Cable Services	-	-	-	-	0.5	0.5	-	0.5	0.5	0.5
Parks, Recreation & Cultural										
Parks & Recreation	5.5	5.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Park Operations (formerly Beaverdam)	6.5	6.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0
Historical	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12.0	12.0	12.5	12.5	12.5	12.5	12.0	12.0	12.0	12.0
Community Development										
Planning	7.0	6.0	7.0	7.0	5.0	5.0	5.0	5.0	5.0	5.0
Economic Development	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utilities	23.5	24.5	26.0	26.0	26.0	26.0	25.0	25.5	27.5	24.0
TOTAL	296	300	305	301	299	296	292	305	318	313

Source: Gloucester County Human Resources Department
Work as Required employees are not included.

COUNTY OF GLOUCESTER, VIRGINIAOperating Indicators by Function
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sheriff's Department (1)				
Reports taken	N/A	45,020	43,584	39,350
Civil processed record workload	N/A	31,737	30,530	30,757
Circuit court days	N/A	210	207	196
General district court days	N/A	104	109	113
Juvenile and domestic court days	N/A	252	234	240
Inmate average daily population	N/A	43	45	79
 Parks, Recreation & Tourism (2)				
Number of Participants	4,567	4,772	4,489	3,957
 Library (3)				
Material circulated	197,281	183,566	172,769	169,016
Library patrons	35,089	37,185	35,396	33,256
 Water system (4)				
Number of customers	4,835	4,728	4,629	4,629
Average daily consumption	863,441	834,800	838,400	827,000
Annual consumption in gallons	315,156,000	304,700,000	306,030,000	301,865,000

Sources:

- (1) Gloucester County Sheriff's Department (Information compiled each calendar year)
- (2) Gloucester County Parks, Recreation & Tourism Department
- (3) Gloucester County Library
- (4) Gloucester County Public Utilities

N/A - This information is not available.

Table 15

2013	2012	2011	2010	2009	2008
38,808	38,414	37,076	36,219	31,434	35,954
42,873	35,242	38,266	30,255	25,923	23,771
175	164	168	180	213	215
116	114	115	113	110	114
237	208	145	162	180	188
86	84	74	77	82	84
3,920	4,019	4,170	4,393	4,670	4,455
179,320	216,787	229,986	241,379	227,053	210,797
29,295	31,769	32,786	36,284	33,132	31,444
4,588	4,565	4,523	4,499	4,470	4,399
809,000	835,478	884,471	886,783	900,923	939,527
295,456,000	305,785,000	322,832,000	323,676,000	328,837,000	343,867,000

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High Volume Users of Water System
Current Year and Nine Years Ago

Customer name	2017		2008	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
V.I.M.S-SRL	351,000	11,700	258,000	8,600
John A. Franklin (Wicomico Trailer Park)	351,000	11,700	-	-
Hogge Funeral Home	343,000	11,433	-	-
John A. Franklin (Wicomico Trailer Park)	203,000	6,777	-	-
Riverside Walter Reed Hospital	180,000	6,000	400,000	13,333
Colonial Point Apartments	177,000	5,900	256,000	8,533
GCS-Page Middle School	170,000	5,667	-	-
Gloucester House	166,000	5,533	186,000	6,200
RAI Care Centers of VA	163,000	5,433	-	-
York River MHP	159,000	5,300	192,000	6,400
V.I.M.S.-MRL			409,000	13,633
Walter Reed Convalescent Center			383,000	12,767
V.I.M.S.			419,000	13,967
Water Wizard Car Wash			236,000	7,967
U-Do-It Laundry			179,000	5,967
County Jail			186,000	6,200

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	32	31	33	33
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	8	8	8	8
Park acreage owned by the County	221	221	221	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

- (1) Gloucester County Sheriff's Office
- (2) Gloucester County Department of Emergency Services
- (3) Gloucester County Department of Parks, Recreation & Tourism
- (4) Gloucester County Library
- (5) Gloucester County Public Utilities

Table 17

2013	2012	2011	2010	2009	2008
1	1	1	1	1	1
33	33	34	27	27	27
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
221	221	185	185	185	185
44	44	40	40	40	40
2	2	2	2	2	2
1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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COMPLIANCE SECTION

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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 Gloucester
Gloucester, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Gloucester, Virginia's basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Gloucester, 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 Gloucester, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Gloucester, 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 Gloucester, 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 13, 2017

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 the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2017. County of Gloucester, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Gloucester, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and The Uniform Guidance 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 Gloucester, 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 Gloucester, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Gloucester, 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, 2017.

Report on Internal Control over Compliance

Management of County of Gloucester, 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 Gloucester, 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 the Uniform Guidance, 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 Gloucester 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 13, 2017

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 14,518
Temporary Assistance for Needy Families	93.558	0400109/0400110	216,231
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	788
Low-Income Home Energy Assistance	93.568	0600409/0600410	25,759
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	36,036
Chafee Education and Training Vouchers Program	93.599	not available	1,960
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	417
Foster Care - Title IV-E	93.658	1100109/1100110	260,804
Adoption Assistance	93.659	1120109/1120110	197,016
Social Services Block Grant	93.667	1000109/1000110	178,112
Chafee Foster Care Independence Program	93.674	9150108-9150110	2,982
Children's Health Insurance Program	93.767	0540109/0540110	14,512
Medical Assistance Program	93.778	1200109/1200110	468,775
Total Department of Health and Human Services			\$ 1,417,910
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 231,326
Department of Agriculture:			
Food Distribution--School	10.555	not available	161,707
Department of Education:			
National School Lunch Program	10.555	1790100-40623	877,336
		Total 10.555	\$ 1,039,043
Total Child Nutrition Cluster			\$ 1,270,369
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	\$ 373,350
Total Department of Agriculture			\$ 1,643,719
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,879
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-01142LO12	1,536
Crime victim assistance	16.575	39001-10220	\$ 75,288
Violence Against Women Formula Grants	16.588	3900100-46500	41,618
Total Department of Justice			\$ 120,321

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Homeland Security:			
Hazard Mitigation Grant	97.039	7760200-111,132	\$ 784,222
Total Department of Homeland Security			\$ 784,222
Department of Transportation:			
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction	20.205	603002-103579	\$ 10,159
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	6050700-53454	12,994
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	6050700-53351	23,071
Total Department of Transportation			\$ 46,224
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 94,471
Total Department of Defense			\$ 140,695
Department of the Interior:			
Pass Through Payments:			
Department of Conservation and Recreation:			
Outdoor Recreation, Acquisition, Development and Planning	15.916	17015548-504006	\$ 141,314
Total Department of the Interior			\$ 141,314
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 60,992
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	679,906
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,160,777
Special Education - Preschool Grants	84.173	1790100-82521	33,479
Total Special Education Cluster			\$ 1,194,256
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	72,207
Advance Placement Program	84.330	609570	570
English Language Acquisition State Grants	84.365	1790100-61365	1,436
Supporting Effective Instruction State Grant	84.367	1790100-61480	187,881
Total Department of Education			\$ 2,197,248
Total Expenditures of Federal Awards			\$ 6,445,429

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Gloucester, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

Note 2 - 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 the Uniform Guidance, 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 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - 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	\$	278,824
Debt Service Fund		234,275
Special Revenue Funds:		
Virginia Public Assistance Fund		1,650,712
CSA Fund		34,836
Capital Projects Funds:		
County Capital Projects Fund		935,694
Total primary government	\$	<u>3,134,341</u>

Component Unit School Board:

School Operating Fund	\$	2,291,719
School Cafeteria Fund		1,270,369
Total component unit School Board	\$	<u>3,562,088</u>
Less: BABs federal interest rate subsidy		(234,275)
Less: Payment in lieu of taxes		<u>(16,725)</u>

Total federal expenditures per basic financial statements	\$	<u><u>6,445,429</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>6,445,429</u></u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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
2 CFR section 200.516(a)? yes ✓ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant
10.553/10.555	Child Nutrition Cluster
93.778	Medical Assistance Program (Medicaid; Title XIX)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.