



County of Gloucester Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ending
June 30, 2011



COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

Prepared By:

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Director of Financial Services

Andy Scales
Accounting Manager

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Christian D. Rilee, Chairperson
Carter M. Borden, Vice-Chairperson

Louise D. Theberge
John H. Northstein

Robert A. Crewe

Michelle R. Ressler
Gregory Woodard

County School Board

Anita F. Parker, Chairperson
George R. Burak, Vice-Chairperson

Starr F. Belvin
Ann F. Burruss

Alvin J. McGlohn, Jr.

Jean E. Pugh
Kevin M. Smith

Board of Social Services

William B. Hudgins, Chairperson
Charles "Rick" Allen, Jr., Vice-Chairperson

Mary Ann Boon
Carlton N. Hogge
Jane Smith

Jane Sterling
George T. Webster, III
Carter M. Borden

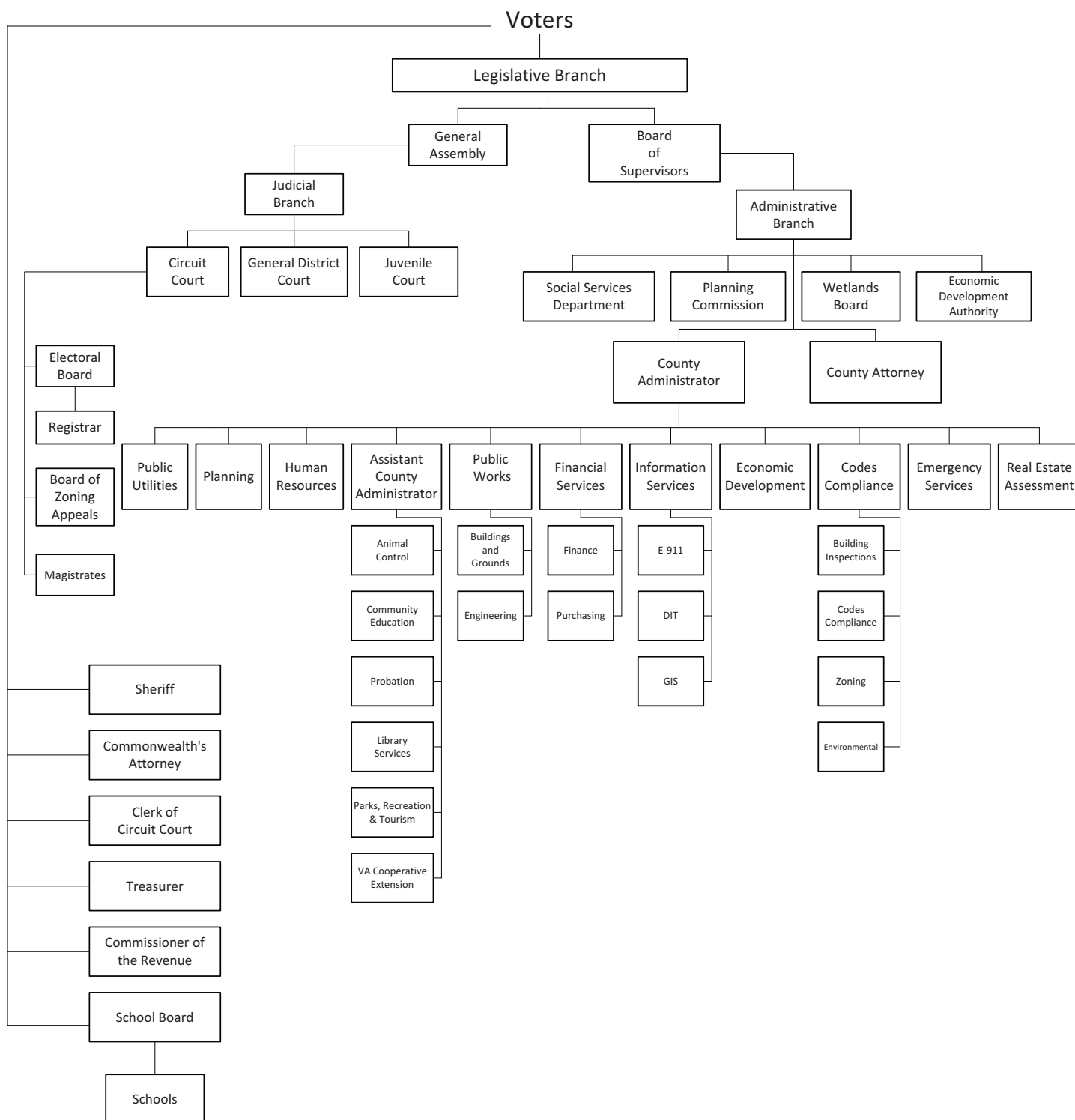
Other Officials

County Administrator.....	Brenda G. Garton
Judge of the Circuit Court	Honorable R. Bruce Long
Clerk of the Circuit Court.....	Margaret Walker
Commonwealth's Attorney	Robert D. Hicks
Commissioner of the Revenue	Kevin A. Wilson
Treasurer.....	Tara L. Thomas
Judge of the Juvenile and Domestic Relations Court	Honorable Isabel H. Atlee
Judge of the General District Court.....	Honorable Jeffrey W. Shaw
Sheriff.....	E. Steve Gentry
Superintendent of Schools	Howard B. Kiser, Ed.D.
Director of Department of Social Services	Zane S. Barry
County Attorney	Edwin N. Wilmot

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Gloucester County Organizational Chart



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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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804)693-4042

November 28, 2011

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

The Commonwealth of Virginia requires that local government publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the County of Gloucester (the County) for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, Certified Public Accountants have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal 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 on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Compliance Section of this report.

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). The MD&A complements this letter of transmittal and should be read in conjunction with it. The County's 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.

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, which establishes policies for the administration of the County. The Board of Supervisors 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 of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors, and oversees the daily administration of the County.

The County provides a full range of services including police protection, social services, planning and inspections, public works, parks, libraries, and general government administration. In addition, the County operates and maintains a water and sewer utility system, which services geographically dispersed areas of the County. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and infrastructure located within the County. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, and the County provides support through cash contributions for operations and capital expenditures.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the County is financially accountable. 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 annual budget serves as the foundation for the County's financial planning and control. All departments and agencies of the County are required to submit requests for appropriation to the County Administrator. The County Administrator uses these requests as a starting point for developing a proposed budget for presentation to the Board of Supervisors in March. The Board of Supervisors is required to hold public hearings on the proposed budget and generally adopts a final budget no later than May 1.

The County maintains budgetary controls. The objective of these 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 fund, which is at the fund level.

The County also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

Local Economy

As with much of the country, Gloucester County is feeling the impact of the national and state economic downturns. While the housing market in Gloucester County has not fallen to the extent seen in other parts of the country, real estate taxes were down when compared to budget. Sales prices have fallen, houses are staying on the market much longer, and there are fewer sales than in prior years. In addition, the decline in the number of home sales has caused a reduction in the number of building permits being issued, the amount of sales tax being collected on building materials, the revenue collected for recordation taxes, etc.

The impacts of the capital markets on new development and the recession that began in 2008 continue to restrict new development efforts. Gloucester's civilian labor force has remained relatively stable over the past twelve months, posting a small improvement in unemployment rates in August 2011 at 5.4% when compared with 5.6% in August 2010. Gloucester County continues to remain well under the national average of 9.1% due in large part to the defense related buffering and continuing synergy of the Gloucester business and commercial sectors fulfilling a need within the Middle Peninsula region.

During fiscal year 2011, commercial, industrial, and new construction activities continued to show little sign of rebounding from the recession. While there were some new retail openings, including the Hardee's-Walgreens project and Chick-fil-A, most activity was changing of users in existing storefronts. The Economic Development Authority continues to market the Gloucester Business Park; however, fiscal year 2011 saw no new projects in the park.

The main commercial business districts of Gloucester County - Gloucester Point, Gloucester Courthouse and the Gloucester Business Park - have had and will continue to foster growth through development district assets including water/sewer, improved transportation corridors, and high speed, broadband capacity. The Main Street Center is close to full occupancy, which will foster Main Street growth through private foundation support. The Fairfield Foundation began its work on renovation of the Texaco property, which will become the research and teaching headquarters for the Foundation.

Gloucester's existing businesses and major employers continue to invest in Gloucester County. The Riverside/Sanders project was granted a requested change to its previous plan and expects to break ground during the fourth quarter of 2011. The Economic Development Authority continues to work with Hampton University and the renovation of the T.C. Walker home. Additionally, new ground is being broken that includes partnerships between Hampton University, the Fairfield Foundation, and the Gloucester Public School System.

Long term financial planning

The County uses Financial Advisors to guide it through the long-term financial planning needed to address the growth of the County.

The County's Capital Improvement Committee, which was formed at the direction of the County Administrator, was charged with recommending a five-year plan to the Board of Supervisors. The CIP Committee attempted to balance the considerable amounts of money required for projects, within the current debt policies of the County, with the needs of competing demands for capital investment. The recommendation represented a balance between finite resources and an ever-increasing number of competing County priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors consistent with the County's Strategic Plan. While the Board did not adopt the Committee's recommendation, they did include several key items in the fiscal year 2012 County budget.

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 10% of governmental fund expenditures.

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 County maintains an unassigned General Fund Balance 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. Policy guidelines have established this amount at a minimum of 10% of governmental fund expenditures less any capital projects funded with bond proceeds.

The County Treasurer is responsible for investing County funds. A formal Investment Policy, which was adopted by the Board of Supervisors, seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the Code of Virginia.

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential 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 strengthen documentation of management.

Risk Management

The County has a risk management program, which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the County has obtained third party coverage through Virginia Association of Counties (VACO) for all liability risk.

Pension Benefits

The County is a participant in the Virginia Retirement System (VRS), a defined benefits plan pension system, for which the County contributes a percentage of a qualifying County employee's salary to VRS. The VRS is responsible for setting the contribution rate and making retirement payments in accordance with the established plan. In addition, the County provides employee access to a Section 457 retirement investment programs that are funded through employee deductions.

Major Initiatives

Insecurity in the national and state economies continues to affect our citizens' confidence. Through careful monitoring of revenues and expenditures, adjustments in County spending were implemented, including holding vacant positions open and delaying capital projects, to ensure the County would end the fiscal year in sound financial condition. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning, and financial prudence when allocating public resources.

Gloucester County continues to review and revise its Comprehensive Plan, which is an official public document adopted by the Gloucester County Planning Commission and the Gloucester County Board of Supervisors. The Plan is a general, long-range, policy and implementation guide for decisions concerning the overall growth and development of the County. The Plan serves as a catalyst and guide to the establishment of, or revisions to, other ordinances or planning tools for the County.

Major Initiatives: (Continued)

One of the most important services that the County provides to its citizens is public education. One hundred percent of all Gloucester schools are fully accredited. In addition, Achilles Elementary School and Thomas C. Walker Elementary School were awarded the Virginia Board of Education Excellence Award for meeting all state and federal accountability benchmarks for two consecutive years as well as other expected goals. Abingdon Elementary School, Botetourt Elementary School, Page Middle School, and Petsworth Elementary School were awarded the Virginia Board of Education Competency to Excellence Award for having met all state and federal benchmarks for at least two consecutive years and for making progress toward other expected goals.

The Emergency Communication System, which is a major capital project under construction, has brought Gloucester County into the existing York-James City Regional Communications System. The project is expected to be completed in fiscal year 2012 with the construction of an Emergency Communications Center facility.

The Federal Emergency Management Agency has awarded a series of grants totaling \$6.4 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.

The Department of Conservation and Recreation, with assistance from an advisory committee comprised of Gloucester County residents, adjacent landowners, government officials, user groups, and local businesses, developed a master plan for the Middle Peninsula State Park, which is located in Gloucester County off of Route 632. The 431-acre property was acquired in the spring of 2006. It has 2,260 linear feet of York River shoreline where the river is approximately two miles wide. The park also include approximately 3,776 linear feet of frontage along Aberdeen Creek. The state park will help meet the need for outdoor recreation facilities, particularly water-based uses, and overnight facilities will attract visitors throughout the Mid-Atlantic.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) 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, 2010. This was the fifteenth 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. 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 GFOA.

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 Finance 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,



Brenda G. Garton
County Administrator



Nickie C. Champion
Director of Financial Services

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

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 the County of Gloucester, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the County of Gloucester, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Gloucester, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010 and also early implemented the provisions of *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Gloucester, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Fann, Cox Associates

Richmond, Virginia
November 11, 2011

County of Gloucester, Virginia Management's Discussion and Analysis

This section of the County of Gloucester (the "County") comprehensive annual financial report presents management's discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

Financial Highlights

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$47.5 million (*net position*). Of this amount, \$22.5 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position, excluding component units, increased by \$7.1 million, of which the governmental activities increased by \$5.5 million and business-type activities increased by \$1.6 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21.2 million, an increase of \$3.9 million in comparison with the prior year. Approximately 70.6% of this total amount, \$15.0 million, is *available for spending* at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15.0 million, or 16.8% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt decreased by \$4.8 million during the current fiscal year. The primary factor in this decrease was the pay down of principal during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide 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).

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government 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 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. The government-wide financial statements can be found on pages 17-19 of this report.

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 five 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, the County Capital Improvements Fund, and the 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 on pages 23-26 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 on pages 27-29 of this report.

Overview of the Financial Statements: (Continued)

Fund financial statements: (Continued)

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 on page 30 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-70 of this report.

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 on pages 73-75 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 on page 81 of this report.

Government-Wide Financial Analysis

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 \$47.5 million at the close of the most recent fiscal year. A large portion of the County's net position (\$23.0 million, 48.5% 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; 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 \$2.0 million is restricted for business-type activities by bond covenants and cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$22.5 million or 47.3% may be used to meet the County's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis: (Continued)

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, 2011 and 2010								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 44,800,982	\$ 40,801,853	\$ 4,378,334	\$ 5,002,108	\$ 49,179,316	\$ 45,803,961	\$ 9,367,127	\$ 9,819,509
Capital assets	51,934,598	53,882,715	29,742,970	29,284,164	81,677,568	83,166,879	39,383,230	40,108,488
Total assets	\$ 96,735,580	\$ 94,684,568	\$ 34,121,304	\$ 34,286,272	\$ 130,856,884	\$ 128,970,840	\$ 48,750,357	\$ 49,927,997
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,220,148	\$ 2,504,543
Total deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,220,148	\$ 2,504,543
Long-term debt outstanding	\$ 36,826,411	\$ 40,086,844	\$ 18,938,307	\$ 20,592,694	\$ 55,764,718	\$ 60,679,538	\$ 18,700,405	\$ 21,654,355
Other liabilities	25,532,497	25,725,383	2,089,024	2,191,472	27,621,521	27,916,855	10,080,461	8,156,959
Total liabilities	\$ 62,358,908	\$ 65,812,227	\$ 21,027,331	\$ 22,784,166	\$ 83,386,239	\$ 88,596,393	\$ 28,780,866	\$ 29,811,314
Net position								
Invested in capital asset, net of related debt	\$ 13,656,652	\$ 12,177,861	\$ 9,328,625	\$ 7,299,353	\$ 22,985,277	\$ 19,477,214	\$ 22,624,418	\$ 23,898,637
Restricted	-	-	2,031,743	2,025,385	2,031,743	2,025,385	-	-
Unrestricted	20,720,020	16,694,480	1,733,605	2,177,368	22,453,625	18,871,848	(434,779)	(1,277,411)
Total net position	\$ 34,376,672	\$ 28,872,341	\$ 13,093,973	\$ 11,502,106	\$ 47,470,645	\$ 40,374,447	\$ 22,189,639	\$ 22,621,226

The County's combined net assets, which is the County's bottom line, increased by \$7.1 million or 17.6% from the prior year. The change in the County's combined net assets is a combination of an increase of \$5.5 million from the efforts of governmental activities and an increase of \$1.6 million from the efforts of business-type activities. The increase from the efforts of governmental activities can be attributed to a partial insurance recovery for tornado damage to Page Middle School, paying down debt in amounts in excess of depreciation claimed, and various decisions made to deal with economic conditions. The 13.9% increase in the net assets from business-type activities was the result of increases in capital contributions, modest decreases in the amount of outstanding debt, and an emergency infusion of cash from governmental activities due to continued shortfalls in user fees and increased expenses.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$22.2 million at the close of fiscal year 2011. The capital assets of the Gloucester Economic Development Authority (net of depreciation) decreased by \$751,266 due to depreciation of assets. The capital assets of the Public Schools (net of depreciation) decreased by \$24,008. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. One major factor affecting the decrease in net position for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

Government-Wide Financial Analysis: (Continued)

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, 2011 and 2010								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues:								
Program revenue:								
Charges for services	\$ 1,066,734	\$ 1,222,749	\$ 4,212,115	\$ 3,983,717	\$ 5,278,849	\$ 5,206,466	\$ 2,718,580	\$ 3,102,705
Operating grants and contributions	7,130,907	7,275,332	-	188,300	7,130,907	7,463,632	31,269,921	36,234,395
Capital grants and contributions	4,703,030	1,382,366	1,007,300	678	5,710,330	1,383,044	80,000	-
General revenues:								
Property taxes	32,588,654	32,195,182	38,638	37,470	32,627,292	32,232,652	-	-
Other taxes	8,188,114	8,469,157	-	-	8,188,114	8,469,157	-	-
Unrestricted revenues	159,151	203,980	98,531	120,080	257,682	324,060	14,491	11,677
Miscellaneous	516,200	477,007	-	-	516,200	477,007	68,746	325,685
Grants and contributions	4,518,651	4,272,542	-	-	4,518,651	4,272,542	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	-
Payment from County	-	-	-	-	-	-	21,494,717	20,806,014
Total revenue	\$ 58,871,441	\$ 55,498,315	\$ 5,356,584	\$ 4,330,245	\$ 64,228,025	\$ 59,828,560	\$ 55,646,455	\$ 60,480,476
Expenses:								
General government	\$ 4,526,232	\$ 4,654,227	\$ -	\$ -	\$ 4,526,232	\$ 4,654,227	\$ -	\$ -
Judicial administration	1,685,971	1,629,116	-	-	1,685,971	1,629,116	-	-
Public safety	10,660,881	10,652,290	-	-	10,660,881	10,652,290	-	-
Public works	2,097,050	1,929,966	-	-	2,097,050	1,929,966	-	-
Health and welfare	4,531,487	4,533,563	-	-	4,531,487	4,533,563	-	-
Parks, recreation, and cultural	1,922,593	1,824,076	-	-	1,922,593	1,824,076	-	-
Community development	1,599,847	2,299,482	-	-	1,599,847	2,299,482	1,878,148	2,093,223
Interest on long-term debt	1,751,068	2,057,826	-	-	1,751,068	2,057,826	-	-
Education	24,091,981	22,357,066	-	-	24,091,981	22,357,066	54,199,894	58,977,172
Public Utilities	-	-	4,264,717	4,572,653	4,264,717	4,572,653	-	-
Total expenses	\$ 52,867,110	\$ 51,937,612	\$ 4,264,717	\$ 4,572,653	\$ 57,131,827	\$ 56,510,265	\$ 56,078,042	\$ 61,070,395
Change in net position, before transfers	\$ 6,004,331	\$ 3,560,703	\$ 1,091,867	\$ (242,408)	\$ 7,096,198	\$ 3,318,295	\$ (431,587)	\$ (589,919)
Transfers	(500,000)	(500,000)	500,000	500,000	-	-	-	-
Change in net position	5,504,331	3,060,703	1,591,867	257,592	7,096,198	3,318,295	(431,587)	(589,919)
Net position, beginning	28,872,341	25,811,638	11,502,106	11,244,514	40,374,447	37,056,152	22,621,226	23,211,145
Net position, ending	\$ 34,376,672	\$ 28,872,341	\$ 13,093,973	\$ 11,502,106	\$ 47,470,645	\$ 40,374,447	\$ 22,189,639	\$ 22,621,226

Governmental activities – For the fiscal year ended June 30, 2011, revenues from governmental activities totaled \$58.9 million. Real estate tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2010 and the first half of calendar year 2011 real property tax billing, were \$23.7 million. The County's assessed real property tax base for calendar year 2011 saw a very slight increase of \$4.1 million largely due to new construction.

In the General Fund, the County reported current year collections of \$10.4 million in personal property taxes, the County's second largest revenue source. Of that amount, \$2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 35.0% of most taxpayer's payments. The majority of the 6.4% increase in personal property tax revenue can be attributed to recapturing the lost vehicle values from 2009. The vehicle pricing guides in 2009 reflected large reductions in values of SUV's and pick-up trucks, but that lost value came back in 2010 and 2011.

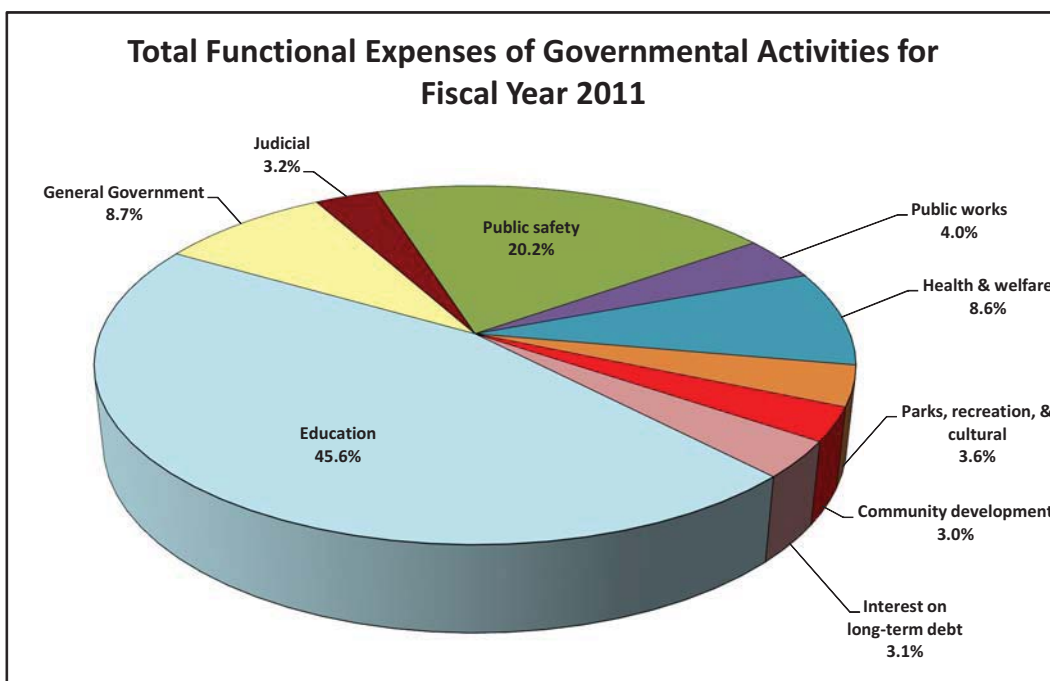
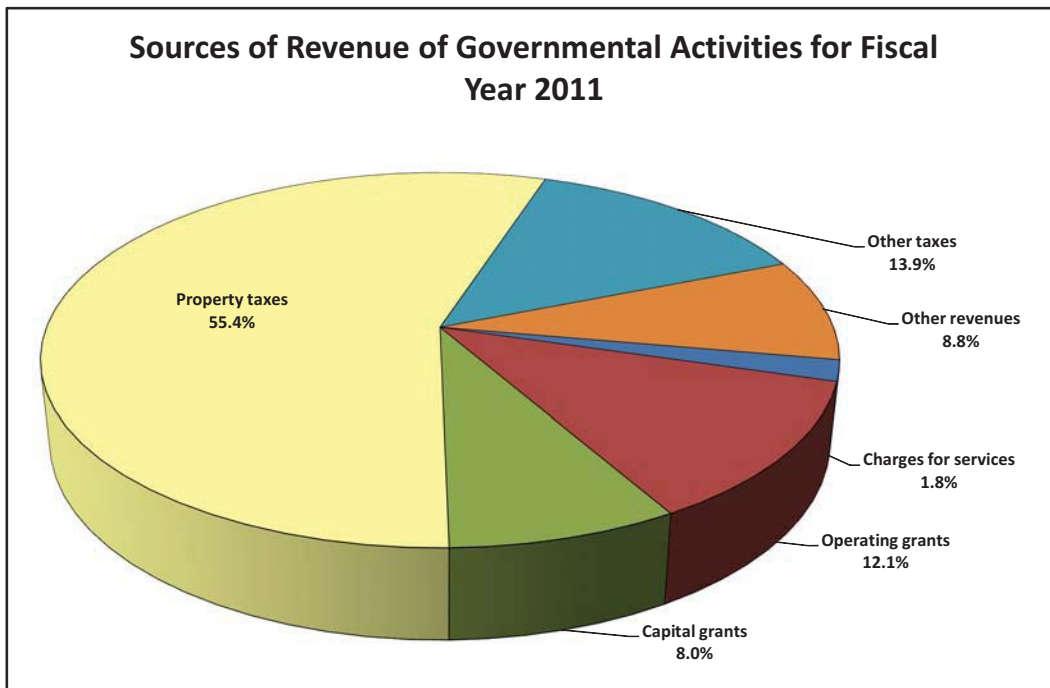
Other taxes decreased by \$281,043 from the prior year as a result of decreases in local sales taxes, recordation taxes, and local meals taxes, which were affected by the economic downturn in the amount of disposal income being spent locally. Most of the overall increase in Capital grants and contributions can be attributed to receipt of \$3.8 million in insurance recoveries related to the April 16, 2011 tornado, which severely damaged Page Middle School. The final insurance settlement as well as final recovery plans will be determined in fiscal year 2012.

Government-Wide Financial Analysis: (Continued)

For the fiscal year ended June 30, 2011, expenses relating to governmental activities were \$5.2 million less than planned. As in the previous fiscal years, state and national economic conditions continued to negatively impact local budgets, various strategies were enacted in order to reduce expenses. These strategies included position freezes, delaying capital, and examining program efficiencies.

Public education continues to be one of the County's highest priorities and commitments, but the same economic conditions mentioned in other areas of this document have restricted efforts. The County contributed \$20.5 million to public school operations and \$3.2 million toward debt payments relating to school projects for a total contribution of \$23.7 million. This resulted in a slight change of \$486,862 in the total contribution, which was more than the previous fiscal year.

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



Government-Wide Financial Analysis: (Continued)

Business-type activities increased the County's net position by \$1.6 million for fiscal year 2011. 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 4,523 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:

- A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8A) between the state Water Control Board, the Hampton Roads Sanitation District, and other localities including the County for the purpose of resolving certain alleged violations of environmental laws and regulations. Cumulative costs for the first phase of this Consent Special Order total \$709,889, which are principally costs for data collection, evaluation and plan development. Costs needed for the second phase, which will implement long-term capacity enhancement and sewer rehabilitation plans, are unknown at this time.
- A decision in fiscal year 2010 to make the fund self-supporting resulted in the discontinuation of a local transfer from the General Fund in fiscal years 2010 and 2011. This was offset with an average 37% increase in water rates. Unfortunately, even with the increase in water rates, the revenue generated from water usage resulted in a \$518,367 or 12.1% shortfall in fiscal year 2011 in service fees and the need for an emergency transfer of \$500,000 from the General Fund late in the fiscal year.
- One million dollars of the net position increase can be attributed to a donated capital asset.

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 the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21.2 million, an increase of \$3.9 million in comparison with the prior year. This change can be attributed to the County's response to the worsening economic conditions, and the receipt of \$3.8 million in insurance proceeds due to an April 16, 2011 tornado, which severely damaged Page Middle School. Of this total amount, \$15.0 million or 70.1% constitutes *unassigned fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15.0 million, while total fund balance reached \$16.0 million. The Board of Supervisors adopted a fund balance policy in April 2011 to keep an unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The unassigned fund balance in the General Fund was 16.8% 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 \$2.5 million, which has been committed for future capital projects.

Financial Analysis of the County's Funds: (Continued)

The School Construction Fund accounts for financial resources to be used for major Public School construction projects. An April 16, 2011 tornado severely damaged Page Middle School. The County received a preliminary insurance payment of \$3.8 million in fiscal year 2011. The School Construction Fund has a fund balance of \$2.7 million, which has been committed for repairing and/or replacing Page Middle School.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the year amounted to \$1.7 million, which is a decrease of \$443,763. The majority of this decrease can be attributed to the reduction in cash balances for reasons mentioned previously. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

As with most of the nation, Gloucester County has felt the impact of national and state economic downturns. Corrective actions such as delaying capital needs, freezing positions, and enacting program efficiencies were begun as early as September 2008, and continued into fiscal year 2010 and 2011. Total General Fund expenditures came in \$1.6 million or 3.8% below the final amended budget. Local expenditures for Education were under budget by \$73,634.

There was an increase of \$1.2 million between the original General Fund budget and the final amended General Fund budget, and these differences can be summarized as follows:

- An increase of \$121,858 can be associated with the appropriation of fund balances for designated carryovers for projects that were continued from the prior year into the current fiscal year.
- An increase of \$390,000 can be attributed to an appropriation of fund balance to purchase police cars.
- An increase of \$500,000 can be associated with the appropriation of fund balance for an emergency General Fund transfer to the Utility Fund due to unexpected expenses and falling revenue collections.
- An increase of \$187,180 can be attributed to the anticipated receipt of various grants and other miscellaneous activities and donations.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$81.7 million (net of accumulated depreciation). 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 asset events during the current fiscal year included the following:

- The County continues work on an emergency communications system project with a projected budget of \$16.2 million. This project is funded with a December 2006 lease-purchase agreement of \$11.3 million, \$450,000 in PSAP grants, and \$4.5 million in cash.

Capital Asset and Debt Administration: (Continued)

- In April 16, 2011 tornado severely damaged Page Middle School, which at June 30, 2011 had a book value of \$10,753. An insurance claim was filed with the School Board's insurance carrier who estimated a settlement amount of approximately \$11.0 million of which approximately \$7.5 million will be available for repairing and/or replacing the school. The options currently being explored have an estimated cost from \$22.2 million to \$28.2 million.
- The County received donated capital assets in the business-type activities.

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, 2011 and 2010								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Land	\$ 5,136,763	\$ 5,136,763	\$ 3,599,146	\$ 3,599,046	\$ 8,735,909	\$ 8,735,809	\$ 2,080,926	\$ 2,080,926
Construction in progress	652,956	13,747,425	33,168	18,189	686,124	13,765,614	-	15,818
Infrastructure	-	-	-	-	-	-	-	-
Buildings	10,280,872	10,703,686	24,974,133	24,487,872	35,255,005	35,191,558	14,758,420	15,414,868
Improvements other than buildings	2,663,952	273,121	-	-	2,663,952	273,121	-	-
Equipment	12,364,906	1,211,901	1,136,523	1,179,057	13,501,429	2,390,958	2,878,545	3,246,516
Jointly owned assets	20,835,149	22,809,819	-	-	20,835,149	22,809,819	19,665,339	19,350,361
Total	\$ 51,934,598	\$ 53,882,715	\$ 29,742,970	\$ 29,284,164	\$ 81,677,568	\$ 83,166,879	\$ 39,383,230	\$ 40,108,489

Additional information on the County's capital assets can be found in Note 6 on pages 45-48 of this report.

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of \$61.0 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2011 and 2010								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2011	2010	2011	2010	2011	2010	2011	2010
Bonds Payable:								
General obligation bonds	\$ 18,965,853	\$ 20,343,490	\$ -	\$ 10,465	\$ 18,965,853	\$ 20,353,955	\$ -	\$ -
Revenue bonds	-	-	20,414,345	21,974,346	20,414,345	21,974,346	16,758,812	17,292,895
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	2,523,520	3,063,520	-	-	2,523,520	3,063,520	-	-
Capital leases	16,788,573	18,297,844	-	-	16,788,573	18,297,844	-	-
Derivative instrument liability	-	-	-	-	-	-	2,220,148	2,504,543
OPEB liability	558,678	369,705	48,406	31,795	607,084	401,500	866,333	637,000
Compensated absences	1,615,759	1,562,642	112,779	157,463	1,728,538	1,720,105	1,824,571	1,948,888
Total	\$ 40,452,383	\$ 43,637,201	\$ 20,575,530	\$ 22,174,069	\$ 61,027,913	\$ 65,811,270	\$ 21,669,864	\$ 22,383,326

Capital Asset and Debt Administration: (Continued)

Debt associated with governmental activities decreased by \$3.2 million while debt associated with business-type activities decreased by \$1.6 million. The primary factor for these decreases was the pay down of principal during the year.

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, 2011, the County's net debt as a percentage of assessed value was 0.9%, the net debt per capita ratio was \$1,038, and the debt payments percentage was 7.1%.

The component unit, the Economic Development Authority, had issued variable rate taxable lease revenue and refunding bonds in the amount of \$18.5 million in 2008, which was used to expand building capacity in the Gloucester Business Park. The amount of debt associated with component units increased because of an interest rate swap, which is further discussed in Note 8 on page 58.

Additional information on the County's long-term debt can be found in Note 8 on pages 49-59.

Economic Factors and Next Year's Budgets and Rates

The Board of Supervisors considered many factors when developing the fiscal year 2012 General Fund budget - particularly the impacts of state and national economic conditions. The Board of Supervisors requested that departments and agencies curtail all discretionary spending and that a review of each job vacancy be made before a decision was made to fill the position. In addition, departments and agencies submitted proposed strategies to reduce fiscal year 2012 budgets by focusing on program efficiencies and examining all operations to identify activities that may not be necessary to the County's core mission.

The fiscal year 2012 General Fund approved budget is \$51.3 million, which is almost level funding from final fiscal year 2011 budget. The budget met the County's basic needs in critical service areas, but it did not provide funding for vacant positions, employee salary increases, or most capital needs. There were no changes in the real estate or personal property tax rates for calendar year 2011.

The fiscal year 2012 School Operating Budget was approved at \$52.0 million, which is a 1.9% decrease over the final fiscal year 2011 budget. Included in this budget was \$20.6 million in local funding, which was a \$232,800 or 1.1% decrease over the previous fiscal year.

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, citizen demands for maintaining service levels, funding for capital maintenance and improvements, and replacing state educational funding.

The current economic climate is expected to continue into fiscal year 2013.

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.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 19,635,156	\$ 1,676,153	\$ 21,311,309	\$ 698,030	\$ 662,822
Investments	-	-	-	-	625,739
Receivables (net of allowance for uncollectibles):					
Taxes receivable	20,500,986	2,997	20,503,983	-	-
Accounts receivable	458,266	493,454	951,720	944,465	-
Interest receivable	-	-	-	-	8,568
Due from other governmental units	2,176,767	-	2,176,767	5,255,036	-
Inventories	-	27,098	27,098	20,528	1,083,044
Prepaid expenses	1,811,765	6,000	1,817,765	11,867	-
Deferred charges	-	845	845	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,031,743	2,031,743	-	-
Other assets:					
Unamortized bond issue costs	218,042	140,044	358,086	-	57,028
Capital assets (net of accumulated depreciation):					
Land	5,136,763	3,599,146	8,735,909	1,476,061	604,865
Buildings and system	31,116,021	24,974,132	56,090,153	19,744,339	14,679,420
Improvements other than buildings	2,663,952	-	2,663,952	-	-
Machinery and equipment	12,364,906	1,136,524	13,501,430	2,878,545	-
Construction in progress	652,956	33,168	686,124	-	-
Total assets	<u>\$ 96,735,580</u>	<u>\$ 34,121,304</u>	<u>\$ 130,856,884</u>	<u>\$ 31,028,871</u>	<u>\$ 17,721,486</u>
DEFERRED OUTFLOWS					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 2,220,148
LIABILITIES					
Accounts payable	\$ 863,635	\$ 79,494	\$ 943,129	\$ 1,283,082	\$ 85,985
Accrued liabilities	637,265	-	637,265	5,133,026	-
Accrued interest payable	915,636	244,478	1,160,114	-	-
Due to other governmental units	3,306,369	-	3,306,369	150,000	458,909
Unearned revenue	16,183,620	-	16,183,620	-	-
Deposits held in escrow	-	127,829	127,829	-	-
Derivative instrument - rate swap	-	-	-	-	2,220,148
Long-term liabilities:					
Due within one year	3,625,972	1,637,223	5,263,195	182,457	566,854
Due in more than one year	36,826,411	18,938,307	55,764,718	2,508,447	16,191,958
Total liabilities	<u>\$ 62,358,908</u>	<u>\$ 21,027,331</u>	<u>\$ 83,386,239</u>	<u>\$ 9,257,012</u>	<u>\$ 19,523,854</u>
NET POSITION					
Net investment in capital assets	\$ 13,656,652	\$ 9,328,625	\$ 22,985,277	\$ 24,098,945	\$ (1,474,527)
Restricted for:					
Debt service and bond covenants	-	2,031,743	2,031,743	-	-
Unrestricted (deficit)	20,720,020	1,733,605	22,453,625	(2,327,086)	1,892,307
Total net position	<u>\$ 34,376,672</u>	<u>\$ 13,093,973</u>	<u>\$ 47,470,645</u>	<u>\$ 21,771,859</u>	<u>\$ 417,780</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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,526,232	\$ -	\$ 276,581	\$ -
Judicial administration	1,685,971	248,950	766,072	-
Public safety	10,660,881	297,524	3,297,103	-
Public works	2,097,050	149,214	8,939	-
Health and welfare	4,531,487	-	2,782,212	-
Education	24,091,981	311	-	3,793,840
Parks, recreation, and cultural	1,922,593	351,840	-	-
Community development	1,599,847	18,895	-	909,190
Interest on long-term debt	1,751,068	-	-	-
Total governmental activities	\$ 52,867,110	\$ 1,066,734	\$ 7,130,907	\$ 4,703,030
Business-type activities:				
Public utilities	\$ 4,264,717	\$ 4,212,115	\$ -	\$ 1,007,300
Total business-type activities	\$ 4,264,717	\$ 4,212,115	\$ -	\$ 1,007,300
Total primary government	\$ 57,131,827	\$ 5,278,849	\$ 7,130,907	\$ 5,710,330
COMPONENT UNITS:				
School Board	\$ 54,199,894	\$ 1,174,718	\$ 31,269,710	\$ 80,000
Economic Development Authority	1,878,148	1,543,862	211	-
Total component units	\$ 56,078,042	\$ 2,718,580	\$ 31,269,921	\$ 80,000
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				
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				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ (4,249,651)	\$ -	\$ (4,249,651)	\$ -	\$ -
(670,949)	-	(670,949)	-	-
(7,066,254)	-	(7,066,254)	-	-
(1,938,897)	-	(1,938,897)	-	-
(1,749,275)	-	(1,749,275)	-	-
(20,297,830)	-	(20,297,830)	-	-
(1,570,753)	-	(1,570,753)	-	-
(671,762)	-	(671,762)	-	-
(1,751,068)	-	(1,751,068)	-	-
<u>\$ (39,966,439)</u>	<u>\$ -</u>	<u>\$ (39,966,439)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 954,698	\$ 954,698	\$ -	\$ -
\$ -	\$ 954,698	\$ 954,698	\$ -	\$ -
<u>\$ (39,966,439)</u>	<u>\$ 954,698</u>	<u>\$ (39,011,741)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(21,675,466)	\$ -
-	-	-	-	(334,075)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,675,466)</u>	<u>(334,075)</u>
\$ 32,588,654	\$ 38,638	\$ 32,627,292	\$ -	\$ -
3,537,751	-	3,537,751	-	-
700,959	-	700,959	-	-
1,446,819	-	1,446,819	-	-
1,669,468	-	1,669,468	-	-
833,117	-	833,117	-	-
159,151	98,531	257,682	6,258	8,233
516,200	-	516,200	55,393	13,353
4,518,651	-	4,518,651	-	-
-	-	-	21,494,717	-
(500,000)	500,000	-	-	-
<u>\$ 45,470,770</u>	<u>\$ 637,169</u>	<u>\$ 46,107,939</u>	<u>\$ 21,556,368</u>	<u>\$ 21,586</u>
\$ 5,504,331	\$ 1,591,867	\$ 7,096,198	\$ (119,098)	\$ (312,489)
28,872,341	11,502,106	40,374,447	21,890,957	730,269
<u>\$ 34,376,672</u>	<u>\$ 13,093,973</u>	<u>\$ 47,470,645</u>	<u>\$ 21,771,859</u>	<u>\$ 417,780</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 19,435,250	\$ -	\$ 121,099	\$ 78,807	\$ -	\$ 19,635,156
Receivables (net of allowance for uncollectibles):						
Taxes receivable	20,500,986	-	-	-	-	20,500,986
Accounts receivable	450,465	-	6,900	-	901	458,266
Due from other funds	1,932,760	-	2,168,889	2,754,197	14,925	6,870,771
Due from other governmental units	1,353,389	-	602,769	-	220,609	2,176,767
Prepaid items	50,598	1,761,167	-	-	-	1,811,765
Total assets	<u>\$ 43,723,448</u>	<u>\$ 1,761,167</u>	<u>\$ 2,899,657</u>	<u>\$ 2,833,004</u>	<u>\$ 236,435</u>	<u>\$ 51,453,711</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 389,497	\$ -	\$ 362,452	\$ 46,844	\$ 64,842	\$ 863,635
Accrued liabilities	637,265	-	-	-	-	637,265
Due to other governmental units	3,227,562	-	-	78,807	-	3,306,369
Due to other funds	4,938,011	1,761,167	-	-	171,593	6,870,771
Deferred revenue	18,580,928	-	-	-	-	18,580,928
Total liabilities	<u>\$ 27,773,263</u>	<u>\$ 1,761,167</u>	<u>\$ 362,452</u>	<u>\$ 125,651</u>	<u>\$ 236,435</u>	<u>\$ 30,258,968</u>
Fund balances:						
Nonspendable	\$ 50,598	\$ -	\$ -	\$ -	\$ -	\$ 50,598
Restricted	132,450	-	19,000	-	-	151,450
Committed	799,389	-	2,518,205	2,707,353	-	6,024,947
Unassigned	14,967,748	-	-	-	-	14,967,748
Total fund balances	<u>\$ 15,950,185</u>	<u>\$ -</u>	<u>\$ 2,537,205</u>	<u>\$ 2,707,353</u>	<u>\$ -</u>	<u>\$ 21,194,743</u>
Total liabilities and fund balances	<u>\$ 43,723,448</u>	<u>\$ 1,761,167</u>	<u>\$ 2,899,657</u>	<u>\$ 2,833,004</u>	<u>\$ 236,435</u>	<u>\$ 51,453,711</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, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	21,194,743
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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	\$	76,105,695	
Less: accumulated depreciation		<u>(24,171,097)</u>	51,934,598

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

Deferred revenue	\$	2,397,308	
Unamortized bond issue costs		<u>218,042</u>	2,615,350

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	\$	(21,489,373)	
Interest payable		(915,636)	
Other post employment benefits obligation		(558,678)	
Capital lease and notes payable obligations		(16,788,573)	
Compensated absences		<u>(1,615,759)</u>	<u>(41,368,019)</u>

Net position of governmental activities	\$	<u><u>34,376,672</u></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, 2011

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 32,277,667	\$ -	\$ -	\$ -	\$ -	\$ 32,277,667
Other local taxes	8,188,114	-	-	-	-	8,188,114
Permits, privilege fees, and regulatory licenses	262,490	-	-	-	-	262,490
Fines and forfeitures	87,571	-	-	-	-	87,571
Revenue from the use of money and property	158,093	-	251	807	-	159,151
Charges for services	716,673	-	-	-	-	716,673
Miscellaneous	298,659	152,520	34,976	-	30,045	516,200
Recovered costs	306,934	-	-	-	-	306,934
Intergovernmental revenues:						
Commonwealth	8,627,299	-	482,680	-	1,407,560	10,517,539
Federal	199,757	-	549,251	-	1,292,201	2,041,209
Total revenues	\$ 51,123,257	\$ 152,520	\$ 1,067,158	\$ 807	\$ 2,729,806	\$ 55,073,548
EXPENDITURES						
Current:						
General government administration	\$ 4,391,984	\$ -	\$ -	\$ -	\$ -	\$ 4,391,984
Judicial administration	1,511,513	-	-	-	-	1,511,513
Public safety	10,237,522	-	-	-	-	10,237,522
Public works	1,879,012	-	-	-	-	1,879,012
Health and welfare	666,262	-	-	-	3,821,712	4,487,974
Education	20,969,964	-	-	-	-	20,969,964
Parks, recreation, and cultural	1,834,819	-	-	-	-	1,834,819
Community development	731,327	-	-	-	-	731,327
Nondepartmental	263,170	-	-	-	-	263,170
Capital projects	-	-	1,838,190	1,087,294	-	2,925,484
Debt service:						
Principal retirement	-	3,394,093	-	-	-	3,394,093
Interest and other fiscal charges	-	1,858,998	-	-	-	1,858,998
Total expenditures	\$ 42,485,573	\$ 5,253,091	\$ 1,838,190	\$ 1,087,294	\$ 3,821,712	\$ 54,485,860
Excess (deficiency) of revenues over (under) expenditures	\$ 8,637,684	\$ (5,100,571)	\$ (771,032)	\$ (1,086,487)	\$ (1,091,906)	\$ 587,688
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 5,100,571	\$ 478,866	\$ -	\$ 1,091,906	\$ 6,671,343
Transfers out	(7,171,343)	-	-	-	-	(7,171,343)
Insurance recovery	-	-	-	3,793,840	-	3,793,840
Total other financing sources (uses)	\$ (7,171,343)	\$ 5,100,571	\$ 478,866	\$ 3,793,840	\$ 1,091,906	\$ 3,293,840
Net change in fund balances	\$ 1,466,341	\$ -	\$ (292,166)	\$ 2,707,353	\$ -	\$ 3,881,528
Fund balances - beginning	14,483,844	-	2,829,371	-	-	17,313,215
Fund balances - ending	\$ 15,950,185	\$ -	\$ 2,537,205	\$ 2,707,353	\$ -	\$ 21,194,743

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, 2011

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

Net change in fund balances - total governmental funds	\$ 3,881,528
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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	\$ 1,083,656	
Depreciation expense	<u>(3,031,773)</u>	(1,948,117)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	310,987
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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 issuance costs, 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.

Principal payments	\$ 3,394,093	
Premium amortization	<u>32,814</u>	3,426,907

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 accrued leave	\$ (53,117)	
(Increase) decrease in other post employment benefit payable	(188,973)	
(increase) decrease in interest payable	<u>75,116</u>	<u>(166,974)</u>

Change in net position of governmental activities	\$ <u><u>5,504,331</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, 2011

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,676,153
Taxes receivable, net of allowance for uncollectibles	2,997
Accounts receivable, net of allowance for uncollectibles	493,454
Inventories	27,098
Prepaid expenses	6,000
Deferred charges	845
Total current assets	\$ 2,206,547
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	\$ 2,031,743
Other assets:	
Unamortized bond issue costs	\$ 140,044
Capital assets:	
Utility plant in service	\$ 34,421,394
Land	3,599,146
Machinery and equipment	1,542,728
Buildings	5,883,705
Construction in progress	33,168
Less accumulated depreciation	(15,737,171)
Total capital assets	\$ 29,742,970
Total noncurrent assets	\$ 31,914,757
Total assets	\$ 34,121,304
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 79,494
Accrued interest payable	244,478
Compensated absences	11,278
Deposits held in escrow	127,829
Bonds payable - current portion	1,625,945
Total current liabilities	\$ 2,089,024
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 18,788,400
Other post employment benefits	48,406
Compensated absences	101,501
Total noncurrent liabilities	\$ 18,938,307
Total liabilities	\$ 21,027,331
NET POSITION	
Net investment in capital assets	\$ 9,328,625
Restricted for debt service and bond covenants	2,031,743
Unrestricted	1,733,605
Total net position	\$ 13,093,973

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, 2011

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,266,562
Sewer revenues	625,225
Other revenues	101,028
Total operating revenues	<u>\$ 3,992,815</u>
OPERATING EXPENSES	
Personal services	\$ 946,398
Fringe benefits	274,046
Contractual services	308,636
Other charges	733,532
Depreciation	942,577
Total operating expenses	<u>\$ 3,205,189</u>
Operating income (loss)	<u>\$ 787,626</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 219,300
Investment earnings	98,531
Amortization of loan costs	(13,946)
Taxes	38,638
Interest expense	(1,045,582)
Total nonoperating revenues (expenses)	<u>\$ (703,059)</u>
Income before contributions and transfers	<u>\$ 84,567</u>
Capital contributions and construction grants	1,007,300
Transfers in	500,000
Change in net position	<u>\$ 1,591,867</u>
Total net position - beginning	<u>11,502,106</u>
Total net position - ending	<u><u>\$ 13,093,973</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, 2011

	Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,862,879
Receipts for miscellaneous items	101,028
Payments to suppliers	(1,159,923)
Payments to employees	(1,248,517)
Net cash provided (used) by operating activities	<u>\$ 1,555,467</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 500,000
Connection fees	219,300
Tax revenue	41,178
Net cash provided (used) by noncapital financing activities	<u>\$ 760,478</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (394,083)
Principal payments on bonds	(1,564,382)
Interest payments	(1,066,042)
Net cash provided (used) by capital and related financing activities	<u>\$ (3,024,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 98,531
Net cash provided (used) by investing activities	<u>\$ 98,531</u>
Net increase (decrease) in cash and cash equivalents	\$ (610,031)
Cash and cash equivalents - beginning - including restricted	4,317,927
Cash and cash equivalents - ending - including restricted	<u><u>\$ 3,707,896</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 787,626
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 942,577
(Increase) decrease in accounts receivable	(11,074)
(Increase) decrease in inventories	2,016
(Increase) decrease in prepaid expenses	2,097
Increase (decrease) in customer deposits	(17,834)
Increase (decrease) in accounts payable and accrued liabilities	(149,941)
Total adjustments	<u>\$ 767,841</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,555,467</u></u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets	<u><u>\$ 1,007,300</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2011

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 113,881
Due from other governmental funds	21,258
Total assets	\$ <u>135,139</u>
LIABILITIES	
Accounts payable	\$ 22,087
Amounts held for social services clients	22,935
Amounts held for regional program	17,006
Amounts held for others	73,111
Total liabilities	\$ <u>135,139</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 (government 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).

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 new 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, 2011.

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, 2011.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 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, 2011. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the year ended June 30, 2011.

C. Other Related Organizations

The Middle Peninsula Juvenile Detention Commission (the Commission) was created to enhance the region for 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: Hampton Roads Planning District Commission, Middle Peninsula Planning District Commission, 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.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 deferred 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 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 non-major governmental funds:

Special Revenue Funds – accounts for 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. 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 social services clients, inmates, regional special education program and the employee flexible benefits program.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

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

2. Proprietary Funds – accounts 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 non-operating 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 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.

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

Investments for the government, as well as for its component units, are reported at fair value.

F. Investments

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

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 "due 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 \$537,082 at June 30, 2011 and is comprised solely of property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

G. Receivables and Payables: (Continued)

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.

H. Capital Assets

Capital assets, which include property, plant and equipment, 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 as estimated fair market 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
Motor vehicles	5-10
Equipment	2-15
Infrastructure	25

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

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 Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Retirement Plan

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

K. Use of Estimates

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

L. Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

O. 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.

P. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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, 2011 (CONTINUED)

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

P. 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	Major School Construction Fund	Total
Fund Balances:				
Nonspendable:				
Prepays	\$ 50,598	\$ -	\$ -	\$ 50,598
Total Nonspendable Fund Balance	\$ 50,598	\$ -	\$ -	\$ 50,598
Restricted for:				
Sheriff's asset forfeiture, federal	\$ 39,479	\$ -	\$ -	\$ 39,479
Sheriff's asset forfeiture, state	24,018	-	-	24,018
Commonwealth Attorney's asset forfeiture, federal	27,302	-	-	27,302
Commonwealth Attorney's asset forfeiture, state	41,651	-	-	41,651
Proffers	-	19,000	-	19,000
Total Restricted Fund Balance	\$ 132,450	\$ 19,000	\$ -	\$ 151,450
Committed to:				
Mosquito control	\$ 177,208	\$ -	\$ -	\$ 177,208
Tourism projects	171,086	-	-	171,086
Daffodil festival	66,281	-	-	66,281
Program donations	22,489	-	-	22,489
Subsequent expenditures	-	2,397,105	2,707,353	5,104,458
Probation and pretrial	49,412	-	-	49,412
Cable	312,913	-	-	312,913
Older adult capital projects	-	121,100	-	121,100
Total Committed Fund Balance	\$ 799,389	\$ 2,518,205	\$ 2,707,353	\$ 6,024,947
Unassigned Fund Balance	\$ 14,967,748	\$ -	\$ -	\$ 14,967,748
Total Fund Balances	\$ 15,950,185	\$ 2,537,205	\$ 2,707,353	\$ 21,194,743

Q. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County has elected to early implement the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2011. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. For the County, this specifically relates to financial reporting for the derivative debt incurred by the Component Unit Economic Development Authority. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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.
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. 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.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2011.

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.

COUNTY OF GLOUCESTER, VIRGINIANOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)****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, 2011 were held by the County or in the County’s name by the County’s custodial banks.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2011 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.

Locality’s Rated Debt Investments’ Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAAm</u>	<u>AAA</u>	<u>AA+</u>	<u>A</u>	<u>A-</u>
County:					
Local Government Investment Pool	\$ 552,591	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Pool	78,807	-	-	-	-
U.S. Treasury Notes	-	2,036,838	-	-	-
Money Market Funds	493,122	-	-	-	-
Total	<u>\$ 1,124,520</u>	<u>\$ 2,036,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-Economic Development Authority					
Money Market Funds	\$ 366,027	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	-	88,299	315,504	206,162
Total	<u>\$ 366,027</u>	<u>\$ -</u>	<u>\$ 88,299</u>	<u>\$ 315,504</u>	<u>\$ 206,162</u>

The investments held by the Component Unit Economic Development Authority rated below AA are in violation of the Authority’s policy and the Code of Virginia.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (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
County:			
U.S. Treasury Notes	\$ 2,036,838	\$ 2,036,838	\$ -
Total	<u>\$ 2,036,838</u>	<u>\$ 2,036,838</u>	<u>\$ -</u>
Component Unit-Economic Development Authority			-
Corporate Bonds	\$ 619,965	\$ 102,582	\$ 517,383
Total	<u>\$ 619,965</u>	<u>\$ 102,582</u>	<u>\$ 517,383</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. Values of shares in SNAP reflect fair value.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2011, the County has receivables from and amounts due to other governments as follows:

	Primary Government	Component Units	
		School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,227,492	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	651,852	-	-
Local communication sales tax	177,785	-	-
Local cable television fees	64,678	-	-
Motor vehicle carrier tax	2,014	-	-
Mobile home titling tax	9,312	-	-
CSA funds	49,582	-	-
VPA funds	67,150	-	-
State sales tax	-	963,394	-
Constitutional officer reimbursements	228,146	-	-
Miscellaneous	31,416	17,704	-
Fire programs	11,454	-	-
Mitigation grant	6,963	-	-
Jury duty reimbursment	720	-	-
E-911 funds	6,670	-	-
Federal Government:			
School fund grants	-	641,363	-
Stimulus funds	-	405,083	-
Mitigation grant	41,513	-	-
VDOT Grant	95,383	-	-
VPA funds	103,879	-	-
Other federal grants	19,341	-	-
Total due from other governments	\$ 2,176,767	\$ 5,255,036	\$ -

Amounts due to other governments are as follows:

Internal Revenue Service	\$ 78,807	\$ -	\$ -
Gloucester County School Board	3,227,492	-	-
Commonwealth of Virginia	70	-	-
Gloucester County	-	150,000	458,909
Total due to other governments	\$ 3,306,369	\$ 150,000	\$ 458,909

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2011, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 1,932,760	\$ 4,938,011
County Capital Improvements	2,168,889	-
School Construction	2,754,197	-
Debt Service	-	1,761,167
Virginia Public Assistance	-	171,593
Comprehensive Services Act	14,925	-
Total Governmental Funds	<u>\$ 6,870,771</u>	<u>\$ 6,870,771</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, 2011:

Primary Government:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 5,136,763	\$ -	\$ -	\$ 5,136,763
Construction in progress	13,747,425	598,125	13,692,594	652,956
Total capital assets not subject to depreciation	<u>\$ 18,884,188</u>	<u>\$ 598,125</u>	<u>\$ 13,692,594</u>	<u>\$ 5,789,719</u>
Capital assets subject to depreciation:				
Buildings	\$ 16,565,440	\$ -	\$ -	\$ 16,565,440
Improvements other than buildings	290,307	2,405,346	-	2,695,653
Equipment	5,837,998	11,772,779	325,509	17,285,268
Jointly owned assets - equipment	1,674,500	-	550,000	1,124,500
Jointly owned assets - buildings	34,262,851	-	1,617,736	32,645,115
Total capital assets being depreciated	<u>\$ 58,631,096</u>	<u>\$ 14,178,125</u>	<u>\$ 2,493,245</u>	<u>\$ 70,315,976</u>
Less accumulated depreciation for:				
Buildings	\$ (5,861,754)	\$ (422,814)	\$ -	\$ (6,284,568)
Improvements other than buildings	(17,186)	(14,515)	-	(31,701)
Equipment	(4,626,097)	(619,774)	(325,509)	(4,920,362)
Jointly owned assets - equipment	(1,541,168)	(104,444)	(550,000)	(1,095,612)
Jointly owned assets - buildings	(11,586,364)	(839,167)	(586,677)	(11,838,854)
Total accumulated depreciation	<u>\$ (23,632,569)</u>	<u>\$ (2,000,714)</u>	<u>\$ (1,462,186)</u>	<u>\$ (24,171,097)</u>
Total capital assets being depreciated, net	<u>\$ 34,998,527</u>	<u>\$ 12,177,411</u>	<u>\$ 1,031,059</u>	<u>\$ 46,144,879</u>
Governmental capital assets, net	<u>\$ 53,882,715</u>	<u>\$ 12,775,536</u>	<u>\$ 14,723,653</u>	<u>\$ 51,934,598</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2011:

Component Unit – School Board:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
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	\$ -	\$ 80,000	\$ -	\$ 80,000
Equipment	9,282,995	322,195	615,002	8,990,188
Jointly owned assets - buildings	29,237,268	1,617,736	-	30,855,004
Total capital assets being depreciated	\$ 38,520,263	\$ 2,019,931	\$ 615,002	\$ 39,925,192
Less accumulated depreciation for:				
Buildings	\$ -	\$ (1,000)	\$ -	\$ (1,000)
Equipment	(6,036,480)	(690,165)	(615,002)	(6,111,643)
Jointly owned assets - buildings	(9,886,907)	(716,081)	586,677	(11,189,665)
Total accumulated depreciation	\$ (15,923,387)	\$ (1,407,246)	\$ (28,325)	\$ (17,302,308)
Total capital assets being depreciated, net	\$ 22,596,876	\$ 612,685	\$ 586,677	\$ 22,622,884
Governmental capital assets, net	\$ 24,072,937	\$ 612,685	\$ 586,677	\$ 24,098,945

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

Governmental activities:

General government administration	\$ 84,580
Judicial administration	186,961
Public safety	566,428
Public works	50,729
Health and welfare	39,919
Education	999,061
Parks, recreation and cultural	70,170
Community development	2,866
Total Governmental activities	\$ 2,000,714
Component Unit School Board	\$ 1,407,246

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the 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, 2011, is that school financed assets in the amount of \$20,835,149 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2011 follows:

Primary Government:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Enterprise activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,046	\$ 100	\$ -	\$ 3,599,146
Construction in progress	<u>18,189</u>	<u>33,168</u>	<u>18,189</u>	<u>33,168</u>
Total capital assets not subject to depreciation	<u>\$ 3,617,235</u>	<u>\$ 33,268</u>	<u>\$ 18,189</u>	<u>\$ 3,632,314</u>
Capital assets subject to depreciation:				
Plant in service	\$ 33,429,090	\$ 992,304	\$ -	\$ 34,421,394
Machinery and equipment	1,573,207	-	30,479	1,542,728
Buildings	<u>5,489,705</u>	<u>394,000</u>	<u>-</u>	<u>5,883,705</u>
Total capital assets being depreciated	<u>\$ 40,492,002</u>	<u>\$ 1,386,304</u>	<u>\$ 30,479</u>	<u>\$ 41,847,827</u>
Less accumulated depreciation for:				
Plant in service	\$ (11,628,496)	\$ (724,202)	\$ -	\$ (12,352,698)
Machinery and equipment	(394,150)	(42,534)	(30,479)	(406,205)
Buildings	<u>(2,802,427)</u>	<u>(175,841)</u>	<u>-</u>	<u>(2,978,268)</u>
Total accumulated depreciation	<u>\$ (14,825,073)</u>	<u>\$ (942,577)</u>	<u>\$ (30,479)</u>	<u>\$ (15,737,171)</u>
Total capital assets being depreciated, net	<u>\$ 25,666,929</u>	<u>\$ 443,727</u>	<u>\$ -</u>	<u>\$ 26,110,656</u>
Enterprise capital assets, net	<u><u>\$ 29,284,164</u></u>	<u><u>\$ 476,995</u></u>	<u><u>\$ 18,189</u></u>	<u><u>\$ 29,742,970</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2011 follows:

Component Unit Economic Development Authority:

	<u>Balance July 1, 2010</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance June 30, 2011</u>
Enterprise activities:							
Capital assets not subject to depreciation:							
Land	\$ 604,865	\$	-	\$	-	\$	604,865
Construction in progress	15,818		-		15,818		-
Total capital assets being depreciated	<u>\$ 620,683</u>	\$	<u>-</u>	\$	<u>15,818</u>	\$	<u>604,865</u>
Capital assets subject to depreciation:							
Buildings	\$ 18,402,655	\$	-	\$	-	\$	18,402,655
Equipment	7,234		-		-		7,234
Total capital assets being depreciated	<u>\$ 18,409,889</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>18,409,889</u>
Less accumulated depreciation for:							
Buildings	\$ (2,987,787)	\$	(735,448)	\$	-	\$	(3,723,235)
Equipment	(7,234)		-		-		(7,234)
Total accumulated depreciation	<u>\$ (2,995,021)</u>	\$	<u>(735,448)</u>	\$	<u>-</u>	\$	<u>(3,730,469)</u>
Total capital assets being depreciated, net	<u>\$ 15,414,868</u>	\$	<u>(735,448)</u>	\$	<u>-</u>	\$	<u>14,679,420</u>
Enterprise capital assets, net	<u><u>\$ 16,035,551</u></u>	\$	<u><u>(735,448)</u></u>	\$	<u><u>15,818</u></u>	\$	<u><u>15,284,285</u></u>

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 7,171,343
Debt Service	5,100,571	-
Capital Projects	478,866	-
Other Governmental Funds	1,091,906	-
Total Governmental Funds	<u>\$ 6,671,343</u>	<u>\$ 7,171,343</u>
Enterprise Funds:		
Utilities	500,000	-
Total-All Funds	<u><u>\$ 7,171,343</u></u>	<u><u>\$ 7,171,343</u></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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Details of Long-Term Indebtedness:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2011 is as follows:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County					
Compensated absences payable	\$ 1,562,642	\$ 1,287,310	\$ 1,234,193	\$ 1,615,759	\$ 161,576
OPEB liability	369,705	238,753	49,780	558,678	-
Capital lease obligations	17,841,522	-	1,271,848	16,569,674	1,332,728
Less deferred amounts:					
On refunding	(266,467)	-	(14,597)	(251,870)	-
Total incurred by County	<u>\$ 19,507,402</u>	<u>\$ 1,526,063</u>	<u>\$ 2,541,224</u>	<u>\$ 18,492,241</u>	<u>\$ 1,494,304</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 3,063,520	\$ -	\$ 540,000	\$ 2,523,520	\$ 540,000
General obligation bonds payable	19,612,967	-	1,330,226	18,282,741	1,328,609
Add deferred amounts:					
For issuance premium	730,523	-	47,411	683,112	-
Capital lease and notes payable obligations	<u>722,789</u>	<u>-</u>	<u>252,020</u>	<u>470,769</u>	<u>263,059</u>
Total incurred by School Board	<u>\$ 24,129,799</u>	<u>\$ -</u>	<u>\$ 2,169,657</u>	<u>\$ 21,960,142</u>	<u>\$ 2,131,668</u>
Total Governmental Obligations	<u>\$ 43,637,201</u>	<u>\$ 1,526,063</u>	<u>\$ 4,710,881</u>	<u>\$ 40,452,383</u>	<u>\$ 3,625,972</u>
Enterprise Obligations:					
Compensated absences payable	\$ 157,463	\$ 41,156	\$ 85,840	\$ 112,779	\$ 11,278
OPEB liability	31,795	20,987	4,376	48,406	-
General obligation bonds payable	10,465	-	10,465	-	-
Revenue bonds payable	22,250,330	-	1,553,917	20,696,413	1,625,945
Add deferred amounts:					
For issuance premium	257,979	-	62,320	195,659	-
Less deferred amounts:					
For issuance discount	(58,314)	-	(2,928)	(55,386)	-
For amount on refunding	<u>(475,649)</u>	<u>-</u>	<u>(53,308)</u>	<u>(422,341)</u>	<u>-</u>
Total Enterprise Obligations	<u>\$ 22,174,069</u>	<u>\$ 62,143</u>	<u>\$ 1,660,682</u>	<u>\$ 20,575,530</u>	<u>\$ 1,637,223</u>

COUNTY OF GLOUCESTER, VIRGINIANOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Details of Long-Term Indebtedness: (Continued)****Primary Government: (Continued)**

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

Year Ending June 30,	County Obligations	
	Capital Leases	
	Principal	Interest
2012	\$ 1,332,728	\$ 722,399
2013	1,390,669	663,658
2014	1,450,763	602,365
2015	1,518,106	538,322
2016	1,577,799	471,529
2017	1,649,947	401,880
2018	1,719,662	329,166
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	\$ 16,569,674	\$ 5,605,944

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

Year Ending June 30,	School Obligations					
	State Literary Fund Loans		General Obligation Bonds Payable		Capital Leases and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 540,000	\$ 78,100	\$ 1,328,609	\$ 878,038	\$ 263,059	\$ 18,447
2013	513,196	60,650	1,227,168	809,610	65,736	12,048
2014	250,000	44,110	1,055,914	749,897	69,528	8,255
2015	250,000	36,610	1,089,857	694,252	72,446	5,173
2016	250,000	29,110	1,129,005	636,691	-	-
2017	250,000	21,609	1,168,371	576,616	-	-
2018	250,000	14,109	1,072,965	519,337	-	-
2019	220,324	6,609	1,112,799	465,753	-	-
2020	-	-	1,157,887	411,657	-	-
2021	-	-	1,198,240	355,495	-	-
2022	-	-	1,253,874	295,328	-	-
2023	-	-	1,298,501	233,905	-	-
2024	-	-	1,353,369	170,297	-	-
2025	-	-	794,794	118,237	-	-
2026	-	-	821,556	79,574	-	-
2027	-	-	848,672	39,358	-	-
2028	-	-	371,160	9,465	-	-
Total	\$ 2,523,520	\$ 290,907	\$ 18,282,741	\$ 7,043,510	\$ 470,769	\$ 43,923

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**Details of Long-Term Indebtedness: (Continued)****Primary Government: (Continued)**

Year Ending June 30,	Enterprise Obligations	
	Revenue Bonds	
	Payable	
	Principal	Interest
2012	\$ 1,625,945	\$ 985,919
2013	1,701,755	907,175
2014	1,782,613	824,721
2015	1,858,513	738,359
2016	1,949,460	648,293
2017	2,035,456	553,766
2018	2,136,502	455,076
2019	2,237,602	350,061
2020	413,760	240,728
2021	409,807	223,241
2022	425,000	205,952
2023	440,000	185,214
2024	465,000	165,524
2025	480,000	144,716
2026	500,000	123,236
2027	525,000	100,860
2028	545,000	77,166
2029	570,000	52,572
2030	595,000	26,852
Total	\$ 20,696,413	\$ 7,009,431

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<u>Capital Lease Obligations:</u>	
\$8,205,000 capital lease obligation (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%. Face amount of bonds outstanding, \$8,010,000 less unamortized deferred amount on refunding \$251,870.	\$ 7,758,130
\$11,245,000 capital lease obligation (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>8,559,674</u>
Total Capital Lease Obligations	\$ 16,317,804
Compensated absences (payable from the General Fund)	1,615,759
OPEB liability (payable from the General Fund)	<u>558,678</u>
Total Debt Incurred by County	<u><u>\$ 18,492,241</u></u>
 <u>Revenue Bonds:</u>	
\$421,600 Farmers Home Administration water and sewer revenue bonds issued December 23, 1980, due in monthly installments of \$2,054 including principal and interest, interest at 5%	\$ 181,413
\$16,675,000 current interest bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.5% to 5.0%. Face amount of bonds outstanding, \$12,555,000 plus unamortized issuance premium of \$195,659, less unamortized deferred amount on refunding of \$168,538.	12,582,121
\$8,560,000 Virginia Resource Authority bonds dated August 1, 2006, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 4.1% to 4.879%. Face amount of bonds outstanding, \$7,960,000 less unamortized issuance discount of \$55,386, less unamortized deferred amount on refunding of \$253,803.	<u>7,650,811</u>
Total revenue bonds	\$ 20,414,345
Compensated absences (payable from the Enterprise Fund)	112,779
OPEB liability (payable from the Enterprise Fund)	<u>48,406</u>
Total enterprise obligations payable	<u><u>\$ 20,575,530</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds Payable:</u>	
\$8,565,000 School Bonds issued January 3, 1994 payable in various annual installments each December 15 through 2013, interest payable semi-annually at an average rate of 6.45%	\$ 90,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%	295,000
\$2,100,000 School Bonds issued April 28, 1993 payable in various annual installments each December 15 through 2013, interest payable semi-annually at 5.33%	165,000
\$2,800,000 School Bonds issued May 2, 1996 payable in various annual installments each July 15 through 2017, interest payable semi-annually at 5.56%	840,000
\$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, \$5,710,000 plus unamortized issuance premium of \$273,092.	5,983,092
\$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, \$5,655,000 plus unamortized issuance premium of \$129,618.	5,784,618
\$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, \$5,527,741 plus unamortized issuance premium of \$280,402.	<u>5,808,143</u>
Total school bonds payable	\$ <u>18,965,853</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	\$ 166,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	146,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	239,419
\$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>1,970,324</u>
Total State Literary Fund Loans	\$ <u>2,523,520</u>
<u>Capital Lease Obligations:</u>	
\$1,589,921 capital lease obligation issued March 15, 2004 secured by equipment, due in various semi-annual installments of over 7 years, interest at 2.80%	\$ 200,910
<u>Note Payable Obligations:</u>	
\$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of \$77,784 through July 15, 2014, interest at 5.77%	<u>269,859</u>
Total Capital Lease and Notes Payable Obligations	\$ <u>470,769</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	\$ <u><u>21,960,142</u></u>

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of a new courthouse and radio equipment for public safety. The County also has refinanced the acquisition and upgrade of certain HVAC equipment for its Component Unit—School Board by means of a lease. 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, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit- School Board
Asset:		
Courthouse Construction	\$ 7,237,000	\$ -
Radio Equipment	13,513,899	-
HVAC equipment	-	1,124,500
Less: Accumulated depreciation	<u>(1,821,973)</u>	<u>(1,071,168)</u>
	<u>\$ 18,928,926</u>	<u>\$ 53,332</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	Governmental Activities	Component Unit- School Board
2012	\$ 2,055,127	\$ 203,723
2013	2,054,327	-
2014	2,053,127	-
2015	2,056,428	-
2016	2,049,328	-
2017	2,051,828	-
2018	2,048,828	-
2019	602,951	-
2020	598,308	-
2021	602,997	-
2022	601,472	-
2023	598,863	-
2024	595,597	-
2025	601,456	-
2026	601,331	-
2027	600,025	-
2028	602,412	-
2029	598,788	-
2030	599,150	-
2031	<u>603,275</u>	<u>-</u>
Total minimum lease payments	\$ 22,175,618	\$ 203,723
Less: amount representing interest	<u>(5,605,944)</u>	<u>(2,813)</u>
Present value of minimum lease payments	<u>\$ 16,569,674</u>	<u>\$ 200,910</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (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, 2011:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ 1,948,888	\$ 2,029,111	\$ 2,153,428	\$ 1,824,571	\$ 182,457
OPEB liability debt	<u>637,000</u>	<u>506,833</u>	<u>277,500</u>	<u>866,333</u>	<u>-</u>
Total debt incurred by School Board	<u>\$ 2,585,888</u>	<u>\$ 2,535,944</u>	<u>\$ 2,430,928</u>	<u>\$ 2,690,904</u>	<u>\$ 182,457</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, 2011:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 17,292,895	\$ -	\$ 534,083	\$ 16,758,812	\$ 566,854
Derivative instrument liability	<u>2,504,543</u>	<u>-</u>	<u>284,395</u>	<u>2,220,148</u>	<u>-</u>
Total	<u>\$ 19,797,438</u>	<u>\$ -</u>	<u>\$ 818,478</u>	<u>\$ 18,978,960</u>	<u>\$ 566,854</u>

**Amount
Outstanding**

Bonds:

\$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%.

\$ 16,758,812

Total Debt incurred by the Component Unit Economic Development Authority

\$ 16,758,812

COUNTY OF GLOUCESTER, VIRGINIANOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Details of Long-Term Indebtedness: (Continued)****Component Unit—Economic Development Authority: (Continued)****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 \$18,978,960 is more than the balance outstanding on the bonds payable of \$16,758,812. The difference of \$2,220,148 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.

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

	<u>As of and for the Year Ended</u>	
	<u>June 30, 2011</u>	
Fair value	\$	(2,220,148)
Change in fair value		284,395

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</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 566,854	\$ 983,532
2013	601,636	948,809
2014	638,554	911,956
2015	677,736	872,841
2016	719,322	831,326
2017	763,460	787,263
2018	810,307	740,497
2019	11,980,943	579,277
Total	\$ <u>16,758,812</u>	\$ <u>6,655,501</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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.

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 REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$18,580,928 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$18,381,772 at June 30, 2011.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2011, but paid in advance by the tax payers totaled \$199,156 at June 30, 2011.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

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.

NOTE 12—LITIGATION:

At June 30, 2011, 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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.

Component Unit School Board—Health Insurance

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, 2008	\$ 525,368
Incurred claims (including IBNR and changes in estimates)	5,717,284
Claim payments	<u>(5,654,032)</u>
Unpaid claims, June 30, 2009	\$ 588,620
Incurred claims (including IBNR and changes in estimates)	6,155,004
Claim payments	<u>(6,180,835)</u>
Unpaid claims, June 30, 2010	\$ 562,789
Incurred claims (including IBNR and changes in estimates)	6,355,124
Claim payments	<u>(6,287,816)</u>
Unpaid claims, June 30, 2011	<u><u>\$ 630,097</u></u>

NOTE 14—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-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, 2011 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2011 was 9.32% and 6.87% of annual covered payroll, respectively.

The School Board's professional employees contributed \$1,418,658, \$1,876,622, and \$2,709,961, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010, and 2009 respectively and these contributions represented 3.93%, 8.81%, and 8.31%, respectively, of current covered payroll. The School Board's professional employees contribution rate for the fiscal year ended June 30, 2011 was 8.93% of covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$1,144,696 was equal to the County's required and actual contributions.

For fiscal year 2011, the School Board's annual pension cost for the Board's non-professional employees were \$266,942, which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 1,144,696	100%	\$ -
June 30, 2010	999,864	100%	-
June 30, 2009	1,014,918	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 266,942	100%	\$ -
June 30, 2010	299,022	100%	-
June 30, 2009	302,657	100%	-

(1) Employer portion only

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County plan was 82.34% funded. The actuarial accrued liability for benefits was \$44,549,184, and the actuarial value of assets was \$36,682,369, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,866,815. The covered payroll (annual payroll of active employees covered by the plan) was \$12,277,374, and ratio of the UAAL to the covered payroll was 64.08%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board Non-Professional plan was 82.34% funded. The actuarial accrued liability for benefits was \$15,084,183, and the actuarial value of assets was \$12,419,907, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,664,276. The covered payroll (annual payroll of active employees covered by the plan) was \$4,308,860 and ratio of the UAAL to the covered payroll was 61.83%.

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

NOTE 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
E. Steven Gentry, Sheriff	30,000
Western Surety	
Diane Gamache, 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	
Brenda G. Garton, County Administrator	5,000
VA CORP Insurance Program - Surety	
All County and Social Services Employees – Blanket Bond	250,000

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 16—OPERATING LEASES:

The County Leases space for the County Library under a non-cancelable 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 \$150,000 for the year ended June 30, 2011. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2012	\$ 150,000
2013	150,000
Total	<u>\$ 300,000</u>

The County leases space for the County Health Department under a non-cancelable 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 \$56,115 for the year ended June 30, 2011. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2012	\$ 57,799
2013	59,533
2014	61,319
2015	63,158
2016	65,053
2017 - 2019	<u>207,105</u>
Total	<u>\$ 513,967</u>

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:**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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

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

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 without spouse coverage and 5 retirees with spouse coverage on their plan. The County has 8 retirees without spouse coverage and 2 retirees with spouse coverage participating in the 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.

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:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Annual required contribution	\$ 260,478	\$ 507,874
Interest on net OPEB obligation	16,057	25,474
Adjustment to annual required contribution	(16,795)	(26,515)
Annual OPEB cost (expense)	\$ 259,740	\$ 506,833
Estimated Contributions made	(54,156)	(277,500)
Increase in net OPEB obligation	205,584	229,333
Net OPEB obligation-beginning of year	401,500	637,000
Net OPEB obligation-end of year	\$ 607,084	\$ 866,333

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation: (Continued)

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:					
6/30/2009	\$	278,848	27.06%	\$	203,274
6/30/2010		293,626	32.51%		401,500
6/30/2011		259,740	20.85%		607,084
Schools:					
6/30/2009	\$	704,235	51.30%	\$	342,828
6/30/2010		732,972	59.89%		637,000
6/30/2011		506,833	54.75%		866,333

Funded Status and Funding Progress

As of July 1, 2010, the County's actuarial accrued liability for benefits was \$2,366,069, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$12,277,374, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.27 percent.

As of July 1, 2010, the School Board's actuarial accrued liability for benefits was \$5,868,787, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$32,258,781, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.19 percent.

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.

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

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

Methods and Assumptions

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 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.

Coverage elections — The actuarial assumed that 65% 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 85% of current actives of Gloucester County will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse.

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, 2010 was thirty years.

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (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 2011 were .10% and .63% of annual covered payroll.

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 2011, the County's contribution of \$12,282 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 2011 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>
6/30/2009	\$ 22,864	100.00%	\$ -
6/30/2010	22,525	100.00%	-
6/30/2011	12,282	100.00%	

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 228,694
Actuarial value of plan assets	\$ 171,632
Unfunded actuarial accrued liability (UAAL)	\$ 57,062
Funded ratio (actuarial value of plan assets/AAL)	75.05%
Covered payroll (active plan members)	\$ 1,277,374
UAAL as a percentage of covered payroll	0.46%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

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

Funded Status and Funding Progress: (Continued)

For 2011, the School Board's contribution of \$24,479 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>
6/30/2009	\$ 40,064	100.00%	\$ -
6/30/2010	39,583	100.00%	-
6/30/2011	24,479	100.00%	-

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 348,133
Actuarial value of plan assets	\$ 55,923
Unfunded actuarial accrued liability (UAAL)	\$ 292,210
Funded ratio (actuarial value of plan assets/AAL)	16.06%
Covered payroll (active plan members)	\$ 4,308,860
UAAL as a percentage of covered payroll	6.78%

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

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

Actuarial Methods and Assumptions: (Continued)

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 open amortization period at June 30, 2010 was 26 years.

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 .63% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$170,239, \$221,531, and \$332,209, respectively and equaled the required contributions for each year.

NOTE 18—SUBSEQUENT EVENT:

On April 16, 2011, Page Middle School was severely damaged from a tornado. As a result, students were relocated to Peasley Middle School, which ran two shifts for students to complete the school year. Arrangements, covering a three-year period, were made using insurance proceeds to lease modular classrooms, which have been placed at Gloucester High School for fiscal years 2012-2014. An insurance claim was filed with the School Board's insurance carrier who estimated a settlement amount of approximately \$11.0 million of which approximately \$7.5 million will be available for replacing the school. The current options being explored to replace Page Middle School have an estimated cost from \$22.2 million to \$28.2 million.

At the November 1, 2011, Board of Supervisors meeting, the County authorized the issuance of up to \$3.8 million in the water and sewer system revenue and refunding bonds to address certain preliminary costs associated with the Department of Environmental Quality Consent Order relating to sanitary sewer overflows and certain improvements to the County's water and sewer systems, as well as refund the outstanding principal amount of its \$421,000 Water Revenue Bond, Series 1980. Closing is expected to take place early December, 2011.

At the November 15, 2011, Board of Supervisors meeting, the County authorized the issuance of \$500,000 in Qualified School Construction Bonds, which were authorized under the American Recovery and Reinvestment Act of 2009. The bonds will be used toward the Page Middle School solution. Closing is expected to take place mid December 2011.

Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 31,348,103	\$ 31,348,103	\$ 32,277,667	\$ 929,564
Other local taxes	8,219,047	8,219,047	8,188,114	(30,933)
Permits, privilege fees, and regulatory licenses	347,200	347,200	262,490	(84,710)
Fines and forfeitures	142,500	142,500	87,571	(54,929)
Revenue from the use of money and property	144,548	144,548	158,093	13,545
Charges for services	884,524	884,524	716,673	(167,851)
Miscellaneous	210,494	247,646	298,659	51,013
Recovered costs	332,603	332,603	306,934	(25,669)
Intergovernmental revenues:				
Commonwealth	8,591,813	8,650,013	8,627,299	(22,714)
Federal	108,195	154,023	199,757	45,734
Total revenues	<u>\$ 50,329,027</u>	<u>\$ 50,470,207</u>	<u>\$ 51,123,257</u>	<u>\$ 653,050</u>
EXPENDITURES				
Current:				
General government administration	5,079,607	4,859,161	4,391,984	467,177
Judicial administration	1,621,284	1,629,484	1,511,513	117,971
Public safety	10,786,995	10,888,279	10,237,522	650,757
Public works	1,918,835	1,915,939	1,879,012	36,927
Health and welfare	667,348	672,853	666,262	6,591
Education	20,964,312	21,043,598	20,969,964	73,634
Parks, recreation, and cultural	1,938,765	1,964,175	1,834,819	129,356
Community development	842,574	898,814	731,327	167,487
Nondepartmental	263,170	263,170	263,170	-
Total expenditures	<u>\$ 44,082,890</u>	<u>\$ 44,135,473</u>	<u>\$ 42,485,573</u>	<u>\$ 1,649,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,246,137</u>	<u>\$ 6,334,734</u>	<u>\$ 8,637,684</u>	<u>\$ 2,302,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (6,478,761)</u>	<u>\$ (7,579,216)</u>	<u>\$ (7,171,343)</u>	<u>\$ 407,873</u>
Total other financing sources and uses	<u>\$ (6,478,761)</u>	<u>\$ (7,579,216)</u>	<u>\$ (7,171,343)</u>	<u>\$ 407,873</u>
Net change in fund balances	<u>\$ (232,624)</u>	<u>\$ (1,244,482)</u>	<u>\$ 1,466,341</u>	<u>\$ 2,710,823</u>
Fund balances - beginning	<u>232,624</u>	<u>1,244,482</u>	<u>14,483,844</u>	<u>13,239,362</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,950,185</u></u>	<u><u>\$ 15,950,185</u></u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2011

Primary Government:
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2010	\$ 36,682,369	\$ 44,549,184	\$ 7,866,815	82.34%	\$ 12,277,374	64.08%
6/30/2009	35,865,078	40,659,026	4,793,948	88.21%	12,748,300	37.60%
6/30/2008	34,792,859	38,322,362	3,529,503	90.79%	11,995,920	29.42%
6/30/2007	31,252,207	34,534,550	3,282,343	90.50%	11,967,890	27.43%
6/30/2006	27,113,595	29,885,627	2,772,032	90.72%	10,880,883	25.48%
6/30/2005	24,961,333	29,212,017	4,250,684	85.45%	10,087,289	42.14%
6/30/2004	23,804,086	25,304,942	1,500,856	94.07%	9,534,011	15.74%
6/30/2003	22,823,680	22,739,831	(83,849)	100.37%	9,249,541	-0.91%
6/30/2002	21,892,438	20,766,406	(1,126,032)	105.42%	8,859,633	-12.71%
6/30/2001	20,729,714	18,539,509	(2,190,205)	111.81%	8,607,360	-25.45%

Discretely Presented Component Unit:
School Board Non-Professionals Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2010	\$ 12,419,907	\$ 15,084,183	\$ 2,664,276	82.34%	\$ 4,308,860	61.83%
6/30/2009	12,147,944	13,789,023	1,641,079	88.10%	4,351,373	37.71%
6/30/2008	11,872,681	12,695,426	822,745	93.52%	4,247,086	19.37%
6/30/2007	10,583,920	11,895,235	1,311,315	88.98%	4,192,789	31.28%
6/30/2006	9,204,914	10,721,286	1,516,372	85.86%	3,976,011	38.14%
6/30/2005	8,491,998	10,207,856	1,715,858	83.19%	4,055,720	42.31%
6/30/2004	8,101,614	8,335,831	234,217	97.19%	3,647,401	6.42%
6/30/2003	7,799,120	7,471,273	(327,847)	104.39%	3,180,322	-10.31%
6/30/2002	7,531,520	7,012,430	(519,090)	107.40%	3,346,995	-15.51%
6/30/2001	7,081,682	6,239,031	(842,651)	113.51%	3,154,094	-26.72%

Schedule of Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2011

Primary Government:

County Retiree Health Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
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:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
9/30/2010	\$ 171,632	\$ 228,694	\$ 57,062	75.05%	\$ 12,277,374	0.46%
9/30/2009	139,865	216,660	76,795	64.56%	12,748,300	0.60%
9/30/2008	163,197	255,701	92,504	63.82%	11,995,920	0.77%
9/30/2007	127,706	343,764	216,058	37.15%	11,967,890	1.81%

Discretely Presented Component Unit:

School Board Retiree Health Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
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%

Discretely Presented Component Unit:

Health Insurance Credit Program Through Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
9/30/2010	\$ 55,923	\$ 348,133	\$ 292,210	16.06%	\$ 4,308,860	6.78%
9/30/2009	26,963	315,031	288,068	8.56%	4,351,373	6.62%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements 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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 152,520	\$ 152,520
Total revenues	\$ -	\$ -	\$ 152,520	\$ 152,520
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,394,093	\$ 3,394,093	\$ 3,394,093	\$ -
Interest and other fiscal charges	1,713,996	1,866,516	1,858,998	7,518
Total expenditures	\$ 5,108,089	\$ 5,260,609	\$ 5,253,091	\$ 7,518
Excess (deficiency) of revenues over (under) expenditures	\$ (5,108,089)	\$ (5,260,609)	\$ (5,100,571)	\$ 160,038
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,108,089	\$ 5,260,609	\$ 5,100,571	\$ (160,038)
Total other financing sources and uses	\$ 5,108,089	\$ 5,260,609	\$ 5,100,571	\$ (160,038)
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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 251	\$ 251
Miscellaneous	75,000	75,000	34,976	(40,024)
Intergovernmental revenues:				
Commonwealth	300,000	300,000	482,680	182,680
Federal	1,413,000	1,413,000	549,251	(863,749)
Total revenues	<u>\$ 1,788,000</u>	<u>\$ 1,788,000</u>	<u>\$ 1,067,158</u>	<u>\$ (720,842)</u>
EXPENDITURES				
Capital projects	\$ 3,900,000	\$ 4,347,935	\$ 1,838,190	\$ 2,509,745
Total expenditures	<u>\$ 3,900,000</u>	<u>\$ 4,347,935</u>	<u>\$ 1,838,190</u>	<u>\$ 2,509,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,112,000)</u>	<u>\$ (2,559,935)</u>	<u>\$ (771,032)</u>	<u>\$ 1,788,903</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 112,000	\$ 559,935	\$ 478,866	\$ (81,069)
Total other financing sources and uses	<u>\$ 112,000</u>	<u>\$ 559,935</u>	<u>\$ 478,866</u>	<u>\$ (81,069)</u>
Net change in fund balances	\$ (2,000,000)	\$ (2,000,000)	\$ (292,166)	\$ 1,707,834
Fund balances - beginning	2,000,000	2,000,000	2,829,371	829,371
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,537,205</u>	<u>\$ 2,537,205</u>

School Construction Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 807	\$ 807
Total revenues	\$ -	\$ -	\$ 807	\$ 807
EXPENDITURES				
Capital projects	\$ -	\$ 1,500,000	\$ 1,087,294	\$ 412,706
Total expenditures	\$ -	\$ 1,500,000	\$ 1,087,294	\$ 412,706
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,500,000)	\$ (1,086,487)	\$ 413,513
OTHER FINANCING SOURCES (USES)				
Insurance recovery	\$ -	\$ 1,500,000	\$ 3,793,840	\$ 2,293,840
Total other financing sources and uses	\$ -	\$ 1,500,000	\$ 3,793,840	\$ 2,293,840
Net change in fund balances	\$ -	\$ -	\$ 2,707,353	\$ 2,707,353
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 2,707,353	\$ 2,707,353

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 701	\$ 200	\$ 901
Due from other funds	-	14,925	14,925
Due from other governmental units	171,028	49,581	220,609
Total assets	<u>\$ 171,729</u>	<u>\$ 64,706</u>	<u>\$ 236,435</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 136	\$ 64,706	\$ 64,842
Due to other funds	171,593	-	171,593
Total liabilities	<u>\$ 171,729</u>	<u>\$ 64,706</u>	<u>\$ 236,435</u>
 Total liabilities and fund balances	 <u>\$ 171,729</u>	 <u>\$ 64,706</u>	 <u>\$ 236,435</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 1,161	\$ 28,884	\$ 30,045
Intergovernmental revenues:			
Commonwealth	833,598	573,962	1,407,560
Federal	1,273,041	19,160	1,292,201
Total revenues	<u>\$ 2,107,800</u>	<u>\$ 622,006</u>	<u>\$ 2,729,806</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 2,695,560	\$ 1,126,152	\$ 3,821,712
Total expenditures	<u>\$ 2,695,560</u>	<u>\$ 1,126,152</u>	<u>\$ 3,821,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (587,760)</u>	<u>\$ (504,146)</u>	<u>\$ (1,091,906)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 587,760	\$ 504,146	\$ 1,091,906
Total other financing sources and uses	<u>\$ 587,760</u>	<u>\$ 504,146</u>	<u>\$ 1,091,906</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

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,161	\$ 1,161
Intergovernmental revenues:				
Commonwealth	947,236	947,236	833,598	(113,638)
Federal	1,468,826	1,468,826	1,273,041	(195,785)
Total revenues	<u>\$ 2,416,062</u>	<u>\$ 2,416,062</u>	<u>\$ 2,107,800</u>	<u>\$ (308,262)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 3,156,343	\$ 3,156,343	\$ 2,695,560	\$ 460,783
Total expenditures	<u>\$ 3,156,343</u>	<u>\$ 3,156,343</u>	<u>\$ 2,695,560</u>	<u>\$ 460,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (740,281)</u>	<u>\$ (740,281)</u>	<u>\$ (587,760)</u>	<u>\$ 152,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 740,281	\$ 740,281	\$ 587,760	\$ (152,521)
Total other financing sources and uses	<u>\$ 740,281</u>	<u>\$ 740,281</u>	<u>\$ 587,760</u>	<u>\$ (152,521)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 19

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 4,185	\$ 4,185	\$ 28,884	\$ 24,699
704,174	704,174	573,962	(130,212)
20,250	20,250	19,160	(1,090)
<u>\$ 728,609</u>	<u>\$ 728,609</u>	<u>\$ 622,006</u>	<u>\$ (106,603)</u>
\$ 1,247,000	\$ 1,247,000	\$ 1,126,152	\$ 120,848
<u>\$ 1,247,000</u>	<u>\$ 1,247,000</u>	<u>\$ 1,126,152</u>	<u>\$ 120,848</u>
\$ (518,391)	\$ (518,391)	\$ (504,146)	\$ 14,245
\$ 518,391	\$ 518,391	\$ 504,146	\$ (14,245)
<u>\$ 518,391</u>	<u>\$ 518,391</u>	<u>\$ 504,146</u>	<u>\$ (14,245)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2011

	Agency Funds				
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Jail Inmate	Total
ASSETS					
Cash and cash equivalents	\$ 22,935	\$ 17,006	\$ 59,028	\$ 14,912	\$ 113,881
Due from other governmental units	-	21,258	-	-	21,258
Total assets	<u>\$ 22,935</u>	<u>\$ 38,264</u>	<u>\$ 59,028</u>	<u>\$ 14,912</u>	<u>\$ 135,139</u>
LIABILITIES					
Accounts payable	\$ -	\$ 21,258	\$ 829	\$ -	\$ 22,087
Amounts held for social services clients	22,935	-	-	-	22,935
Amounts held for regional program	-	17,006	-	-	17,006
Amounts held for others	-	-	58,199	14,912	73,111
Total liabilities	<u>\$ 22,935</u>	<u>\$ 38,264</u>	<u>\$ 59,028</u>	<u>\$ 14,912</u>	<u>\$ 135,139</u>

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 21,814	\$ 44,010	\$ 42,889	\$ 22,935
Liabilities:				
Amounts held for social services clients	\$ 21,814	\$ 44,010	\$ 42,889	\$ 22,935
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 325,202	\$ 726,706	\$ 1,034,902	\$ 17,006
Other receivables	29,217	-	29,217	-
Due from other governmental units	18,905	21,258	18,905	21,258
Total assets	\$ 373,324	\$ 747,964	\$ 1,083,024	\$ 38,264
Liabilities:				
Accounts payable	\$ 359,795	\$ 696,364	\$ 1,034,901	\$ 21,258
Amounts held for regional program	13,529	51,600	48,123	17,006
Total liabilities	\$ 373,324	\$ 747,964	\$ 1,083,024	\$ 38,264
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 74,816	\$ 230,861	\$ 246,649	\$ 59,028
Liabilities:				
Accounts payable	\$ 7,175	\$ 829	\$ 7,175	\$ 829
Amounts held for others	67,641	230,032	239,474	58,199
Total liabilities	\$ 74,816	\$ 230,861	\$ 246,649	\$ 59,028
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 11,149	\$ 145,988	\$ 142,225	\$ 14,912
Liabilities:				
Amounts held for others	\$ 11,149	\$ 145,988	\$ 142,225	\$ 14,912
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 432,981	\$ 1,147,565	\$ 1,466,665	\$ 113,881
Other receivable	29,217	-	29,217	-
Due from other governmental units	18,905	21,258	18,905	21,258
Total assets	\$ 481,103	\$ 1,168,823	\$ 1,514,787	\$ 135,139
Liabilities:				
Accounts payable	\$ 366,970	\$ 697,193	\$ 1,042,076	\$ 22,087
Amounts held for social services clients	21,814	44,010	42,889	22,935
Amounts held for regional program	13,529	51,600	48,123	17,006
Amounts held for others	78,790	376,020	381,699	73,111
Total liabilities	\$ 481,103	\$ 1,168,823	\$ 1,514,787	\$ 135,139

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Capital Assets by Source
 June 30, 2011

Governmental funds capital assets:

Land	\$	5,136,763
Buildings		16,565,440
Improvements other than buildings		2,695,653
Machinery and equipment		17,285,268
Jointly owned assets		33,769,615
Construction in progress		652,956
Total governmental funds capital assets	\$	<u><u>76,105,695</u></u>

Investments in governmental funds capital assets by source:

General fund	\$	10,470,091
Special revenue funds		182,552
Capital projects fund		31,683,437
Component unit, school fund		33,769,615
Total governmental funds capital assets	\$	<u><u>76,105,695</u></u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2011

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	\$ 4,867,463	\$ 2,065,480	\$ -	\$ -	\$ 33,700	\$ 6,966,643
Commissioner of revenue	-	-	-	18,071	-	18,071
County assessor	-	-	-	51,557	-	51,557
Treasurer	-	-	-	18,488	-	18,488
Finance	-	-	-	32,106	-	32,106
Department of information technology	-	326,600	-	661,464	25,000	1,013,064
Purchasing	-	-	-	29,306	-	29,306
Total general government administration	\$ 4,867,463	\$ 2,392,080	\$ -	\$ 810,992	\$ 58,700	\$ 8,129,235
Judicial administration:						
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 11,134	\$ -	\$ 7,248,134
General district court	-	-	-	14,617	-	14,617
Probation and pre-trial	-	-	-	5,220	-	5,220
Juvenile and domestic relations district court	-	-	-	9,496	-	9,496
Clerk of circuit court	-	-	-	151,894	-	151,894
Commonwealth's attorney	-	-	-	17,498	-	17,498
Total judicial administration	\$ -	\$ 7,237,000	\$ -	\$ 209,859	\$ -	\$ 7,446,859
Public safety:						
Sheriff	\$ -	\$ 2,138,675	\$ 256,488	\$ 2,454,089	\$ -	\$ 4,849,252
Emergency 911 system	-	-	-	29,636	-	29,636
Communication system	-	-	396,468	11,618,899	1,895,000	13,910,367
Emergency services	-	554,559	-	139,571	-	694,130
Jail	-	-	-	184,349	-	184,349
Codes compliance	-	84,026	-	195,259	-	279,285
Animal control	-	363,900	-	123,428	-	487,328
Total public safety	\$ -	\$ 3,141,160	\$ 652,956	\$ 14,745,231	\$ 1,895,000	\$ 20,434,347
Public works:						
Engineering	\$ -	\$ 12,230	\$ -	\$ 24,107	\$ -	\$ 36,337
Building and grounds	-	166,991	-	597,027	6,700	770,718
Total public works	\$ -	\$ 179,221	\$ -	\$ 621,134	\$ 6,700	\$ 807,055
Education:						
Schools	\$ -	\$ 32,645,115	\$ -	\$ 1,124,500	\$ -	\$ 33,769,615
Community education	-	1,556,351	-	114,781	-	1,671,132
Total education	\$ -	\$ 34,201,466	\$ -	\$ 1,239,281	\$ -	\$ 35,440,747
Health and welfare:						
Mosquito control	\$ -	\$ -	\$ -	\$ 54,278	\$ -	\$ 54,278
Health department	-	317,143	-	-	-	317,143
Social services	-	758,240	-	159,397	-	917,637
Total health and welfare	\$ -	\$ 1,075,383	\$ -	\$ 213,675	\$ -	\$ 1,289,058
Parks, recreation, and cultural:						
Recreation	\$ 269,300	\$ 512,010	\$ -	\$ 291,461	\$ 575,214	\$ 1,647,985
Beaverdam	-	181,397	-	49,661	111,042	342,100
Historical committee	-	157,783	-	9,588	48,997	216,368
Public library	-	-	-	184,948	-	184,948
Total parks, recreation, and cultural	\$ 269,300	\$ 851,190	\$ -	\$ 535,658	\$ 735,253	\$ 2,391,401
Community development:						
Planning	\$ -	\$ 81,555	\$ -	\$ 24,656	\$ -	\$ 106,211
Economic development	-	-	-	9,282	-	9,282
VPI extension program	-	51,500	-	-	-	51,500
Total community development	\$ -	\$ 133,055	\$ -	\$ 33,938	\$ -	\$ 166,993
Total governmental funds capital assets	\$ 5,136,763	\$ 49,210,555	\$ 652,956	\$ 18,409,768	\$ 2,695,653	\$ 76,105,695

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2011

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Deductions	Governmental Funds Capital Assets June 30, 2011
General government administration:				
Board of supervisors	\$ 6,966,643	\$ -	\$ -	\$ 6,966,643
Commissioner of revenue	18,071	-	-	18,071
Treasurer	18,488	-	-	18,488
County assessor	44,360	7,197	-	51,557
Finance	32,106	-	-	32,106
Department of information technology	961,066	51,998	-	1,013,064
Purchasing	13,841	15,465	-	29,306
VA housing and development	14,638	-	14,638	-
Total general government administration	\$ 8,069,213	\$ 74,660	\$ 14,638	\$ 8,129,235
Judicial administration:				
Circuit court	\$ 7,248,134	\$ -	\$ -	\$ 7,248,134
General district court	14,617	-	-	14,617
Probation and pre-trial	5,220	-	-	5,220
Juvenile and domestic relations district court	17,396	-	7,900	9,496
Clerk of the circuit court	151,894	-	-	151,894
Commonwealth's attorney	17,498	-	-	17,498
Total judicial administration	\$ 7,454,759	\$ -	\$ 7,900	\$ 7,446,859
Public safety:				
Sheriff	\$ 4,667,074	\$ 256,488	\$ 74,310	\$ 4,849,252
911 system	29,636	-	-	29,636
Communication systems	13,463,874	446,493	-	13,910,367
Emergency services	694,130	-	-	694,130
Jail	184,349	-	-	184,349
Building inspections	289,519	-	10,234	279,285
Animal control	465,995	21,333	-	487,328
Total public safety	\$ 19,794,577	\$ 724,314	\$ 84,544	\$ 20,434,347
Public works:				
Engineering	\$ 211,338	\$ -	\$ 175,000	\$ 36,338
Buildings and grounds	772,176	14,638	16,097	770,717
Total public works	\$ 983,514	\$ 14,638	\$ 191,097	\$ 807,055
Education:				
Schools	\$ 35,937,351	\$ -	\$ 2,167,736	\$ 33,769,615
Community education	1,671,132	-	-	1,671,132
Total education	\$ 37,608,483	\$ -	\$ 2,167,736	\$ 35,440,747
Health and welfare:				
Mosquito control	\$ 54,279	\$ -	\$ -	\$ 54,279
Health department	317,143	-	-	317,143
Social services	919,497	31,041	32,902	917,636
Total health and welfare	\$ 1,290,919	\$ 31,041	\$ 32,902	\$ 1,289,058
Parks, recreation, and cultural:				
Recreation	\$ 1,399,858	\$ 248,127	\$ -	\$ 1,647,985
Beaverdam	342,100	-	-	342,100
Historical committee	216,368	-	-	216,368
Public library	184,948	-	-	184,948
Total parks, recreation, and cultural	\$ 2,143,274	\$ 248,127	\$ -	\$ 2,391,401
Community development:				
Community development	\$ 109,763	\$ 5,514	\$ 9,066	\$ 106,211
Economic development	9,282	-	-	9,282
VPI extension program	51,500	-	-	51,500
Total community development	\$ 170,545	\$ 5,514	\$ 9,066	\$ 166,993
Total governmental funds capital assets	\$ 77,515,284	\$ 1,098,294	\$ 2,507,883	\$ 76,105,695

Discretely Presented Component Unit-School Board

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 697,980	\$ 698,030
Receivables (net of allowance for uncollectibles):			
Accounts receivable	351,699	42	351,741
Due from other governmental units	5,255,036	-	5,255,036
Inventories	-	20,528	20,528
Prepaid items	11,867	-	11,867
Total assets	<u>\$ 5,618,652</u>	<u>\$ 718,550</u>	<u>\$ 6,337,202</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 607,961	\$ 45,024	\$ 652,985
Accrued liabilities	5,010,691	122,335	5,133,026
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,618,652</u>	<u>\$ 317,359</u>	<u>\$ 5,936,011</u>
Fund balances:			
Reserved for:			
Nonspendable	\$ 11,867	\$ 20,528	\$ 32,395
Assigned	-	380,663	380,663
Unassigned	(11,867)	-	(11,867)
Total fund balances	<u>\$ -</u>	<u>\$ 401,191</u>	<u>\$ 401,191</u>
Total liabilities and fund balances	<u>\$ 5,618,652</u>	<u>\$ 718,550</u>	<u>\$ 6,337,202</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 401,191
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,098,945
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.	(37,373)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,690,904)</u>
Net position of governmental activities	<u>\$ 21,771,859</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, 2011

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,770	\$ 3,488	\$ 6,258
Charges for services	53,793	1,120,925	1,174,718
Miscellaneous	44,781	10,612	55,393
Recovered costs	322,121	-	322,121
Intergovernmental revenues:			
Local government	20,463,658	-	20,463,658
Commonwealth	26,016,749	45,148	26,061,897
Federal	4,110,126	1,097,687	5,207,813
Total revenues	<u>\$ 51,013,998</u>	<u>\$ 2,277,860</u>	<u>\$ 53,291,858</u>
EXPENDITURES			
Current:			
Education	\$ 51,013,998	\$ 2,198,120	\$ 53,212,118
Total expenditures	<u>\$ 51,013,998</u>	<u>\$ 2,198,120</u>	<u>\$ 53,212,118</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 79,740	\$ 79,740
Net change in fund balances	\$ -	\$ 79,740	\$ 79,740
Fund balances - beginning	-	321,451	321,451
Fund balances - ending	<u>-</u>	<u>401,191</u>	<u>401,191</u>

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 \$ 79,740

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. 26,008

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 accrued leave	\$ 124,317	
(Increase) decrease in other post employment benefit payable	<u>(229,333)</u>	(105,016)

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. (119,830)

Change in net position of governmental activities \$ (119,098)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,770	\$ 270
Charges for services	59,975	59,975	53,793	(6,182)
Miscellaneous	50,000	50,000	44,781	(5,219)
Recovered costs	320,000	320,000	322,121	2,121
Intergovernmental revenues:				
Local government	20,430,332	20,509,618	20,463,658	(45,960)
Commonwealth	26,523,808	26,523,808	26,016,749	(507,059)
Federal	4,554,430	5,320,376	4,110,126	(1,210,250)
Total revenues	<u>\$ 51,941,045</u>	<u>\$ 52,786,277</u>	<u>\$ 51,013,998</u>	<u>\$ (1,772,279)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 51,941,045</u>	<u>\$ 52,786,277</u>	<u>\$ 51,013,998</u>	<u>\$ 1,772,279</u>
Total expenditures	<u>\$ 51,941,045</u>	<u>\$ 52,786,277</u>	<u>\$ 51,013,998</u>	<u>\$ 1,772,279</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2011

	School Cafeteria Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ 12,000	# 12,000	\$ 3,488	\$	(8,512)
Charges for services	1,448,750	1,448,750	1,120,925		(327,825)
Miscellaneous	14,000	14,000	10,612		(3,388)
Intergovernmental revenues:					
Commonwealth	43,193	43,193	45,148		1,955
Federal	863,000	863,000	1,097,687		234,687
Total revenues	<u>\$ 2,380,943</u>	<u>\$ 2,380,943</u>	<u>\$ 2,277,860</u>	<u>\$</u>	<u>(103,083)</u>
EXPENDITURES					
Current:					
Education	<u>\$ 2,405,943</u>	<u>\$ 2,405,943</u>	<u>\$ 2,198,120</u>	<u>\$</u>	<u>207,823</u>
Total expenditures	<u>\$ 2,405,943</u>	<u>\$ 2,405,943</u>	<u>\$ 2,198,120</u>	<u>\$</u>	<u>207,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 79,740</u>	<u>\$</u>	<u>104,740</u>
Net change in fund balances	\$ (25,000)	\$ (25,000)	\$ 79,740	\$	104,740
Fund balances - beginning	25,000	25,000	321,451		296,451
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,191</u>	<u>\$</u>	<u>401,191</u>

Statement of Fiduciary Net Position

Fiduciary Fund - Discretely Presented Component Unit School Board

June 30, 2011

	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 269,987
Total assets	\$ <u>269,987</u>
NET POSITION	
Held in trust for scholarships	\$ <u>269,987</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2011

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 11,820
Total contributions	<u>\$ 11,820</u>
Investment earnings:	
Interest	\$ 2,788
Total investment earnings	\$ 2,788
Less investment expense	<u>-</u>
Net investment earnings	\$ 2,788
Total additions	<u>\$ 14,608</u>
DEDUCTIONS	
Scholarships	\$ 14,301
Total deductions	<u>\$ 14,301</u>
Change in net position	\$ 307
Net position - beginning	<u>269,680</u>
Net position - ending	<u><u>\$ 269,987</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2011

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 592,724
Total assets	<u>\$ 592,724</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 630,097
Total liabilities	<u>\$ 630,097</u>
NET POSITION	
Unrestricted	\$ (37,373)
Total net position	<u><u>\$ (37,373)</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	Self- Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 6,167,986
Total operating revenues	<u>\$ 6,167,986</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 6,287,816
Total operating expenses	<u>\$ 6,287,816</u>
Operating income (loss)	<u>\$ (119,830)</u>
Total net position - beginning	\$ 82,457
Total net position - ending	<u><u>\$ (37,373)</u></u>

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 6,220,508
Payments for premiums	<u>(6,220,508)</u>
Net cash provided (used) by operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ <u>-</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>(119,830)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 52,522
Increase (decrease) in accounts payable	<u>67,308</u>
Total adjustments	<u>\$ 119,830</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Capital Assets by Source
June 30, 2011

Governmental funds capital assets:

Land	\$	1,476,061
Buildings		80,000
Jointly owned assets		30,855,004
Machinery and equipment		8,990,188
Total governmental funds capital assets	\$	<u>41,401,253</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$	<u>41,401,253</u>
Total governmental funds capital assets	\$	<u>41,401,253</u>

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule by Function and Activity
June 30, 2011

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:					
Schools	\$ 1,476,061	\$ 30,855,004	\$ 80,000	\$ 8,990,188	\$ 41,401,253
Total governmental funds capital assets	\$ 1,476,061	\$ 30,855,004	\$ 80,000	\$ 8,990,188	\$ 41,401,253

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2011

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Deductions	Governmental Funds Capital Assets June 30, 2011
Education:				
Schools	\$ 39,996,324	\$ 2,019,931	\$ (615,002)	\$ 41,401,253
Total governmental funds capital assets	\$ 39,996,324	\$ 2,019,931	\$ (615,002)	\$ 41,401,253

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Discretely Presented Component Unit-Economic Development Authority

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Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$	662,822
Investments		625,739
Interest receivable		8,568
Inventories		1,083,044
Total current assets	\$	<u>2,380,173</u>

Noncurrent assets:

Other assets:

Unamortized bond issue costs	\$	<u>57,028</u>
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Capital assets:

Land	\$	604,865
Buildings		18,402,655
Machinery and equipment		7,234
Less accumulated depreciation		<u>(3,730,469)</u>
Total capital assets	\$	<u>15,284,285</u>
Total noncurrent assets	\$	<u>15,341,313</u>
Total assets	\$	<u>17,721,486</u>

DEFERRED OUTFLOWS

Accumulated decrease in fair value of hedging derivatives	\$	<u>2,220,148</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	85,985
Due to other governmental units		458,909
Bonds payable - current portion		566,854
Total current liabilities	\$	<u>1,111,748</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	16,191,958
Derivative instrument - rate swap		<u>2,220,148</u>
Total noncurrent liabilities	\$	<u>18,412,106</u>
Total liabilities	\$	<u>19,523,854</u>

NET POSITION

Net investment in capital assets	\$	(1,474,527)
Unrestricted		<u>1,892,307</u>
Total net position	\$	<u><u>417,780</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2011

OPERATING REVENUES

Charges for services:

Rents	\$	1,543,862
Contributions from local governments		211
Other revenues		<u>13,353</u>
Total operating revenues	\$	<u>1,557,426</u>

OPERATING EXPENSES

Contractual services	\$	38,502
Other charges		40,590
Automobile and travel expense		12,790
Depreciation and amortization		<u>743,499</u>
Total operating expenses	\$	<u>835,381</u>

Operating income (loss)	\$	<u>722,045</u>
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NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	8,233
Interest expense		<u>(1,042,767)</u>
Total nonoperating revenues (expenses)	\$	<u>(1,034,534)</u>

Change in net position	\$	(312,489)
------------------------	----	-----------

Total net position - beginning		<u>730,269</u>
Total net position - ending	\$	<u><u>417,780</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,662,137
Receipts for miscellaneous items	13,353
Receipts for local government contributions	211
Payments for operating activities	(88,271)
Net cash provided (used) by operating activities	<u>\$ 1,587,430</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (534,082)
Other payments	15,818
Interest payments	<u>(1,042,268)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (1,560,532)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	(625,739)
Interest and dividends received	\$ 8,233
Other	<u>(499)</u>
Net cash provided (used) by investing activities	<u>\$ (618,005)</u>

Net increase (decrease) in cash and cash equivalents \$ (591,107)

Cash and cash equivalents - beginning 1,253,929
Cash and cash equivalents - ending \$ 662,822

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

Operating income (loss)	\$ <u>722,045</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	\$ 743,499
(Increase) decrease in accounts receivable	118,275
Increase (decrease) in accounts payable and accrued liabilities	<u>3,611</u>
Total adjustments	<u>\$ 865,385</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,587,430</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, 2011

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	\$ 24,249,115	\$ 24,249,115	\$ 23,702,126	\$ (546,989)
Real and personal public service corporation taxes	426,115	426,115	490,462	64,347
Personal property taxes	6,101,953	6,101,953	7,573,366	1,471,413
Mobile home taxes	105,000	105,000	41,607	(63,393)
Penalties	325,520	325,520	320,675	(4,845)
Interest	140,400	140,400	149,431	9,031
Total general property taxes	<u>\$ 31,348,103</u>	<u>\$ 31,348,103</u>	<u>\$ 32,277,667</u>	<u>\$ 929,564</u>
Other local taxes:				
Local sales and use taxes	\$ 3,669,347	\$ 3,669,347	\$ 3,537,751	\$ (131,596)
Consumers' utility taxes	693,000	693,000	700,959	7,959
Electric consumption taxes	127,300	127,300	136,308	9,008
Business license taxes	1,343,400	1,343,400	1,446,819	103,419
Bank stock taxes	120,000	120,000	205,798	85,798
Taxes on recordation and wills	492,000	492,000	367,085	(124,915)
Hotel and motel room taxes	110,000	110,000	123,926	13,926
Restaurant food taxes	1,664,000	1,664,000	1,669,468	5,468
Total other local taxes	<u>\$ 8,219,047</u>	<u>\$ 8,219,047</u>	<u>\$ 8,188,114</u>	<u>\$ (30,933)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 50,200	\$ 50,200	\$ 34,339	\$ (15,861)
Permits and other licenses	<u>297,000</u>	<u>297,000</u>	<u>228,151</u>	<u>(68,849)</u>
Total permits, privilege fees, and regulatory licenses	<u>\$ 347,200</u>	<u>\$ 347,200</u>	<u>\$ 262,490</u>	<u>\$ (84,710)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 142,000	\$ 142,000	\$ 87,396	\$ (54,604)
Parking fines	<u>500</u>	<u>500</u>	<u>175</u>	<u>(325)</u>
Total fines and forfeitures	<u>\$ 142,500</u>	<u>\$ 142,500</u>	<u>\$ 87,571</u>	<u>\$ (54,929)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 53,050	\$ 53,050	\$ 54,928	\$ 1,878
Revenue from use of property	<u>91,498</u>	<u>91,498</u>	<u>103,165</u>	<u>11,667</u>
Total revenue from use of money and property	<u>\$ 144,548</u>	<u>\$ 144,548</u>	<u>\$ 158,093</u>	<u>\$ 13,545</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule 1

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Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 30,000	\$ 30,000	\$ 40,087	\$ 10,087
Charges for law enforcement and traffic control	25,150	25,150	25,918	768
Charges for courthouse maintenance	17,700	17,700	15,286	(2,414)
Circuit court judge fees	34,500	34,500	35,981	1,481
Charges for courthouse security	57,500	57,500	51,627	(5,873)
Charges for probation	16,000	16,000	17,030	1,030
Charges for Commonwealth's Attorney	1,132	1,132	1,368	236
Charges for rental assistance	19,900	19,900	7,975	(11,925)
Miscellaneous dog fees	7,000	7,000	9,116	2,116
Charges for library	48,000	48,000	40,957	(7,043)
Charges for sanitation and waste removal	303,196	303,196	149,214	(153,982)
Charges for parks and recreation	272,746	272,746	263,015	(9,731)
Charges for community education	-	-	311	311
Charges for sale of publications and commemorative material	11,200	11,200	10,687	(513)
Charges for daffodil festival	40,000	40,000	47,868	7,868
Charges for sale of historical material	500	500	233	(267)
Total charges for services	\$ 884,524	\$ 884,524	\$ 716,673	\$ (167,851)
Miscellaneous revenue:				
Miscellaneous	\$ 210,494	\$ 247,646	\$ 298,659	\$ 51,013
Total miscellaneous revenue	\$ 210,494	\$ 247,646	\$ 298,659	\$ 51,013
Recovered costs:				
Care of federal prisoners	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Recovered costs sheriff	232,094	232,094	223,322	(8,772)
Recovered costs jail	22,000	22,000	31,202	9,202
Treasurer recovered costs	40,000	40,000	32,400	(7,600)
Probation & pretrial recovered costs	20,009	20,009	20,010	1
Demolition recovered costs	8,500	8,500	-	(8,500)
Total recovered costs	\$ 332,603	\$ 332,603	\$ 306,934	\$ (25,669)
Total revenue from local sources	\$ 41,629,019	\$ 41,666,171	\$ 42,296,201	\$ 630,030
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 1,000	\$ 1,000	\$ 2,014	\$ 1,014
Mobile home titling tax	40,000	40,000	20,952	(19,048)
Motor vehicle rental tax	36,000	36,000	38,986	2,986
State recordation tax	78,216	78,216	85,873	7,657
Communication tax	1,677,800	1,677,800	1,592,186	(85,614)
Personal property tax relief funds	2,778,639	2,778,639	2,778,640	1
Total noncategorical aid	\$ 4,611,655	\$ 4,611,655	\$ 4,518,651	\$ (93,004)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 329,872	\$ 329,872	\$ 343,436	\$ 13,564
Sheriff	2,338,370	2,338,370	2,388,158	49,788
Asset forfeiture	-	-	69,159	69,159
Commissioner of revenue	116,508	116,508	113,498	(3,010)
Treasurer	119,533	119,533	123,373	3,840
Registrar/electoral board	34,476	34,476	39,710	5,234
Clerk of the Circuit Court	246,833	255,033	277,289	22,256
Total shared expenses	<u>\$ 3,185,592</u>	<u>\$ 3,193,792</u>	<u>\$ 3,354,623</u>	<u>\$ 160,831</u>
Other categorical aid:				
Emergency medical services	\$ 37,000	\$ 37,000	\$ -	\$ (37,000)
Litter control grant	7,752	7,752	8,939	1,187
E911 wireless grant	54,812	54,812	41,435	(13,377)
Library grant	133,471	133,471	138,113	4,642
Abandoned auto program	15,000	15,000	4,750	(10,250)
Virginia Housing grant	65,000	65,000	40,019	(24,981)
Probation & pretrial	319,039	369,039	331,294	(37,745)
Victim-witness grant	62,492	62,492	48,151	(14,341)
Fire programs	100,000	100,000	141,324	41,324
Total other categorical aid	<u>\$ 794,566</u>	<u>\$ 844,566</u>	<u>\$ 754,025</u>	<u>\$ (90,541)</u>
Total categorical aid	<u>\$ 3,980,158</u>	<u>\$ 4,038,358</u>	<u>\$ 4,108,648</u>	<u>\$ 70,290</u>
Total revenue from the Commonwealth	<u>\$ 8,591,813</u>	<u>\$ 8,650,013</u>	<u>\$ 8,627,299</u>	<u>\$ (22,714)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant				
V-stop prosecutor grant	\$ 17,500	\$ 17,500	\$ 22,296	\$ 4,796
V-stop prosecutor grant - ARRA	-	-	13,873	13,873
Public assistance and welfare administration	70,000	70,000	82,451	12,451
Highway safety grant	-	28,828	22,509	(6,319)
State domestic preparedness grant	6,822	6,822	13,644	6,822
Other federal revenue	13,873	30,873	44,984	14,111
Total categorical aid	<u>\$ 108,195</u>	<u>\$ 154,023</u>	<u>\$ 199,757</u>	<u>\$ 45,734</u>
Total revenue from the federal government	<u>\$ 108,195</u>	<u>\$ 154,023</u>	<u>\$ 199,757</u>	<u>\$ 45,734</u>
Total General Fund	<u>\$ 50,329,027</u>	<u>\$ 50,470,207</u>	<u>\$ 51,123,257</u>	<u>\$ 653,050</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (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 revenue:				
Other miscellaneous	\$ -	\$ -	\$ 1,161	\$ 1,161
Total miscellaneous revenue	\$ -	\$ -	\$ 1,161	\$ 1,161
Total revenue from local sources	\$ -	\$ -	\$ 1,161	\$ 1,161
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 947,236	\$ 947,236	\$ 833,598	\$ (113,638)
Total categorical aid	\$ 947,236	\$ 947,236	\$ 833,598	\$ (113,638)
Total revenue from the Commonwealth	\$ 947,236	\$ 947,236	\$ 833,598	\$ (113,638)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,468,826	\$ 1,468,826	\$ 1,273,041	\$ (195,785)
Total categorical aid	\$ 1,468,826	\$ 1,468,826	\$ 1,273,041	\$ (195,785)
Total revenue from the federal government	\$ 1,468,826	\$ 1,468,826	\$ 1,273,041	\$ (195,785)
Total Virginia Public Assistance Fund	\$ 2,416,062	\$ 2,416,062	\$ 2,107,800	\$ (308,262)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,185	\$ 4,185	\$ 28,884	\$ 24,699
Total revenue from local sources	\$ 4,185	\$ 4,185	\$ 28,884	\$ 24,699
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 701,609	\$ 701,609	\$ 568,405	\$ (133,204)
Public assistance and welfare administration	2,565	2,565	2,427	(138)
Other miscellaneous	-	-	3,130	3,130
Total categorical aid	\$ 704,174	\$ 704,174	\$ 573,962	\$ (130,212)
Total revenue from the Commonwealth	\$ 704,174	\$ 704,174	\$ 573,962	\$ (130,212)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 20,250	\$ 20,250	\$ 19,160	\$ (1,090)
Total categorical aid	\$ 20,250	\$ 20,250	\$ 19,160	\$ (1,090)
Total revenue from the federal government	\$ 20,250	\$ 20,250	\$ 19,160	\$ (1,090)
Total Comprehensive Services Act Fund	\$ 728,609	\$ 728,609	\$ 622,006	\$ (106,603)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Debt Service Fund:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 152,520	\$ 152,520
Total miscellaneous revenue	\$ -	\$ -	\$ 152,520	\$ 152,520
Total Debt Service Fund	\$ -	\$ -	\$ 152,520	\$ 152,520
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 251	\$ 251
Total revenue from use of money and property	\$ -	\$ -	\$ 251	\$ 251
Miscellaneous revenue:				
Donations or other miscellaneous	\$ 75,000	\$ 75,000	\$ 34,976	\$ (40,024)
Total miscellaneous revenue	\$ 75,000	\$ 75,000	\$ 34,976	\$ (40,024)
Total revenue from local sources	\$ 75,000	\$ 75,000	\$ 35,227	\$ (39,773)
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ -	\$ -	\$ 150,000	\$ 150,000
Woodville entrance grant	-	-	215,387	215,387
Acquisition/elevation grant	300,000	300,000	117,293	(182,707)
Total categorical aid	\$ 300,000	\$ 300,000	\$ 482,680	\$ 182,680
Total revenue from the Commonwealth	\$ 300,000	\$ 300,000	\$ 482,680	\$ 182,680
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 288,000	\$ 288,000	\$ 102,994	\$ (185,006)
Acquisition/elevation grant	1,125,000	1,125,000	446,257	(678,743)
Total categorical aid	\$ 1,413,000	\$ 1,413,000	\$ 549,251	\$ (863,749)
Total revenue from the federal government	\$ 1,413,000	\$ 1,413,000	\$ 549,251	\$ (863,749)
Total County Capital Improvements Fund	\$ 1,788,000	\$ 1,788,000	\$ 1,067,158	\$ (720,842)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 807	\$ 807
Total revenue from use of money and property	\$ -	\$ -	\$ 807	\$ 807
Total School Construction Fund	\$ -	\$ -	\$ 807	\$ 807
Total Primary Government	\$ 55,261,698	\$ 55,402,878	\$ 55,073,548	\$ (329,330)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (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	\$ 2,770	\$ 270
Total revenue from use of money and property	\$ 2,500	\$ 2,500	\$ 2,770	\$ 270
Charges for services:				
Tuition and payments from other divisions	\$ 59,975	\$ 59,975	\$ 53,793	\$ (6,182)
Total charges for services	\$ 59,975	\$ 59,975	\$ 53,793	\$ (6,182)
Miscellaneous revenue:				
Other miscellaneous	\$ 50,000	\$ 50,000	\$ 44,781	\$ (5,219)
Total miscellaneous revenue	\$ 50,000	\$ 50,000	\$ 44,781	\$ (5,219)
Recovered costs:				
Medicaid reimbursements	\$ 150,000	\$ 150,000	\$ 183,325	\$ 33,325
Other recovered costs	170,000	170,000	138,796	(31,204)
Total recovered costs	\$ 320,000	\$ 320,000	\$ 322,121	\$ 2,121
Total revenue from local sources	\$ 432,475	\$ 432,475	\$ 423,465	\$ (9,010)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 20,430,332	\$ 20,509,618	\$ 20,463,658	\$ (45,960)
Total revenues from local governments	\$ 20,430,332	\$ 20,509,618	\$ 20,463,658	\$ (45,960)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,269,125	\$ 5,269,125	\$ 5,640,655	\$ 371,530
Basic school aid	15,368,049	15,368,049	14,991,555	(376,494)
ISAEF	15,717	15,717	15,717	-
Remedial summer education	52,778	52,778	8,652	(44,126)
Regular foster care	8,983	8,983	9,860	877
Adult secondary education	4,860	4,860	-	(4,860)
Gifted and talented	167,894	167,894	165,757	(2,137)
English as a second language	9,177	9,177	8,838	(339)
Special education	1,182,718	1,182,718	1,167,667	(15,051)
Textbook payment	196,025	196,025	193,531	(2,494)
Vocational standards of quality payments	346,980	346,980	342,565	(4,415)
Social security fringe benefits	884,240	884,240	872,988	(11,252)
Composite Index Adjustment	873,212	873,212	794,421	(78,791)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (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)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 264,899	\$ 264,899	\$ 261,528	\$ (3,371)
Retirement fringe benefits	522,336	522,336	515,689	(6,647)
Group life insurance fringe benefits	33,579	33,579	33,151	(428)
Early reading intervention	49,745	49,745	32,526	(17,219)
Project graduation	-	-	22,429	22,429
Homebound education	18,072	18,072	16,347	(1,725)
Regional program tuition	516,171	516,171	447,587	(68,584)
Vocational educational equipment	17,000	17,000	20,619	3,619
Special education - foster children	-	-	6,091	6,091
VI teacher	2,050	2,050	2,058	8
At risk payments	170,042	170,042	167,898	(2,144)
National Board Certification TC	35,000	35,000	27,500	(7,500)
Industry credential student	7,500	7,500	8,974	1,474
Primary class size	113,103	113,103	110,585	(2,518)
VA Preschool	68,008	68,008	68,008	-
Technology	284,000	284,000	-	(284,000)
Race to GED	-	-	14,979	14,979
Standards of Learning algebra readiness	39,313	39,313	35,296	(4,017)
Mentor teacher program	3,232	3,232	5,338	2,106
Other state funds	-	-	7,940	7,940
Total categorical aid	\$ 26,523,808	\$ 26,523,808	\$ 26,016,749	\$ (507,059)
Total revenue from the Commonwealth	\$ 26,523,808	\$ 26,523,808	\$ 26,016,749	\$ (507,059)
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 43,960	\$ 43,960	\$ -	\$ (43,960)
Title I	851,421	851,421	632,134	(219,287)
Title I, Federal Stimulus	286,669	286,669	249,107	(37,562)
State fiscal stabilization funds, Federal Stimulus	728,783	994,729	730,887	(263,842)
Federal Stimulus	-	500,000	-	(500,000)
Title VI-B, special education	1,254,460	1,254,460	1,252,364	(2,096)
Title VI-B, special education, Federal Stimulus	751,829	751,829	741,469	(10,360)
Vocational education	84,924	84,924	86,312	1,388
Title IID	9,227	9,227	8,195	(1,032)
Title IID, Federal Stimulus	-	-	23,778	23,778
Title II	259,157	259,157	234,624	(24,533)
Impact aid	70,000	70,000	84,427	14,427

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (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)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 64,000	\$ 64,000	\$ 66,829	\$ 2,829
Other federal funds	150,000	150,000	-	(150,000)
Total categorical aid	<u>\$ 4,554,430</u>	<u>\$ 5,320,376</u>	<u>\$ 4,110,126</u>	<u>\$ (1,210,250)</u>
Total revenue from the federal government	<u>\$ 4,554,430</u>	<u>\$ 5,320,376</u>	<u>\$ 4,110,126</u>	<u>\$ (1,210,250)</u>
Total School Operating Fund	<u><u>\$ 51,941,045</u></u>	<u><u>\$ 52,786,277</u></u>	<u><u>\$ 51,013,998</u></u>	<u><u>\$ (1,772,279)</u></u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 3,488	\$ (8,512)
Total revenue from use of money and property	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 3,488</u>	<u>\$ (8,512)</u>
Charges for services:				
Cafeteria sales	\$ 1,392,750	\$ 1,392,750	\$ 1,074,441	\$ (318,309)
Other charges for services	56,000	56,000	46,484	(9,516)
Total charges for services	<u>\$ 1,448,750</u>	<u>\$ 1,448,750</u>	<u>\$ 1,120,925</u>	<u>\$ (327,825)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 14,000	\$ 14,000	\$ 10,612	\$ (3,388)
Total miscellaneous revenue	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 10,612</u>	<u>\$ (3,388)</u>
Total revenue from local sources	<u>\$ 1,474,750</u>	<u>\$ 1,474,750</u>	<u>\$ 1,135,025</u>	<u>\$ (339,725)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 43,193	\$ 43,193	\$ 45,148	\$ 1,955
Total revenue from the Commonwealth	<u>\$ 43,193</u>	<u>\$ 43,193</u>	<u>\$ 45,148</u>	<u>\$ 1,955</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 863,000	\$ 863,000	\$ 934,998	\$ 71,998
USDA commodities	-	-	162,689	162,689
Total categorical aid	<u>\$ 863,000</u>	<u>\$ 863,000</u>	<u>\$ 1,097,687</u>	<u>\$ 234,687</u>
Total revenue from the federal government	<u>\$ 863,000</u>	<u>\$ 863,000</u>	<u>\$ 1,097,687</u>	<u>\$ 234,687</u>
Total School Cafeteria Fund	<u><u>\$ 2,380,943</u></u>	<u><u>\$ 2,380,943</u></u>	<u><u>\$ 2,277,860</u></u>	<u><u>\$ (103,083)</u></u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 54,321,988</u></u>	<u><u>\$ 55,167,220</u></u>	<u><u>\$ 53,291,858</u></u>	<u><u>\$ (1,875,362)</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule 2

Page 1 of 5

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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	\$ 89,068	\$ 89,068	\$ 80,465	\$ 8,603
General and financial administration:				
County administrator	\$ 720,473	\$ 428,308	\$ 422,833	\$ 5,475
Human resources	297,243	305,343	304,027	1,316
County attorney	288,074	292,300	239,461	52,839
Commissioner of revenue	455,150	454,754	408,698	46,056
County assessor	393,139	419,139	302,253	116,886
Treasurer	637,439	638,227	550,683	87,544
Finance	384,726	385,055	380,219	4,836
Department of information technology	1,092,760	1,130,937	1,130,933	4
Purchasing	262,798	262,798	232,817	29,981
Other general and financial administration	281,299	275,794	180,002	95,792
Total general and financial administration	\$ 4,813,101	\$ 4,592,655	\$ 4,151,926	\$ 440,729
Board of elections:				
Electoral board and officials	\$ 177,438	\$ 177,438	\$ 159,593	\$ 17,845
Total board of elections	\$ 177,438	\$ 177,438	\$ 159,593	\$ 17,845
Total general government administration	\$ 5,079,607	\$ 4,859,161	\$ 4,391,984	\$ 467,177
Judicial administration:				
Courts:				
Circuit court	\$ 72,530	\$ 72,530	\$ 71,265	\$ 1,265
General district court	36,500	36,500	19,816	16,684
Commissioner of accounts	600	600	518	82
Magistrate	2,200	2,200	997	1,203
Juvenile and domestic relations district court	19,475	19,475	15,916	3,559
Clerk of the circuit court	404,530	412,730	392,396	20,334
Victim and witness assistance	69,203	69,203	59,980	9,223
Court services unit	191,940	191,940	175,245	16,695
Group home commission	210,615	210,615	210,789	(174)
Total courts	\$ 1,007,593	\$ 1,015,793	\$ 946,922	\$ 68,871
Commonwealth's attorney:				
Commonwealth's attorney	\$ 613,691	\$ 613,691	\$ 564,591	\$ 49,100
Total commonwealth's attorney	\$ 613,691	\$ 613,691	\$ 564,591	\$ 49,100
Total judicial administration	\$ 1,621,284	\$ 1,629,484	\$ 1,511,513	\$ 117,971
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,436,633	\$ 4,503,461	\$ 4,375,465	\$ 127,996
Emergency operations center	244,586	244,586	255,367	(10,781)
Total law enforcement and traffic control	\$ 4,681,219	\$ 4,748,047	\$ 4,630,832	\$ 117,215

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (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	\$ 1,776,540	\$ 1,776,540	\$ 1,780,864	\$ (4,324)
Radio system	127,884	127,884	95,549	32,335
State forestry service	8,039	8,039	8,040	(1)
Office of emergency services	112,623	152,123	146,941	5,182
Total fire and rescue services	<u>\$ 2,025,086</u>	<u>\$ 2,064,586</u>	<u>\$ 2,031,394</u>	<u>\$ 33,192</u>
Correction and detention:				
County operated institutions	\$ 2,538,028	\$ 2,530,264	\$ 2,090,648	\$ 439,616
Probation & pretrial	402,388	402,388	376,515	25,873
Total correction and detention	<u>\$ 2,940,416</u>	<u>\$ 2,932,652</u>	<u>\$ 2,467,163</u>	<u>\$ 465,489</u>
Inspections:				
Building	\$ 790,048	\$ 792,768	\$ 767,985	\$ 24,783
Total inspections	<u>\$ 790,048</u>	<u>\$ 792,768</u>	<u>\$ 767,985</u>	<u>\$ 24,783</u>
Other protection:				
Animal control	\$ 349,726	\$ 349,726	\$ 339,808	\$ 9,918
Medical examiner	500	500	340	160
Total other protection	<u>\$ 350,226</u>	<u>\$ 350,226</u>	<u>\$ 340,148</u>	<u>\$ 10,078</u>
Total public safety	<u>\$ 10,786,995</u>	<u>\$ 10,888,279</u>	<u>\$ 10,237,522</u>	<u>\$ 650,757</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 244,886	\$ 245,586	\$ 242,457	\$ 3,129
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 244,886</u>	<u>\$ 245,586</u>	<u>\$ 242,457</u>	<u>\$ 3,129</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,300	\$ 9,300	\$ 5,804	\$ 3,496
Total sanitation and waste removal	<u>\$ 9,300</u>	<u>\$ 9,300</u>	<u>\$ 5,804</u>	<u>\$ 3,496</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,664,649	\$ 1,661,053	\$ 1,630,751	\$ 30,302
Total maintenance of general buildings and grounds	<u>\$ 1,664,649</u>	<u>\$ 1,661,053</u>	<u>\$ 1,630,751</u>	<u>\$ 30,302</u>
Total public works	<u>\$ 1,918,835</u>	<u>\$ 1,915,939</u>	<u>\$ 1,879,012</u>	<u>\$ 36,927</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 460,173	\$ 465,678	\$ 465,678	\$ -
Mosquito control	93,720	93,720	87,129	6,591
Total health	<u>\$ 553,893</u>	<u>\$ 559,398</u>	<u>\$ 552,807</u>	<u>\$ 6,591</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (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	\$ 113,455	\$ 113,455	\$ 113,455	\$ -
Total mental health and mental retardation	\$ 113,455	\$ 113,455	\$ 113,455	\$ -
Total health and welfare	\$ 667,348	\$ 672,853	\$ 666,262	\$ 6,591
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 11,889	\$ 11,889	\$ 11,889	\$ -
Contribution to community education	483,273	483,273	476,559	6,714
Cable services	38,818	38,818	17,858	20,960
Contribution to County School Board	20,430,332	20,509,618	20,463,658	45,960
Total education	\$ 20,964,312	\$ 21,043,598	\$ 20,969,964	\$ 73,634
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 747,978	\$ 750,050	\$ 703,136	\$ 46,914
Beaverdam reservoir park	176,964	177,782	172,973	4,809
Total parks and recreation	\$ 924,942	\$ 927,832	\$ 876,109	\$ 51,723
Cultural enrichment:				
Daffodil festival	\$ 40,000	\$ 40,000	\$ 44,233	\$ (4,233)
Historical committee	56,612	56,612	50,975	5,637
Total cultural enrichment	\$ 96,612	\$ 96,612	\$ 95,208	\$ 1,404
Library:				
Contribution to county library	\$ 917,211	\$ 939,731	\$ 863,502	\$ 76,229
Total library	\$ 917,211	\$ 939,731	\$ 863,502	\$ 76,229
Total parks, recreation, and cultural	\$ 1,938,765	\$ 1,964,175	\$ 1,834,819	\$ 129,356
Community development:				
Planning and community development:				
Community development	\$ 399,985	\$ 456,225	\$ 345,762	\$ 110,463
Tourism	108,561	108,561	88,574	19,987
Economic development	212,190	212,190	211,709	481
Contribution to Industrial Development Authority	-	-	211	(211)
Total planning and community development	\$ 720,736	\$ 776,976	\$ 646,256	\$ 130,720
Environmental management:				
Clean community program	\$ 31,446	\$ 31,446	\$ 14,713	\$ 16,733
Total environmental management	\$ 31,446	\$ 31,446	\$ 14,713	\$ 16,733
Cooperative extension program:				
Extension office	\$ 90,392	\$ 90,392	\$ 70,358	\$ 20,034
Total cooperative extension program	\$ 90,392	\$ 90,392	\$ 70,358	\$ 20,034
Total community development	\$ 842,574	\$ 898,814	\$ 731,327	\$ 167,487

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (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	\$ 263,170	\$ 263,170	\$ 263,170	\$ -
Total nondepartmental	\$ 263,170	\$ 263,170	\$ 263,170	\$ -
Total General Fund	\$ 44,082,890	\$ 44,135,473	\$ 42,485,573	\$ 1,649,900
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,987,431	\$ 1,987,431	\$ 1,819,363	\$ 168,068
Public assistance	652,200	665,050	571,728	93,322
Purchased services	503,900	490,400	294,122	196,278
Grants	8,200	8,850	6,100	2,750
Board of public welfare	4,612	4,612	4,247	365
Total welfare and social services	\$ 3,156,343	\$ 3,156,343	\$ 2,695,560	\$ 460,783
Total health and welfare	\$ 3,156,343	\$ 3,156,343	\$ 2,695,560	\$ 460,783
Total Virginia Public Assistance Fund	\$ 3,156,343	\$ 3,156,343	\$ 2,695,560	\$ 460,783
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,247,000	\$ 1,247,000	\$ 1,126,152	\$ 120,848
Total Comprehensive Services Act Fund	\$ 1,247,000	\$ 1,247,000	\$ 1,126,152	\$ 120,848
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,394,093	\$ 3,394,093	\$ 3,394,093	\$ -
Interest and other fiscal charges	1,713,996	1,866,516	1,858,998	7,518
Total Debt Service Fund	\$ 5,108,089	\$ 5,260,609	\$ 5,253,091	\$ 7,518
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 3,860,000	\$ 3,743,559	\$ 1,406,864	\$ 2,336,695
Equipment and vehicles	40,000	604,376	431,326	173,050
Total capital projects	\$ 3,900,000	\$ 4,347,935	\$ 1,838,190	\$ 2,509,745
Total County Capital Improvements Fund	\$ 3,900,000	\$ 4,347,935	\$ 1,838,190	\$ 2,509,745
School Construction Fund:				
Capital projects expenditures:				
Page Middle School	\$ -	\$ 1,500,000	\$ 1,087,294	\$ 412,706
Total capital projects	\$ -	\$ 1,500,000	\$ 1,087,294	\$ 412,706
Total School Construction Fund	\$ -	\$ 1,500,000	\$ 1,087,294	\$ 412,706
Total Primary Government	\$ 57,494,322	\$ 59,647,360	\$ 54,485,860	\$ 5,161,500

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (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:				
Administration of schools:				
School board	\$ 150,330	\$ 150,330	\$ 144,562	\$ 5,768
Executive administration services	425,964	425,964	425,087	877
Personnel	301,287	301,287	288,393	12,894
Fiscal services	319,392	319,392	317,299	2,093
Total administration of schools	<u>\$ 1,196,973</u>	<u>\$ 1,196,973</u>	<u>\$ 1,175,341</u>	<u>\$ 21,632</u>
Instruction costs:				
Elementary and secondary schools	\$ 40,851,534	\$ 41,565,589	\$ 39,901,482	\$ 1,664,107
Total instruction costs	<u>40,851,534</u>	<u>41,565,589</u>	<u>39,901,482</u>	<u>1,664,107</u>
Operating costs:				
Attendance and health services	\$ 895,922	\$ 925,922	\$ 883,525	\$ 42,397
Pupil transportation	3,745,054	3,745,054	3,743,642	1,412
Operation and maintenance of school plant	5,251,562	5,352,739	5,310,008	42,731
Total operating costs	<u>\$ 9,892,538</u>	<u>\$ 10,023,715</u>	<u>\$ 9,937,175</u>	<u>\$ 86,540</u>
Total education	<u>\$ 51,941,045</u>	<u>\$ 52,786,277</u>	<u>\$ 51,013,998</u>	<u>\$ 1,772,279</u>
Total School Fund	<u>\$ 51,941,045</u>	<u>\$ 52,786,277</u>	<u>\$ 51,013,998</u>	<u>\$ 1,772,279</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,405,943	\$ 2,405,943	\$ 2,035,431	\$ 370,512
USDA commodities	-	-	162,689	(162,689)
Total school food services	<u>\$ 2,405,943</u>	<u>\$ 2,405,943</u>	<u>\$ 2,198,120</u>	<u>\$ 207,823</u>
Total education	<u>\$ 2,405,943</u>	<u>\$ 2,405,943</u>	<u>\$ 2,198,120</u>	<u>\$ 207,823</u>
Total Cafeteria Fund	<u>\$ 2,405,943</u>	<u>\$ 2,405,943</u>	<u>\$ 2,198,120</u>	<u>\$ 207,823</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 54,346,988</u>	<u>\$ 55,192,220</u>	<u>\$ 53,212,118</u>	<u>\$ 1,980,102</u>

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Statistical Section

Contents

Tables

Financial Trends

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

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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 - 7

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.

8 - 10

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.

11 - 12

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.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

COUNTY OF GLOUCESTER, VIRGINIA

Net Assets by Component
 Last Nine Fiscal Years
(accrual basis of accounting)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 13,656,652	\$ 12,177,861	\$ 9,990,778	\$ 6,263,692
Restricted	-	-	-	-
Unrestricted	20,720,020	16,694,480	15,820,860	21,316,656
Total governmental activities net assets	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>	<u>\$ 27,580,348</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 9,328,625	\$ 7,299,353	\$ 6,653,014	\$ 6,500,868
Restricted	2,031,743	2,025,385	2,015,652	-
Unrestricted	1,733,605	2,177,368	2,575,848	3,192,808
Total business-type activities net assets	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>	<u>\$ 9,693,676</u>
Primary government				
Invested in capital assets, net of related debt	\$ 22,985,277	\$ 19,477,214	\$ 16,643,792	\$ 12,764,560
Restricted	2,031,743	2,025,385	2,015,652	-
Unrestricted	22,453,625	18,871,848	18,396,708	24,509,464
Total primary government net assets	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>	<u>\$ 37,274,024</u>

Table 1

2007	2006	2005	2004	2003	
\$ 8,637,111	\$ 6,392,933	\$ 7,027,169	\$ 5,429,820	\$ 6,404,714	
-	367,597	398,179	510,268	699,863	
19,609,128	21,155,013	22,429,995	20,952,949	15,044,364	
<u>\$ 28,246,239</u>	<u>\$ 27,915,543</u>	<u>\$ 29,855,343</u>	<u>\$ 26,893,037</u>	<u>\$ 22,148,941</u>	
\$ 6,421,570	\$ 3,676,016	\$ 2,018,698	\$ 492,739	\$ (1,696,961)	
-	-	-	-	-	
2,047,347	756,386	1,584,243	3,028,317	5,442,930	
<u>\$ 8,468,917</u>	<u>\$ 4,432,402</u>	<u>\$ 3,602,941</u>	<u>\$ 3,521,056</u>	<u>\$ 3,745,969</u>	
\$ 15,058,681	\$ 10,068,949	\$ 9,045,867	\$ 5,922,559	\$ 4,707,753	
-	367,597	398,179	510,268	699,863	
21,656,475	21,911,399	24,014,238	23,981,266	20,487,294	
<u>\$ 36,715,156</u>	<u>\$ 32,347,945</u>	<u>\$ 33,458,284</u>	<u>\$ 30,414,093</u>	<u>\$ 25,894,910</u>	

Changes in Net Assets, Last Nine Fiscal Years

(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities:									
General government administration	\$ 4,526,232	\$ 4,654,227	\$ 4,868,825	\$ 5,059,027	\$ 4,385,731	\$ 4,361,409	\$ 3,847,340	\$ 3,514,851	\$ 3,515,036
Judicial administration	1,685,971	1,629,116	1,784,423	1,789,176	1,498,764	1,437,573	1,394,318	1,354,943	1,634,531
Public safety	10,660,881	10,652,290	10,900,401	11,897,730	10,480,141	9,293,694	8,505,036	8,842,271	7,242,241
Public works	2,097,050	1,929,966	1,955,625	1,991,262	2,032,499	1,676,331	1,469,138	1,453,010	1,434,062
Health and welfare	4,531,487	4,533,563	4,429,077	4,065,857	3,953,184	3,728,909	3,800,505	3,411,223	3,249,649
Education	24,091,981	22,357,066	27,072,029	24,969,859	23,035,692	24,779,632	20,447,731	19,006,986	18,371,729
Parks, recreation, culture	1,922,593	1,824,076	2,170,357	2,015,572	1,898,798	1,883,177	1,508,612	2,719,637	4,180,678
Community development	1,599,847	2,299,482	2,255,957	2,780,816	1,534,243	1,027,936	1,129,146	1,245,316	1,777,142
Interest on long-term debt	1,751,068	2,057,826	2,726,734	1,754,490	1,559,087	1,611,850	1,694,134	1,986,667	1,944,817
Total governmental activities expenses	\$ 52,867,110	\$ 51,937,612	\$ 58,163,428	\$ 56,323,789	\$ 50,378,139	\$ 49,800,511	\$ 43,795,960	\$ 43,534,904	\$ 43,349,885
Business-type activities:									
Public utilities	\$ 4,264,717	\$ 4,572,653	\$ 4,459,194	\$ 4,223,756	\$ 3,963,709	\$ 3,864,376	\$ 3,775,728	\$ 3,781,079	\$ 3,446,672
Total business-type activities expenses	\$ 4,264,717	\$ 4,572,653	\$ 4,459,194	\$ 4,223,756	\$ 3,963,709	\$ 3,864,376	\$ 3,775,728	\$ 3,781,079	\$ 3,446,672
Total Primary government expenses	\$ 57,131,827	\$ 56,510,265	\$ 62,622,622	\$ 60,547,545	\$ 54,341,848	\$ 53,664,887	\$ 47,571,688	\$ 47,315,983	\$ 46,796,557
Program Revenues									
Governmental activities:									
Charges for services									
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,708	\$ 14,787	\$ -	\$ -
Judicial administration	248,950	257,806	246,684	336,565	317,029	310,705	300,909	104,569	243,866
Public safety	297,524	332,743	476,364	544,106	51,673	43,548	381,615	506,593	3,464
Public works	149,214	256,838	387,726	390,002	378,457	372,641	485,569	453,178	526,524
Education	311	555	152	1,676	1,584	1,967	-	-	4,588
Parks, recreation, culture	351,840	341,498	355,746	362,618	321,156	356,987	308,486	289,514	277,030
Community development	18,895	33,309	28,013	27,180	579,845	439,566	17,169	27,464	10,483
Operating grants and contributions	7,130,907	7,275,332	8,963,448	7,595,236	7,314,692	6,825,175	6,905,210	6,892,182	5,927,266
Capital grants and contributions	4,703,030	1,382,366	978,111	1,948,761	1,069,233	1,086,133	208,270	657,824	461,189
Total governmental activities program revenues	\$ 12,900,671	\$ 9,880,447	\$ 11,436,244	\$ 11,206,144	\$ 10,033,669	\$ 9,456,430	\$ 8,622,015	\$ 8,931,324	\$ 7,465,977
Business-type activities:									
Charges for services	\$ 4,212,115	\$ 3,984,395	\$ 3,155,016	\$ 3,332,589	\$ 3,072,172	\$ 3,312,253	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
Operating grants and contributions	-	188,300	407,040	1,058,499	705,200	26,943	-	-	-
Capital grants and contributions	1,007,300	-	1,548,183	-	3,036,901	214,190	-	-	-
Total business-type activities program revenues	\$ 5,219,415	\$ 4,172,695	\$ 5,110,239	\$ 4,391,088	\$ 6,814,273	\$ 3,553,386	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
Total primary government program revenue	\$ 18,120,086	\$ 14,053,142	\$ 16,546,483	\$ 15,597,232	\$ 16,847,942	\$ 13,009,816	\$ 11,422,753	\$ 11,707,986	\$ 10,426,066
Net(Expense)/Revenue									
Governmental activities	\$ (39,966,439)	\$ (42,057,165)	\$ (46,727,184)	\$ (45,117,645)	\$ (40,344,470)	\$ (40,344,081)	\$ (35,173,945)	\$ (34,603,580)	\$ (35,883,908)
Business-type activities	954,698	(399,958)	651,045	167,332	2,850,564	(310,990)	(974,990)	(1,004,417)	(486,583)
Total primary government net expense	\$ (39,011,741)	\$ (42,457,123)	\$ (46,076,139)	\$ (44,950,313)	\$ (37,493,906)	\$ (40,655,071)	\$ (36,148,935)	\$ (35,607,997)	\$ (36,370,491)

Changes in Net Assets, Last Nine Fiscal Years

(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
General property taxes	\$ 32,588,654	\$ 32,195,182	\$ 31,934,077	\$ 30,064,891	\$ 27,475,955	\$ 23,039,459	\$ 25,460,056	\$ 26,844,694	\$ 23,117,558
Local sales and use tax	3,537,751	3,547,316	3,622,137	3,944,337	3,913,265	3,774,673	3,556,343	-	-
Communication sales tax	-	1,258,546	1,267,909	1,453,787	607,676	-	-	-	-
Consumer utility tax	700,959	698,238	695,930	686,877	1,217,097	1,744,135	1,790,229	-	-
Business license taxes	1,446,819	1,384,024	1,436,852	1,569,709	1,518,015	1,403,834	-	-	-
Restaurant food taxes	1,669,468	1,632,857	1,616,050	1,660,639	1,576,236	1,310,000	-	-	-
Other local taxes	833,117	1,206,722	1,229,135	1,322,440	1,523,777	2,001,784	4,804,057	9,429,641	8,558,339
Unrestricted revenues from use of money and property	159,151	203,980	273,362	951,284	1,318,342	668,054	440,890	221,448	280,952
Miscellaneous	516,200	477,007	543,271	583,074	719,956	853,784	213,490	1,375,249	3,539,593
Grants and contributions not restricted to specific programs	4,518,651	3,013,996	3,019,751	3,014,716	1,727,129	4,508,558	2,769,484	2,906,969	2,775,813
Loss on disposal of capital assets	-	-	-	-	(22,282)	-	-	-	-
Transfers	(500,000)	(500,000)	(680,000)	(800,000)	(900,000)	(900,000)	(897,298)	(700,000)	(694,872)
Total governmental activities	\$ 45,470,770	\$ 45,117,868	\$ 44,958,474	\$ 44,451,754	\$ 40,675,166	\$ 38,404,281	\$ 38,137,251	\$ 40,078,001	\$ 37,577,383
Business-type activities:									
General property taxes	\$ 38,638	\$ 37,470	\$ 36,179	\$ 36,222	\$ 36,441	\$ 37,861	\$ 41,988	\$ 43,111	\$ 40,639
Unrestricted revenues from use of money and property	98,531	120,080	183,614	221,205	249,510	202,590	117,589	36,393	94,144
Transfers	500,000	500,000	680,000	800,000	900,000	900,000	897,298	700,000	694,872
Total business-type activities	\$ 637,169	\$ 657,550	\$ 899,793	\$ 1,057,427	\$ 1,185,951	\$ 1,140,451	\$ 1,056,875	\$ 779,504	\$ 829,655
Total primary government	\$ 46,107,939	\$ 45,775,418	\$ 45,858,267	\$ 45,509,181	\$ 41,861,117	\$ 39,544,732	\$ 39,194,126	\$ 40,857,505	\$ 38,407,038
Change in Net Assets									
Governmental activities	\$ 5,504,331	\$ 3,060,703	\$ (1,768,710)	\$ (665,891)	\$ 330,696	\$ (1,939,800)	\$ 2,963,306	\$ 5,474,421	\$ 1,693,475
Business-type activities	1,591,867	257,592	1,550,838	1,224,759	4,036,515	829,461	81,885	(224,913)	343,072
Total primary government	\$ 7,096,198	\$ 3,318,295	\$ (217,872)	\$ 558,868	\$ 4,367,211	\$ (1,110,339)	\$ 3,045,191	\$ 5,249,508	\$ 2,036,547

COUNTY OF GLOUCESTER, VIRGINIA

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund					
Reserved	\$ -	\$ 149,442	\$ 238,285	\$ 495,576	\$ 500,502
Unreserved	-	14,334,402	12,622,904	13,140,232	12,994,355
Nonspendable	50,598	-	-	-	-
Restricted	132,450	-	-	-	-
Committed	799,389	-	-	-	-
Assigned	14,967,748	-	-	-	-
Total General Fund	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>	<u>\$ 13,635,808</u>	<u>\$ 13,494,857</u>
All Other Governmental Funds					
Reserved	\$ -	\$ 19,000	\$ 19,000	\$ 2,389,898	\$ 6,150,997
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	808	649	801
Capital projects funds	-	2,810,371	3,678,708	5,466,719	6,585,325
Restricted	19,000	-	-	-	-
Committed	5,225,558	-	-	-	-
Total all other governmental funds	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>	<u>\$ 7,857,266</u>	<u>\$ 12,737,123</u>

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY 2011. 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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 556,862	\$ 398,179	\$ 510,268	\$ 731,387	\$ 943,221
15,953,192	15,503,657	17,620,647	11,933,486	9,794,702
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 16,510,054</u>	<u>\$ 15,901,836</u>	<u>\$ 18,130,915</u>	<u>\$ 12,664,873</u>	<u>\$ 10,737,923</u>
\$ -	\$ -	\$ -	\$ -	\$ -
63,974	63,974	169,644	127,218	-
75,116	24,165	488	280	-
3,847,743	4,032,730	8,167,302	2,445,595	3,293,077
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,986,833</u>	<u>\$ 4,120,869</u>	<u>\$ 8,337,434</u>	<u>\$ 2,573,093</u>	<u>\$ 3,293,077</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2011	2010	2009	2008
REVENUES				
General property taxes	\$ 32,277,667	\$ 31,916,749	\$ 32,090,454	\$ 29,677,158
Other local taxes	8,188,114	9,727,703	9,868,013	10,637,789
Permits, privilege fees, and regulatory licenses	262,490	285,060	421,907	505,444
Fines and forfeitures	87,571	120,804	94,148	111,970
Revenue from the use of money and property	159,151	203,980	273,362	909,595
Charges for services	716,673	816,885	978,630	1,044,733
Miscellaneous	516,200	477,007	543,271	583,074
Recovered costs	306,934	360,700	413,418	300,414
Intergovernmental revenues:				
Other local governments	-	-	-	-
Commonwealth	10,517,539	9,033,241	9,927,995	9,467,389
Federal	2,041,209	2,638,453	2,940,280	3,091,324
Total revenues	\$ 55,073,548	\$ 55,580,582	\$ 57,551,478	\$ 56,328,890
EXPENDITURES				
Current:				
General government administration	\$ 4,391,984	\$ 4,796,836	\$ 4,766,294	\$ 4,744,278
Judicial administration	1,511,513	1,473,565	1,619,429	1,616,046
Public safety	10,237,522	10,430,536	10,622,469	10,657,869
Public works	1,879,012	1,866,165	1,873,556	1,820,371
Health and welfare	4,487,974	4,482,064	4,348,208	4,001,667
Education	20,969,964	20,323,168	21,703,289	21,561,837
Parks, recreation, and cultural	1,834,819	1,857,339	1,970,594	2,040,444
Community development	731,327	728,581	776,991	828,242
Nondepartmental	263,170	272,035	272,035	271,250
Capital projects	2,925,484	2,698,567	19,493,940	15,512,754
Debt service:				
Principal retirement	3,394,093	3,385,644	3,055,466	2,317,442
Interest and other fiscal charges	1,858,998	2,012,572	2,547,578	1,603,656
Total expenditures	\$ 54,485,860	\$ 54,327,072	\$ 73,049,849	\$ 66,975,856
Excess (deficiency) of revenues over (under) expenditures	\$ 587,688	\$ 1,253,510	\$ (15,498,371)	\$ (10,646,966)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 6,671,343	\$ 6,578,300	\$ 7,891,873	\$ 6,288,819
Transfers out	(7,171,343)	(7,078,300)	(8,571,873)	(7,088,819)
Proceeds from general obligation bonds	-	-	-	6,364,713
Proceeds from bond issuance premium	-	-	-	343,349
Proceeds of capital leases	-	-	11,245,000	-
Insurance recovery	3,793,840	-	-	-
Advance refunding of bonds	-	-	-	-
Refunding of capital lease	-	-	-	-
Total other financing sources (uses)	\$ 3,293,840	\$ (500,000)	\$ 10,565,000	\$ 5,908,062
Net change in fund balances	\$ 3,881,528	\$ 753,510	\$ (4,933,371)	\$ (4,738,904)
Fund balances - beginning	17,313,215	16,559,705	21,493,076	26,231,980
Fund balances - ending	\$ 21,194,743	\$ 17,313,215	\$ 16,559,705	\$ 21,493,076
Debt Service as a percentage of noncapital expenditures	13.23%	10.26%	9.88%	6.76%

N/A - This information was unavailable.

Table 4

2007	2006	2005	2004	2003	2002
\$ 27,371,520	\$ 26,432,859	\$ 25,361,237	\$ 24,578,024	\$ 23,089,347	\$ 21,735,807
10,356,066	10,234,426	10,150,629	9,429,641	8,190,587	7,534,250
561,291	442,365	358,550	325,348	367,752	301,641
90,068	99,699	124,446	94,788	69,936	77,277
1,296,199	645,911	418,748	206,686	280,952	178,440
998,385	1,003,058	1,025,539	961,182	1,007,586	873,832
719,956	853,784	213,490	1,375,249	3,539,593	183,417
242,889	224,721	187,266	235,694	327,999	308,160
-	-	-	-	-	65,000
8,822,084	8,287,161	7,513,836	7,561,900	7,137,791	7,939,865
2,678,290	2,743,385	2,368,128	2,895,075	2,026,477	2,142,757
\$ 53,136,748	\$ 50,967,369	\$ 47,721,869	\$ 47,663,587	\$ 46,038,020	\$ 41,340,446
\$ 4,292,566	\$ 4,114,209	\$ 3,716,011	\$ 3,252,076	\$ 3,264,643	\$ 3,296,403
1,311,561	1,256,090	1,188,720	1,134,736	1,072,443	1,194,277
10,124,699	8,832,107	8,495,083	8,652,538	7,017,379	6,851,651
1,717,936	1,606,088	1,485,546	1,453,195	1,349,677	1,191,479
3,920,276	3,685,808	3,744,821	3,386,685	3,296,833	2,892,104
20,123,728	18,415,298	17,195,819	16,080,604	15,708,844	14,858,211
1,879,698	1,708,483	1,486,361	1,242,768	1,112,185	1,084,547
908,769	803,212	735,022	726,647	794,845	646,556
242,300	199,126	165,327	1,362,005	3,673,350	668,639
5,091,488	5,173,233	10,227,835	2,541,164	2,880,899	7,320,020
2,125,399	2,237,523	3,041,103	2,186,094	2,288,399	2,637,212
1,430,257	2,202,010	1,788,567	1,682,544	1,972,079	2,144,126
\$ 53,168,677	\$ 50,233,187	\$ 53,270,215	\$ 43,701,056	\$ 44,431,576	\$ 44,785,225
\$ (31,929)	\$ 734,182	\$ (5,548,346)	\$ 3,962,531	\$ 1,606,444	\$ (3,444,779)
\$ 10,171,364	\$ 8,122,258	\$ 11,187,176	\$ 4,629,367	\$ 6,033,929	\$ 1,684,883
(11,071,364)	(9,022,258)	(12,084,474)	(5,329,367)	(6,728,801)	(2,184,883)
6,505,000	-	-	7,525,000	-	-
162,022	-	-	442,852	-	-
-	8,205,000	-	1,589,921	-	494,255
-	-	-	-	-	-
-	(7,565,000)	-	-	-	-
-	-	-	(1,589,921)	-	-
\$ 5,767,022	\$ (260,000)	\$ (897,298)	\$ 7,267,852	\$ (694,872)	\$ (5,745)
\$ 5,735,093	\$ 474,182	\$ (6,445,644)	\$ 11,230,383	\$ 911,572	\$ (3,450,524)
20,496,887	20,022,705	26,468,349	15,237,966	14,326,394	17,776,918
\$ 26,231,980	\$ 20,496,887	\$ 20,022,705	\$ 26,468,349	\$ 15,237,966	\$ 14,326,394
6.90%	n/a	n/a	n/a	n/a	n/a

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Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 25,674,400	0.62 %	\$ 5,168,800	0.26 %
Wal-Mart Real Estate Business Trust	13,599,900	0.33	8,914,500	0.45
York River Crossing Assoc., LLC	12,562,800	0.30	8,169,600	0.41
Lowe's Home Center, Inc.	8,446,000	0.20		
Gloucester Medical Arts I, LLC	8,181,200	0.20		
Horn Harbor Nursing Home Inc.	7,188,600	0.17	4,998,800	0.25
Timberneck, LLC	5,799,700	0.14		
Thousand Trail, Inc.	5,522,100	0.13	3,758,350	0.19
GH2, LLC	5,493,500	0.13		
E. Clairborne Robins, Jr.	5,415,400	0.13	3,024,200	0.15
Waste Management Disposal Services			5,749,500	0.29
Retail Trust III			4,459,600	0.22
Newport New General & Non-Sectarian Hospital			4,381,217	0.22
York River Yacht Haven Associates			3,083,300	0.15
	<u>\$ 97,883,600</u>	<u>2.35 %</u>	<u>\$ 51,707,867</u>	<u>2.59 %</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
2002	\$ 17,445,456	\$ (6,819)	\$ 17,438,637	\$ 16,822,442	96.43%	\$ 614,699	\$ 17,437,141	99.99%
2003	18,672,765	5,454	18,678,219	18,032,870	96.57%	643,626	18,676,496	99.99%
2004	19,067,303	(7,324)	19,059,979	18,502,834	97.04%	555,230	19,058,064	99.99%
2005	19,480,506	(1,810)	19,478,696	18,931,208	97.18%	542,675	19,473,883	99.98%
2006	20,261,412	(1,639)	20,259,773	19,792,078	97.68%	464,284	20,256,362	99.98%
2007	21,213,981	51,809	21,265,790	20,665,168	97.41%	588,620	21,253,788	99.94%
2008	22,593,114	33,051	22,626,165	21,946,260	97.14%	653,975	22,600,235	99.89%
2009	23,972,690	17,327	23,990,017	23,326,961	97.31%	587,827	23,914,788	99.69%
2010	24,014,793	(13,228)	24,001,565	23,210,366	96.65%	525,171	23,735,537	98.89%
2011	23,809,339	-	23,809,339	23,017,397	96.67%	-	23,017,397	96.67%

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
2002	\$ 1,780,904	\$ 215,909	\$ 163,074	\$ 1,833,738	\$ 0.95	1,833,738
2003	1,823,492	219,882	207,375	1,835,999	0.95	2,389,314
2004	1,851,153	240,989	208,335	1,883,807	0.95	2,143,254
2005	1,884,559	251,481	208,729	1,927,310	0.95	2,972,313
2006	3,431,000	376,354	261,229	3,546,125	0.57	3,546,125
2007	3,677,597	370,363	275,987	3,771,973	0.57	4,238,172
2008	3,698,100	379,187	277,551	3,799,736	0.61	4,269,366
2009	3,878,566	388,516	271,530	3,995,552	0.61	4,597,873
2010	4,018,849	443,021	305,263	4,156,607	0.58	4,156,607
2011	4,031,331	438,534	309,207	4,160,658	0.58	4,160,658

Source: Commissioner of Revenue Department

Note: Property in the County of Gloucester is reassessed once every two years. The County assesses property at 100% of market value. Prior to 2010, the County reassessed property every four years.

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		
2002	\$ 8,940,000	\$ 7,983,520	\$ 12,559,507	\$ 280,629	\$ 31,470,856	\$ 61,234,512	6.50%	\$ 1,744.57
2003	7,780,000	7,343,520	12,071,108	252,454	30,606,681	58,053,763	5.89%	1,645.47
2004	14,255,000	6,703,520	11,689,935	222,838	29,696,963	62,568,256	5.92%	1,758.23
2005	12,885,000	6,063,520	10,658,832	191,707	28,727,760	58,526,819	5.37%	1,636.70
2006	11,685,000	5,423,520	10,901,309	158,983	27,572,046	55,740,858	4.70%	1,532.98
2007	17,140,000	4,783,520	10,465,911	124,585	25,970,976	58,484,992	4.68%	1,615.47
2008	22,299,713	4,143,520	9,993,469	91,502	25,244,723	61,772,927	4.53%	1,695.29
2009	20,964,978	3,603,520	20,057,944	53,636	23,760,999	68,441,077	5.03%	1,861.03
2010	19,612,967	3,063,520	18,564,311	10,465	22,250,330	63,501,593	N/A	1,722.87
2011	16,569,674	2,523,520	18,282,741	-	20,696,418	58,072,353	N/A	1,575.57

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

N/A- The information was unavailable.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total	Per Capita(a)	
2002	\$ 8,940,000	\$ 280,629	\$ 9,220,629	\$ 262.70	0.50%
2003	7,780,000	252,454	8,032,454	227.67	0.34%
2004	14,255,000	222,838	14,477,838	406.84	0.68%
2005	12,885,000	191,707	13,076,707	365.69	0.44%
2006	11,685,000	158,983	11,843,983	325.73	0.33%
2007	17,140,000	124,585	17,264,585	476.88	0.41%
2008	22,299,713	91,502	22,391,215	614.50	0.52%
2009	20,964,978	53,636	21,018,614	571.53	0.46%
2010	19,612,967	10,465	19,623,432	532.41	0.47%
2011	16,569,674	-	16,569,674	449.55	0.40%

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

(a) See Table 7 for property value data

(b) Population data can be found in Table 11

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year			Less:	Net	Debt Service		Coverage				
	Utilities Revenue		Operating Expenses	Available Revenue	Principal	Interest					
2002	\$	2,788,101	\$	1,204,986	\$	1,583,115	\$	1,352,063	\$	1,788,377	0.50
2003		2,960,089		1,204,079		1,756,010		892,350		1,645,784	0.69
2004		2,776,662		1,384,083		1,392,579		939,334		1,605,947	0.55
2005		2,800,738		1,450,247		1,350,491		1,000,334		1,548,278	0.53
2006		3,339,196		1,589,324		1,749,872		747,709		1,486,498	0.78
2007		3,072,172		1,710,994		1,361,178		633,749		1,384,845	0.67
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

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest depreciation or amortization expenses.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	Unemployment Rate (3)	School Enrollment (4)
2001	34,900	\$ 910,294	\$ 26,083	2.4 %	6,411
2002	35,100	942,410	26,849	3.2	6,350
2003	35,281	986,458	27,960	3.2	6,309
2004	35,586	1,057,181	29,708	3.0	6,147
2005	35,759	1,090,866	30,506	3.1	6,078
2006	36,361	1,185,316	32,599	2.6	6,000
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	N/A	N/A	6.4	5,860

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)

N/A - This information was unavailable.

Principal Employers
Current Year and Nine Years Ago

Employer	2011		2002	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County (local government and schools)	1,486	16.18 %	1,150	6.87 %
Virginia Institute of Marine Science	475	5.17	429	2.56
Wal-Mart	453	4.93	450	2.69
Riverside Walter Reed Hospital	330	3.59	420	2.51
Industrial Resources Technologies, Inc.	280	3.05	180	1.08
Rappahannock Community College	205	2.23	-	-
Lowes	145	1.58	-	-
York River Yacht Haven	83	0.90	-	-
Dominion Virginia Power	64	0.70	100	0.60
Home Depot	62	0.67	-	-
Rappahannock Concrete	59	0.64	30	0.18
Verizon	37	0.40	100	0.60
Whitley's Peanuts	25	0.27	-	-
Peace Frogs	13	0.14	-	-
BB&T			100	0.60
Gloucester Mathews Gazette Journal			40	0.24
Total	3,717	40.46 %	2,999	17.92 %

Sources:

Gloucester County Economic Development Department
Virginia Employment Commission

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

	Full-time Equivalent Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	3	3	2	1.5	1.5	3	3	3
Human Resources	4	4	4	4	4	4	3	3	3	3
Commission of Revenue	7.5	8.5	9.5	9.5	9.5	9	10	9	9	9
County Assessor	6.5	6	6	6	4	4	2	2	2	2
Treasurer	9	10	10.5	10.5	10.5	10.5	10	9.5	9.5	9.5
Finance	5	5	5	5	5	5	5	5	5	5
Information Technology	12.5	13	13	13	13	11.5	11.5	11.5	11	11
Purchasing	3	4	4	3.5	3.5	3	3	3	3	3
VA Housing Dev. Authority	0	2	2	2.5	2.5	2	2	2	2	2
Registrar	2.5	2.5	2.5	2.5	2.5	2	1.5	1.5	1.5	1.5
Judicial										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	7	7	7	7	7	6.5	6.5	6.5	6	6
Victim Witness	1.5	1.5	1	1	1	1	1	1	1	1
Commonwealth Attorney	8	8.5	8.5	8.5	7.5	7.5	7.5	7.5	7	7
Public Safety										
Sheriff	48	49	53	53	53.5	53.5	89	85	84.5	83.5
E-911	11.5	11.5	12	12	12	12	11	11	10	10
Jail (included w/Sheriff until 2006)	35.5	38	38	38	38.5	38.5	0	0	0	0
Probation/Pretrial	7.5	7.5	7.5	8	0	0	0	0	0	0
Codes	13	14	16	16	16	14	13.5	13.5	12.5	12.5
Animal Control	5	5	5	5	5	5	4	4	4	4
Emergency Services	1.5	1.5	2.5	2.5	2.5	2	2	0	0	0
Public Works										
Engineering	3	4	4	3	3	3	3	3	3	3
Buildings & Grounds	28	28	29	28	28	28.5	27.5	27.5	26	22
Education										
Community Education	8	8	8	8	8	8	8	8	8	8
Cable Services	0	0.5	0.5	0.5	0.5	0.5	0	0	0	0
Parks, Recreation & Cultural										
Parks & Recreation	8.5	8.5	8.5	8.5	8.5	7	6	6	6	6
Beaverdam	2	3	3	3	3	4	4	4	3	3
Historical	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12	12	12	12	12	12	12	11	11	11
Community Development										
Planning	5	5	5	5	5	4	4	4	4	4
Economic Development	1.5	1.5	1.5	1.5	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	1	1	1	1	1	1	1	1	0.5
VA Cooperative Extension	1	1	1	1	1	1	1	3.5	3	3
Utilities										
	25	25.5	27.5	24	21.5	20.5	20.5	20.5	20.5	20.5
TOTAL	299	312	324.5	319.5	306	297	286	281.5	274.5	269

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

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years (where available)

	Fiscal Year				
	2011	2010	2009	2008	2007
Sheriff's Department (1)					
Reports taken	N/A	36,219	31,434	35,954	3,166
Civil processed record workload	N/A	30,255	25,923	23,771	21,907
Circuit court days	N/A	180	213	215	140
General district court days	N/A	113	110	114	110
Juvenile and domestic court days	N/A	162	180	188	153
Inmate average daily population	N/A	77	82	84	89
Parks, Recreation & Tourism (2)					
Number of Participants	4,170	4,393	4,670	4,455	4,437
Library (3)					
Material circulated	229,986	241,379	227,053	210,797	196,633
Library patrons	32,786	36,284	33,132	31,444	29,133
Water system (4)					
Number of customers	4,523	4,499	4,470	4,399	4,276
Average daily consumption	898,890	886,783	987,400	942,101	900,460
Annual consumption in gallons	328,093,098	323,676,000	360,401,000	343,867,000	328,668,000

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 14

2006	2005	2004	2003	2002
3,229	3,045	3,045	N/A	N/A
11,257	7,887	9,457	10,341	17,300
145	156	174	167	171
116	106	113	117	120
156	149	166	169	154
79	82	86	96	81
4,301	3,858	3,104	N/A	N/A
186,519	178,469	121,688	115,775	103,099
19,584	18,089	15,019	15,244	15,118
4,187	4,099	4,064	4,019	3,932
874,616	833,394	874,504	847,161	839,309
319,235,000	304,189,000	319,194,000	309,214,000	306,348,000

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

Customer name	2011		2002	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
Riverside Walter Reed Hospital	410,000	13,667	319,000	10,633
Walter Reed Convalescent Center	354,000	11,800	446,000	14,867
V.I.M.S.-MRL	352,000	11,733		-
V.I.M.S.-Chesapeake Bay Hall	298,000	9,933		-
Riverside Walter Reed Dialysis Center	260,000	8,667		-
Sierra Communities	243,000	8,100		-
Water Wizard Car Wash	228,000	7,600		-
V.I.M.S.-SRL	217,000	7,233		-
York River MHP	193,000	6,433		-
Hogg Funeral Home	189,000	6,300		-
V.I.M.S.-Byrd Hall			374,000	12,467
York River Yacht Haven			313,000	10,433
V.I.M.S.-Franklin Hall			269,000	8,967
Wal-Mart			256,000	8,533
U-Do-It Laundry			213,000	7,100
County Jail			210,000	7,000
Sanders Nursing Home			191,000	6,367
Gloucester County High School			191,000	6,367

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIACapital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year				
	2011	2010	2009	2008	2007
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	34	27	27	27	27
Jail	1	1	1	1	1
Mobil Command Center	1	1	1	1	1
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	185	185	185	185	185
Park acreage leased	40	40	40	40	40
Library (4)					
Number of libraries	2	2	2	2	2
Number of bookmobiles	1	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	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 16

2006	2005	2004	2003	2002
1	1	1	1	1
27	27	27	27	27
1	1	1	1	1
1	1	-	-	-
6	6	6	6	6
8	8	8	8	8
185	185	185	185	185
40	40	40	40	40
2	2	2	2	2
1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	2,000,000

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited 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 the County of Gloucester, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Gloucester, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Gloucester, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Gloucester, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Rofman, Fama, Cox Associates

Richmond, Virginia
November 11, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2011. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the County of Gloucester, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Gloucester, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the County of Gloucester, Virginia's internal control over compliance.

Internal Control Over Compliance (Continued)

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 control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Refinon, Fann, Cox Associates

Richmond, Virginia
November 11, 2011

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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	\$ 20,368
Temporary Assistance for Needy Families	93.558	0400109/0400110	235,959
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	433
Low-Income Home Energy Assistance	93.568	0600409/0600410	17,122
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	110,930
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	99,713
Adoption Incentive Payments Program	93.603	1120109/1120110	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	954
Foster Care - Title IV-E	93.658	1100109/1100110	189,664
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	7,195
Sub-total CFDA 93.658			\$ 196,859
Adoption Assistance	93.659	1120109/1120110	82,579
ARRA - Adoption Assistance	93.659	1120109/1120110	5,055
Sub-total CFDA 93.659			\$ 87,634
Social Services Block Grant	93.667	1000109/1000110	151,428
Chafee Foster Care Independence Program	93.674	9150108-9150110	4,382
ARRA - Child Care and Development Block Grant	93.713	0740109	9,107
Children's Health Insurance Program	93.767	0540109/0540110	7,129
Medical Assistance Program	93.778	1200109/1200110	159,162
Total Department of Health and Human Services-pass through			\$ 1,101,180
Total Department of Health and Human Services			\$ 1,101,180
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution--School	10.555	N/A	\$ 162,689
Department of Education:			
National school lunch program	10.555	1790100-40623	745,028
Sub-total CFDA 10.555			\$ 907,717
Department of Education:			
National school breakfast program	10.553	1790100-40591	189,970
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental		0040109/0040110	
ARRA - Nutrition Assistance Program	10.561	0010109/0010110	13,604
State Administrative Matching Grants for the Supplemental		0040109/0040110	
Nutrition Assistance Program	10.561	0010109/0010110	259,868
Sub-total CFDA 10.561			\$ 273,472
Total Department of Agriculture - pass-through payments			\$ 1,371,159
Department of Justice:			
Direct payments:			
Bulletproof vest partnership program	16.607	N/A	\$ 6,413
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	928
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	8,412
Total Department of Justice - direct			\$ 15,753
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	3900100-46500	\$ 35,377
ARRA - Violence Against Women Formula Grants	16.588	3900100-62100	13,873
Sub-total CFDA 16.588			\$ 49,250
Total Department of Justice - pass-through			\$ 49,250
Total Department of Justice			\$ 65,003

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011 (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:			
Department of Emergency Assistance:			
Emergency Management Performance Grants	97.042	7750100-52749	\$ 13,644
State Homeland Security Program	97.073	7750100-52749	16,151
Hazardous Mitigation Grant Program	97.039	7760200-111,132	<u>446,257</u>
Total Department of Homeland Security			\$ <u>476,052</u>
Department of Transportation:			
Direct Payments:			
Highway Planning and Construction (ISTEA)	20.205	N/A	\$ <u>102,994</u>
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	6050700-50182,59195	<u>22,508</u>
Total Department of Transportation			\$ <u>125,502</u>
Department of the Navy:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ <u>66,829</u>
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ <u>84,427</u>
Pass Through Payments:			
Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	632,134
ARRA - Title I Grants to Local Educational Agencies	84.389	1790100-42913	249,107
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,218,285
Special Education - Preschool Grants	84.173	1790100-82521	34,079
ARRA - Special Education - Grants to States	84.391	1790100-61245	705,709
ARRA - Special Education - Preschool Grants	84.392	1790100-61247	35,760
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	86,312
Education Technology Cluster:			
Education Technology State Grants	84.318	1790100-61600	8,195
ARRA - Education technology	84.386	1790100-60897	23,778
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	1790100-62532	730,887
Improving Teacher Quality State Grants	84.367	1790100-61480	<u>234,624</u>
Total Department of Education - pass-through			\$ <u>3,958,870</u>
Total Department of Education			\$ <u>4,043,297</u>
Total Expenditures of Federal Awards			\$ <u><u>7,249,022</u></u>

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, 2011

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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	199,757
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Special Revenue Funds:

Virginia Public Assistance Fund		1,273,041
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CSA Fund		19,160
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Capital Projects Funds:

County Capital Projects Fund		549,251
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Total primary government	\$	<u>2,041,209</u>
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Component Unit Public Schools:

School Operating Fund	\$	4,110,126
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School Cafeteria Fund		1,097,687
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Total component unit public schools	\$	<u>5,207,813</u>
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Total federal expenditures per basic financial

statements	\$	<u>7,249,022</u>
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Total federal expenditures per the Schedule of Expenditures
of Federal Awards

	\$	<u><u>7,249,022</u></u>
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COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

Type of auditors' report issued on compliance for major programs. unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.394	State Fiscal Stabilization Funds-Education
	State grants, Recovery Act

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

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year Federal award findings.