

# COUNTY OF GLOUCESTER, VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2016







## *INTRODUCTORY SECTION*



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COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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Prepared By:

Gloucester County  
Department of Finance



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COUNTY OF GLOUCESTER, VIRGINIA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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## COUNTY OF GLOUCESTER, VIRGINIA

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### Board of Supervisors

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John C. Meyer, Jr., Chair  
Phillip N. Bazzani, Vice-Chair

Ashley C. Chriscoe  
Christopher A. Hutson

Michael R. Winebarger

Andrew James, Jr.  
Robert J. Orth

### County School Board

---

Troy M. Andersen, Chairperson  
Charles Records, Vice-Chairperson

George R. Burak  
Carla B. Hook

Robin Rice

Anita F. Parker  
William Jarret Lee

### Board of Social Services

---

Jane Sterling, Chairperson  
Aaron Conner, Vice-Chairperson

Patricia Brown  
Mark Dutton

Velma Benns  
BOS Representative Michael R. Winebarger

Harrison Dixon  
Jane Smith

### Other Officials

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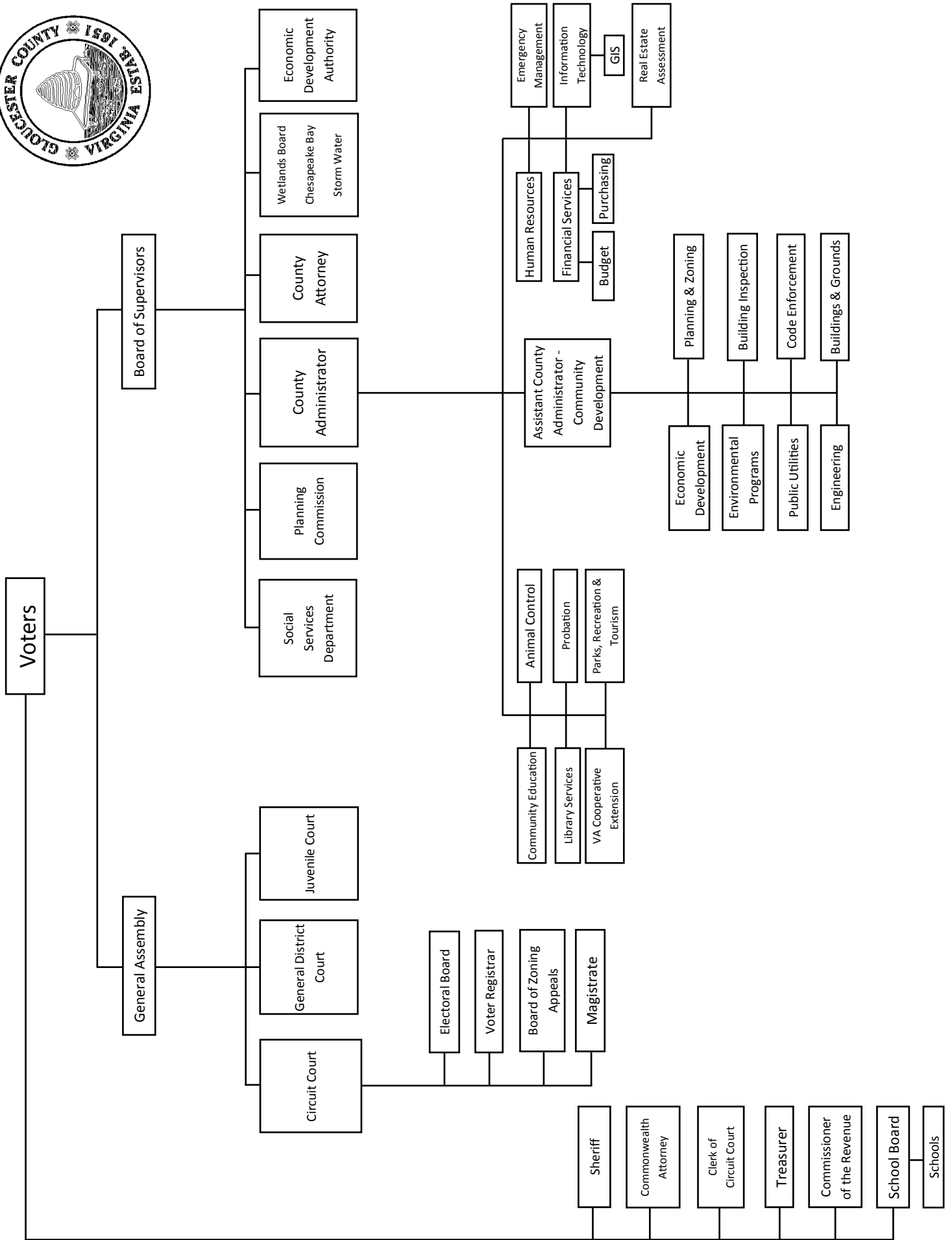
County Administrator .....J. Brent Fedors  
Judge of the Circuit Court .....Honorable Jeffrey W. Shaw  
Clerk of the Circuit Court..... Margaret Walker  
Commonwealth's Attorney ..... Holly B. Smith  
Commissioner of the Revenue..... Kevin A. Wilson  
Treasurer ..... Tara L. Thomas  
Judge of the Juvenile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



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# Gloucester County Organizational Chart





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Government Finance Officers Association

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

Presented to

**County of Gloucester  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Gloucester County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 20<sup>th</sup> consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



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



**(804)693-4042**

October 14, 2016

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Gloucester County, Virginia for the fiscal year ended June 30, 2016 in conformity with the U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the U.S. by a firm of licensed certified public accountants as required by the Code of Virginia. This report is intended to provide informative and relevant financial data for the residents and business owners in the County, Board of Supervisors, investors, creditors, and any other interested readers. All are encouraged to contact the Department of Financial Services with any comments or questions concerning this financial report.

Robinson, Farmer, Cox Associates, Certified Public Accountants, conducted the audit of the County's financial statements for the fiscal year ended June 30, 2016, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year end June 30, 2016, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the overall financial statement presentation. The audit was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on the County's internal controls over compliance as required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These reports are available in the Compliance Section of this report.

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

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

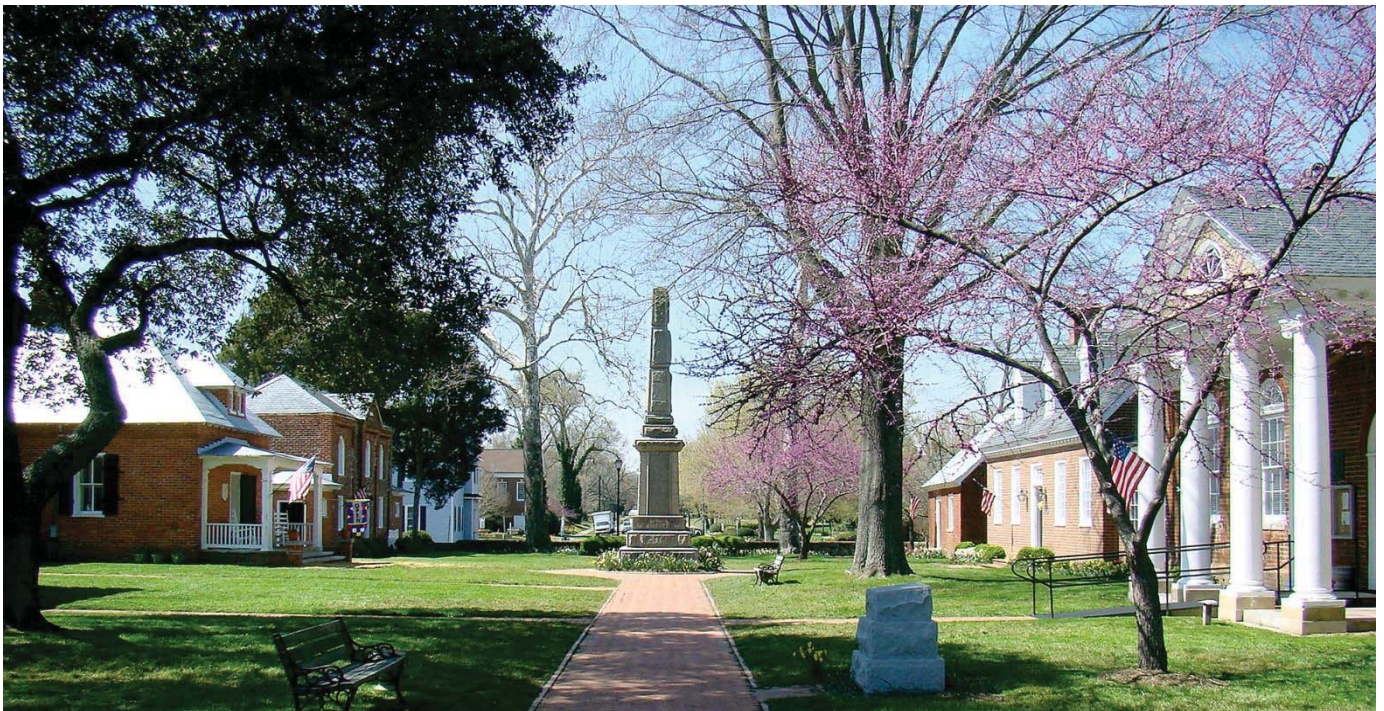


belief, the enclosed data are accurate in all material respects and are reported to present fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

## **Profile of Gloucester County**

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



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 31<sup>st</sup> 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 general governmental services for its citizens and businesses, including offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of Revenue, Treasurer, Registrar, and the departments of Human Resources, Information Technology & GIS, Assessor, and the department of Financial Services (including Central Purchasing), that provides shared accounting and purchasing support for the Gloucester County Public School (GCPS) system. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

Judicial Administration is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Victim and Witness Assistance, Court Services, Group Home Commission, and Commonwealth's Attorney. The Public Safety operations of the County include the Law Enforcement (Sheriff's Office and Jail), the departments of Emergency Operations, Building Inspections, Animal Control, Environmental and Stormwater Programs, with financial support to Probation and Pretrial, the Regional Radio (911) system, and the Volunteer Fire and Rescue Squads.



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

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

Parks, Recreation, and Cultural provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth program, adult athletic leagues, bus tours, special events, including the County's signature event – the Daffodil Festival, and other activities for County residents in addition to the daily operation and maintenance of the County's eight parks. The Gloucester County Public Libraries provides library services through the two branch libraries, the bookmobile, and e-branch which provides remote access to the library collection through the library's web site.



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



Education provides support to include public education (kindergarten through grade 12) in eight schools and virtual on-line programs, and Community Education providing various citizen outreach programs and also shared communication service support for the GCPS system.



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



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

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

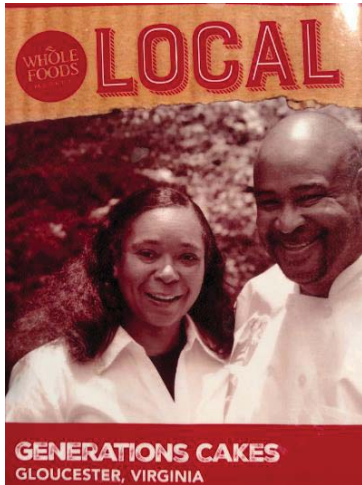
Once the budget is approved, there is significant focus on controlling expenditures and monitoring revenues. The County maintains an encumbrance accounting system as one method of maintaining budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions of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

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



## Local Economy

Gloucester County continued to see increase in economic activity and diversity of contributors during the fiscal year. The Department of Economic Development reports 287 new



business starts for the fiscal year. Among them were Raceway Market, O'Reilly Automotive Store, Lovet Furniture, Sears Hometown, Martin's Soul Food Restaurant, Sugar Saloon and Gift Store, Cook-Out Restaurant, and continued preservation and revitalization of Main Street with the openings of the YMCA, Heart Felt Touch Massage



Therapy, Good Life Kitchen Restaurant, and The Nines Pet Boutique & Photography. In addition, Generation Cakes, which provides mini cakes to Whole Foods Market in Newport News, opened a commercial kitchen space behind Sweet Tooth Café & Bakery which also celebrated their grand opening this fiscal year.

Not only does Gloucester County attract great entrepreneurial spirit, but also those who strive to achieve the highest excellence in business and service. Some notable winners of the Virginia Living Magazine's 2015 "Best of Eastern Virginia"



Businesses include: "Best Frozen Yogurt" awarded to Sweet Frog; "Best Sushi Restaurant" awarded to Bangkok Noi Thai Cuisine and Hana Sushi, first and second place respectively; and "Best Pet Boarding" awarded to Sandy Creek Pet Resort.



In addition, Yolanda's, an upscale women's clothing store on Main Street, was awarded Retailer of the Year by the Retail Alliance. They were selected out of 92



nominees from across the Greater Hampton Roads region (up to Williamsburg). The Retail Alliance is a non-profit organization that promotes and supports the healthy growth of retail businesses and trade in the Greater Hampton Roads through education and advocacy.

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



Riverside Walter Reed Hospital developed a Cancer Center Healing Garden and began site improvements for future expansion.

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

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

Southern Plumbing & Heating Supply is a commercial business that provides plumbing and heating services to residential and commercial customers.

Daffodil Gardens II is an age restricted housing community with 40 proposed units.

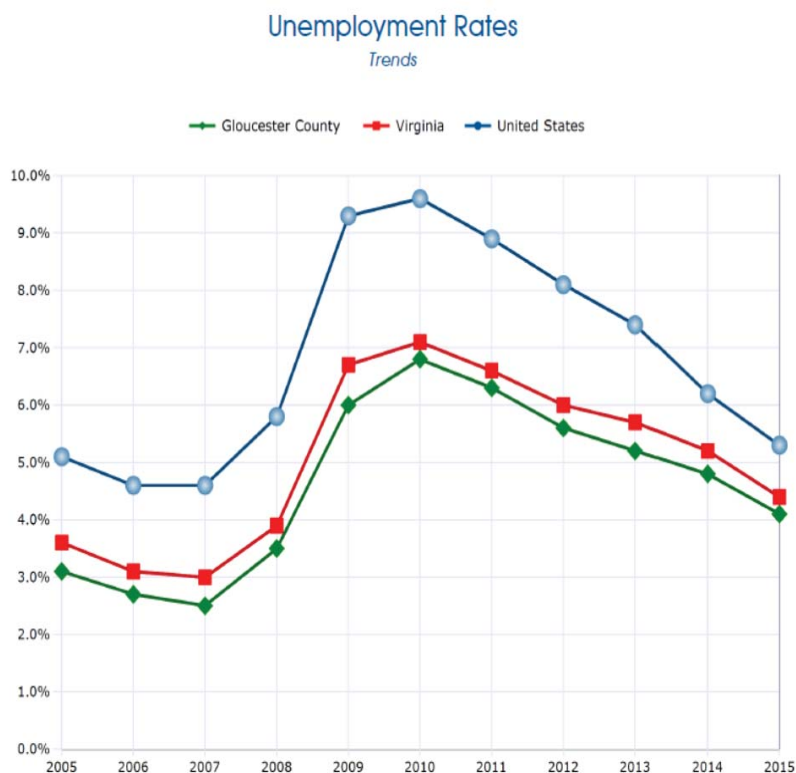
Foxmill Centre is 60,000 sq. ft. of commercial retail shopping space that has lease agreements for TJ Maxx, Rack Room Shoes, Ulta, Kay Jewelers, and Petco.

Aggregate Industries plans to expand their sand mining operation into another phase of their property.

Maintaining and improving the quality of life for residents and business owners requires a commitment to the long-term strategies for economic development. Gloucester County demonstrates that commitment as positive trends continue to be found in all areas of Gloucester County's economy. There are positive trends in the areas of job growth, employment, tourism, real estate assessments, and decreasing unemployment.

The largest civilian employment sectors in Gloucester County are Retail Trade, Health Care, Local Government, Accommodation and Food Services, and State Government. (Source: Virginia Employment Commission) Though the civilian labor force has remained relatively stable, the region and the County are heavily dependent on defense and military related expenditures; therefore, federal budget uncertainty and any eventual decisions can impact the overall regional economy. During the fiscal year, Congress passed the Bipartisan Budget Act of 2015, which relaxed the sequestration caps on defense spending by \$40 billion over the next two fiscal years.

As of 2015, the Gloucester unemployment rate was 4.1%, a .7% decrease from 2014 and follows the same trend and compares favorably with Virginia at 4.4% (5.2% in 2014) and the United States at 5.3% (6.2% in 2014). (Source: Virginia Employment Commission)



Based on the most recent estimates available, Gloucester County's median household income for 2014 was \$58,569, comparing favorably with the U.S. at \$53,657 and within close proximity to Virginia at \$64,902. (Source: U.S. Census Bureau, 2014 American Community Survey 1-Year Supplemental Estimates)



## **Long Term Financial Planning**

The County has long recognized the need for formulating detailed public plans for its long-term financial planning. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. The County's primary long-term financial plan is the Five-Year Capital Improvement Plan.

The County Administrator's Capital Improvement Plan (CIP) Advisory Committee was activated to support FY2017-FY2021 CIP development. The Committee provided a County-wide review of the submitted CIP project requests for both County and Schools with the goal of providing the County Administrator and Board of Supervisors a prioritized list of recommendations. The County Administrator, as part of his proposed budget to the Board of Supervisors, develops the recommended capital budget and 5 year plan; balancing the competing needs for capital investment with available funding options within the County's current debt and fund balance policies. The result represented a balance between finite resources and an ever-increasing number of competing priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors consistent with the County's Strategic Plan and Comprehensive Plan.

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

## **Relevant Financial Policies**

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the 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%, with a target of 12%, of governmental fund expenditures, less any capital projects funded with bond proceeds. Actual results have been approximately 17%.

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

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

## **Major Initiatives**

In February 2016, Gloucester County finalized a major re-write of 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. It is a document that guides infrastructure, development, policies, and public services over the next ten to twenty years. The Plan serves as a catalyst and guide for the establishment of, or revisions to, other ordinances and planning tools for the County.



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

One of the most important services that the County provides to its citizens is public education. A quality education system continues to be one of the County's top priorities. The County made significant investments (exceeding \$17M) in various school construction projects starting in FY2014. These investments were primarily for the rebuilding of Page Middle School which was heavily damaged by a tornado in April 2011.



Construction commenced in FY2013 and the new Page Middle School, a 125,000 square foot two story facility, was completed early this fiscal year in time to open for the start of the 2015-2016 school year.



Though enrollment has been on a slow decline since FY2011, the County continues to provide increasing support. The FY2016 County budget provides for the highest per-pupil spending in the history of the school division.

## **Awards and Acknowledgements**

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

### Community Education

Gloucester County's Community Education Department received the 2016 APEX Grand Award for Publication Excellence for the 2015 Gloucester County "Are You Prepared" Disaster Preparedness Guide. The APEX award is a competitive national award given for best practices in print, web and e-publishing. Awards are based on excellence in graphic design, editorial content and the ability to achieve overall communications effectiveness and excellence. Of the more than 1,600 entries submitted, Gloucester County's disaster preparedness guide received the rare and prestigious Grand Award, presented to only 86 entries, in the category of One-of-a-Kind Publications.



### Central Purchasing

The Gloucester County Purchasing Department received the 2015 Excellence in Achievement Award. For the fifth consecutive year, the Purchasing Department is the recipient of the Universal Public Procurement Certification Council's ("UPPCC") Excellence in Achievement Award for 2016. This award recognizes the department's commitment to professional excellence in public procurement, the value of professional



certification in the public sector, and the expertise of the staff administering the County and the Schools purchasing operations.

### Parks and Recreation

Katey Legg, Recreation Superintendent, was awarded the Distinguished Service Award by the Virginia Recreation and Park Society (VRPS). The award is one of the highest honors the organization makes and is presented for continuous outstanding service to the profession and community.

### Sheriff's Office

The Gloucester County Sheriff's Office received a Reaccreditation Award from the Virginia Law Enforcement Professional Standards Commission. Accreditation is a measure of an agency's compliance with professional law enforcement standards and increases a law enforcement agency's ability to prevent and control crime through more effective and efficient delivery of services. Additionally, criteria include promoting cooperation among all components in the criminal justice system; ensuring the appropriate level of training; promoting public confidence in law enforcement; and promoting the professionalism of law enforcement agencies in the Commonwealth.



The Sheriff's Office also received two awards for safety. The Virginia Department of Motor Vehicles acknowledged the department for increased seat belt usage through the Click-It or Ticket-It Campaign; and the Virginia Police Chiefs Foundation awarded first place to the department for overall traffic safety including public information, education, results, and enforcement.

### Schools

GCPS is one of thirty-seven school divisions that are classified as "Fully Accredited" by the Commonwealth of Virginia as it pertains to the Standards of Learning Assessments. GCPS is one of only twelve school divisions in the Commonwealth that met all Federal Annual Measurable Objectives. In addition, Botetourt Elementary School has been awarded the honor of being classified as a "Distinguished" Title I school for raising the academic achievement of economically disadvantaged students and meeting all state and federal requirements for two consecutive years. Only 46 schools in the Commonwealth achieved such a distinction. Finally, GCPS once again received Platinum Certification as a Green School Division from the Virginia School Board Association.

### Finance

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the twentieth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA also awarded the Distinguished Budget Presentation Award to Gloucester County for its FY2016 Approved Budget Book. This was the first year that the County achieved this prestigious award. In order to receive this award, a governmental entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.



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

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

Respectfully submitted,

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

J. Brent Fedors  
County Administrator

A handwritten signature in blue ink, appearing to read 'S. Tinsley', with a large, stylized 'S' and a long horizontal stroke extending to the right.

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



## *FINANCIAL SECTION*



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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72, *Fair Value Measurement and Application*, 79 *Certain External Investment Pools and Pool Participants*, and 82 *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension funding on pages 4-16, 97 and 98-103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Gloucester, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



*Other Information (continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Gloucester, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
October 14, 2016



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## **County of Gloucester, Virginia Management's Discussion and Analysis**

As management of the County of Gloucester (the "County"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and with the County's basic financial statements which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

### **Financial Highlights**

- At the end of the fiscal year, the County's total net position, excluding component units, decreased by \$2.5 million from the beginning balance of \$53.9 million to \$51.4 million due to the reduction in net investment in capital assets. The Component Units, of which School Board is the major unit, net position increased by \$8.1 million from the beginning balance deficit of \$24.0 million to a deficit balance of \$15.9 million primarily due to the increase in net investment in capital assets.
- At June 30, 2016, the unrestricted net position of the Primary Government is \$18.4 million which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2016, the County's governmental funds reported combined ending fund balances of \$22.2 million, a decrease of \$1.6 million in comparison with the prior year, primarily due to the spend down of the committed fund balances of County Capital Projects and the School bond proceeds for the construction of the new Page Middle School of approximately \$4.1 million offset by the increase in unassigned fund balance of \$2.5 million. Approximately \$20.0 million of the combined ending fund balances, is *available for spending* at the County's discretion (*unassigned fund balance*).
- At June 30, 2016, the General Fund's unassigned fund balance was \$20.0 million, or 20.0% of expected governmental fund expenditures less any capital projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy minimum of 10%, with a target of 12%, governmental fund expenditures less any capital projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$4.2 million from the prior year balance of \$73.5 million to \$69.3 million at June 30, 2016 due primarily to principal payments on existing debt (bonds and capital leases) and bond refunding activity, slightly offset by the increase in net pension liability.



## Overview of the Financial Statements

The County's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial standing of the County may be changing. Increases in net position may indicate an improved financial standing; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include the following functions: general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; community development; and education. The business-type activities are for public utilities.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

In fiscal year 2016, the County implemented the following Governmental Accounting Standards Board (GASB) statements:

- GASB Statement No. 72, *Fair Value Measurement and Application* – the statement generally requires investments to be measured at fair value using valuation techniques which are appropriate under the circumstances and are a market approach, a cost approach, or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statements. All required disclosures are located in Note 3.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – the statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There was no material impact on the County's financial statements. All required disclosures are located in Note 3.
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* – the statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of



assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

## **Fund financial statements**

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

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, 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 at Exhibits 3 through 6 of this report.

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

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



## **Notes to the financial statements**

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

## **Other information**

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

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

## **Financial Analysis of the County as a Whole**

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets exceeded liabilities by \$51.4 million at June 30, 2016. A large portion of the County's net position (\$31.1 million, approximately 60.6 % of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and businesses; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of \$1.9 million is restricted for business-type activities for bond covenants which cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$18.4 million or 35.8% of the County's total net position may be used to meet the County's ongoing obligations to citizens and creditors.

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



<p style="text-align: center;"><b>Summary of Net Position</b>  <b>As of June 30, 2016 and 2015</b>  (\$ in thousands)</p>								
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 49,572	\$ 54,053	\$ 7,762	\$ 34,202	\$ 57,333	\$ 88,255	\$ 9,446	\$ 10,578
Capital assets	62,507	69,393	26,193	26,883	88,700	96,276	49,447	42,260
<b>Total assets</b>	<b>\$ 112,079</b>	<b>\$ 123,446</b>	<b>\$ 33,955</b>	<b>\$ 61,084</b>	<b>\$ 146,034</b>	<b>\$ 184,530</b>	<b>\$ 58,894</b>	<b>\$ 52,838</b>
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,405	\$ 1,665
Item related to measurement of net pension liability	300		19					
Pension contributions subsequent to measurement date	1,439	1,433	111	101	1,550	1,534	4,271	4,374
Deferred charges on refunding	169	184	335	322	504	506	-	-
<b>Total deferred outflows</b>	<b>\$ 1,907</b>	<b>\$ 1,618</b>	<b>\$ 466</b>	<b>\$ 423</b>	<b>\$ 2,054</b>	<b>\$ 2,040</b>	<b>\$ 5,677</b>	<b>\$ 6,039</b>
Long-term debt outstanding	\$ 49,619	\$ 51,991	\$ 13,403	\$ 15,566	\$ 63,023	\$ 67,556	\$ 64,818	\$ 64,548
Other liabilities	10,257	65,593	2,705	2,527	12,962	68,120	9,824	9,704
<b>Total liabilities</b>	<b>\$ 59,876</b>	<b>\$ 117,583</b>	<b>\$ 16,109</b>	<b>\$ 18,093</b>	<b>\$ 75,985</b>	<b>\$ 135,676</b>	<b>\$ 74,642</b>	<b>\$ 74,251</b>
Deferred revenue - property taxes	\$ 19,677	\$ 19,022	\$ -	\$ -	\$ 19,677	\$ 19,022	\$ -	\$ -
Items related to measurement of net pension liability	1,213	2,819	118	234	1,331	3,053	5,879	8,668
<b>Total deferred inflows</b>	<b>20,890</b>	<b>21,840</b>	<b>118</b>	<b>234</b>	<b>21,008</b>	<b>22,074</b>	<b>5,879</b>	<b>8,668</b>
<b>Net position</b>								
Net investment in capital assets	\$ 17,543	\$ 20,772	\$ 13,602	\$ 12,234	\$ 31,145	\$ 33,006	\$ 35,711	\$ 27,797
Restricted	-	-	1,867	1,870	1,867	1,870		
Unrestricted (deficit)	15,676	16,807	2,706	2,221	18,383	19,028	(51,662)	(51,839)
<b>Total net position</b>	<b>\$ 33,220</b>	<b>\$ 37,579</b>	<b>\$ 18,175</b>	<b>\$ 16,325</b>	<b>\$ 51,395</b>	<b>\$ 53,903</b>	<b>\$ (15,951)</b>	<b>\$ (24,042)</b>

The County's combined net position, which is the County's bottom line, decreased by \$2.5 million or 4.7% from the beginning balance of \$53.9 million. The change in the County's combined net position is a combination of the governmental activities decrease of \$4.4 million from the beginning balance of \$37.6 million and the business-type activities increase of \$1.9 million from the beginning balance of \$16.3 million. The decrease in governmental activities can be attributed to the spend down of the bond proceeds related to the rebuilding of the Page Middle School, payment of liabilities, and various decisions made to deal with economic conditions. The increase in the net position from business-type activities was the result of decreases in the amount of outstanding debt, and the continued contribution of cash from governmental activities to help with operating activities and debt service payments.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2016 of \$16.0 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014. Fiscal year 2016 activity in the School Board component unit of approximately \$7.0 million reduced the overall net deficit balance.

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also shows the general revenue sources that fund



governmental operations. The following table shows the revenue and expenses of government-wide activities:

Summary of Changes in Net Position Years Ended June 30, 2016 and 2015 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>								
Program revenue:								
Charges for services	\$ 1,437	\$ 1,267	\$ 4,162	\$ 4,136	\$ 5,599	\$ 5,402	\$ 2,766	\$ 2,667
Operating grants and contributions	8,432	8,064	-	-	8,432	8,064	31,081	31,207
Capital grants and contributions	582	2,099	713	278	1,295	2,377		
General revenues:								
Property taxes	38,882	37,735	39	39	38,921	37,775		
Other taxes	10,297	9,578	-	-	10,297	9,578		
Unrestricted revenues	154	174	91	87	245	261	6	9
Miscellaneous	-	-	-	-	-	-	136	156
Grants and contributions	4,506	4,500	-	-	4,506	4,500		
Payment from County	-	-	-	-	-	-	32,073	26,360
<b>Total revenue</b>	<b>\$ 64,289</b>	<b>\$ 63,418</b>	<b>\$ 5,005</b>	<b>\$ 4,540</b>	<b>\$ 69,295</b>	<b>\$ 67,958</b>	<b>\$ 66,062</b>	<b>\$ 60,398</b>
<b>Expenses:</b>								
General government	\$ 5,213	\$ 5,402	\$ -	\$ -	\$ 5,213	\$ 5,402	\$ -	\$ -
Judicial administration	1,833	1,830	-	-	1,833	1,830	-	-
Public safety	13,747	12,839	-	-	13,747	12,839	-	-
Public works	2,169	2,140	-	-	2,169	2,140	-	-
Health and welfare	5,018	5,441	-	-	5,018	5,441	-	-
Parks, recreation, and cultural	2,317	2,199	-	-	2,317	2,199	-	-
Community development	1,851	3,331	-	-	1,851	3,331	1,714	1,709
Interest on long-term debt	1,904	2,019	-	-	1,904	2,019	-	-
Education	33,925	29,991	-	-	33,925	29,991	56,256	55,977
Public Utilities	-	-	3,828	3,873	3,828	3,873	-	-
<b>Total expenses</b>	<b>\$ 67,975</b>	<b>\$ 65,193</b>	<b>\$ 3,828</b>	<b>\$ 3,873</b>	<b>\$ 71,803</b>	<b>\$ 69,066</b>	<b>\$ 57,971</b>	<b>\$ 57,686</b>
Change in net position, before transfers	\$ (3,686)	\$ (1,774)	\$ 1,177	\$ 666	\$ (2,509)	\$ (1,108)	\$ 8,092	\$ 2,712
Transfers	(673)	(674)	673	674	-	-	-	-
Change in net position	(4,359)	(2,448)	1,850	1,340	(2,509)	(1,108)	8,092	2,712
Net position, beginning	37,579	40,027	16,325	14,985	53,903	55,012	(24,042)	(26,755)
<b>Net position, ending</b>	<b>\$ 33,220</b>	<b>\$ 37,579</b>	<b>\$ 18,175</b>	<b>\$ 16,325</b>	<b>\$ 51,395</b>	<b>\$ 53,903</b>	<b>\$ (15,951)</b>	<b>\$ (24,042)</b>

**Governmental activities** – For the fiscal year ended June 30, 2016, revenues from governmental activities (not including Capital Projects) totaled \$64.3 million, which was an increase of approximately \$0.9 million. Property tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2015 and the first half of calendar year 2016, increased by \$1.1 million. The County's assessed real property tax base for calendar year 2016 saw an increase of \$120M primarily due to economic development and an improve assessment model. The Board of Supervisors (BOS) approved a real estate tax rate increase of one and one-half cents to \$0.695 for calendar year 2016 to support the BOS top priorities of compensation increase for County and School employees and capital improvement needs for the County's first responders/public safety. Additional impacts to real estate property tax revenue came with the Board of Supervisors' approval of eliminating the boat tax and increase hotel and motel room (i.e lodging) tax from 4% to 5%. The boat tax elimination, effective for the calendar year 2015, decreased revenue collections by approximately \$400K for the fiscal year 2016.

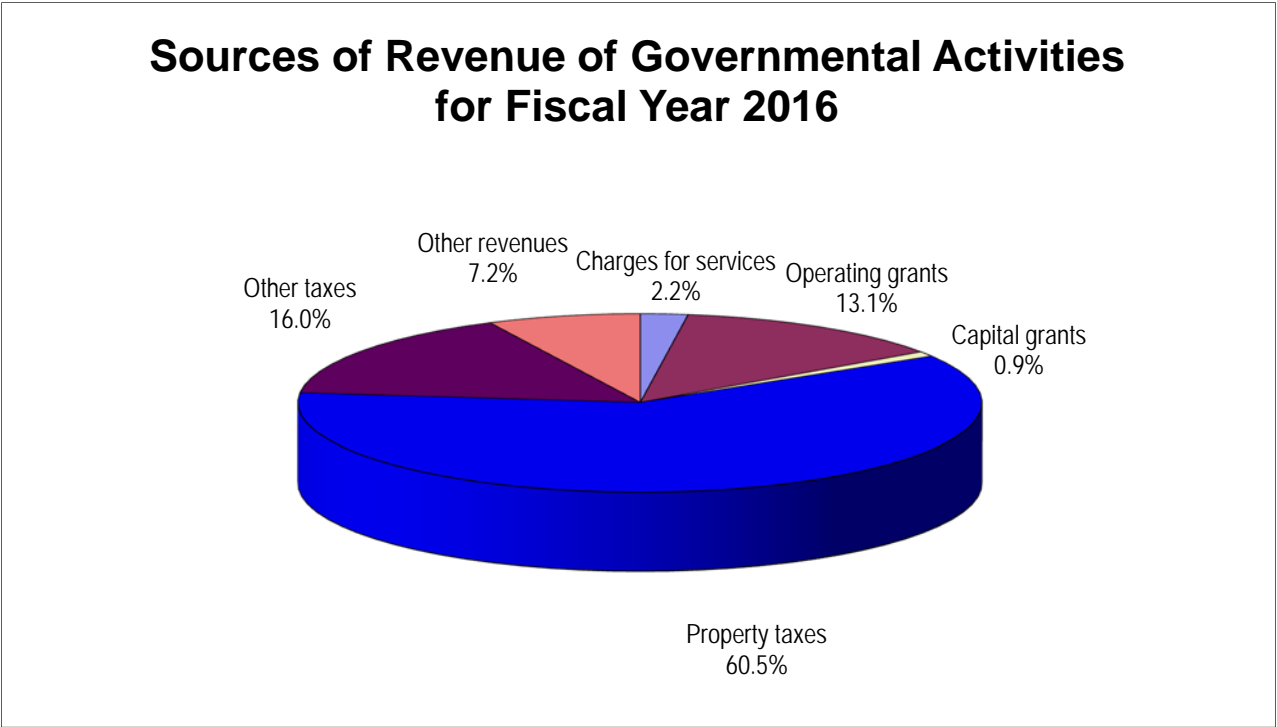


Strong collections coupled with continued economic development offset that lost revenue. Revenue collected from the lodging tax increased approximately \$80K. Collections from personal property taxes remained stable with no change to the tax rate of \$2.95. The increase in other tax revenues, which includes local sales taxes, local meals taxes, and local business license taxes, is evidence that the local economy continues to show signs of modest recovery from the economic downturn. Capital Grants and contributions decreased by approximately \$1.5 million due to decrease in education and community development grants and contributions.

For the fiscal year ended June 30, 2016, expenses relating to governmental activities (not including Capital Projects) were \$2.8 million greater than prior year. This increase is attributed to the investment in education and public safety. Though the economy is improving, the County continued prudent budget management strategies to reduce expenses in other areas to include delaying filling vacancies, delaying capital and other major facility maintenance and replacement needs, and examining program and service efficiencies particularly through departmental reorganization taking advantage of synergistic opportunities.

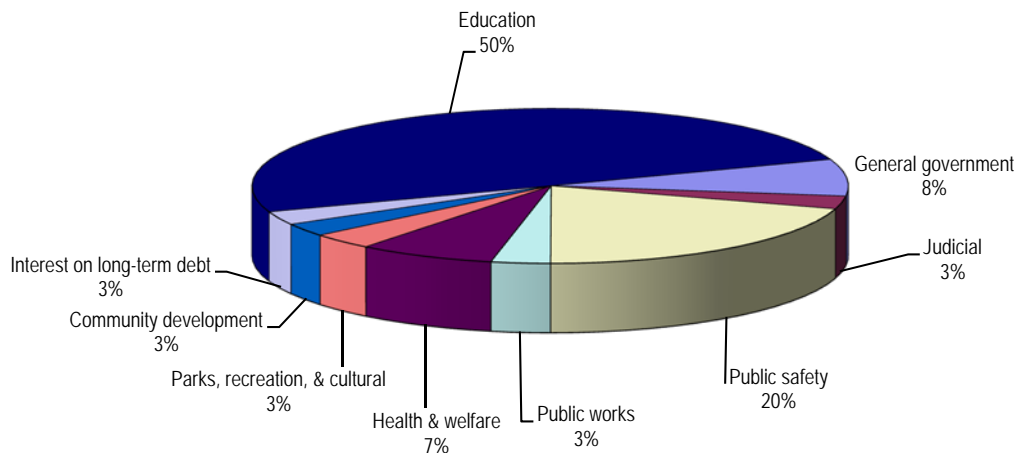
Public education continues to be one of the County's highest priorities and commitments. The County contributed \$26.2 million to public school operations through direct local transfer, capital projects, and debt payments related to school projects. This does not include the shared support services of the County's Community Education, Central Purchasing, and Accounting departments. The County continues increasing its investment in education as demonstrated in fiscal year 2017 with a total appropriation of \$27.9 million covering local operating and capital transfer as well as debt service payments on behalf of school projects.

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





## Total Functional Expenses of Governmental Activities for Fiscal Year 2016



**Business-type activities** increased the County's net position by \$1.8 million for fiscal year 2016 from the beginning balance of \$16.3 million. Similar to the changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,600 customers in the County. Like all business-type activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- Several years ago, the County recognized that the Utility Fund had no capacity for additional debt, but needed to address the various capital repairs needed by the utility system, such as water treatment plant rehabilitation and upgrading sewer pump stations. During FY2016, the County issued \$9.4 million in Water and Sewer Revenue Refunding Bonds, Series 2016 with an interest rate of 2.1%. The proceeds were used to refund \$6.8 million of outstanding Water and Sewer Revenue Bonds, Series 2006B which had interest rates ranging from 4% to 4.5% and \$2.9 million of outstanding Water and Sewer Revenue Bonds, Series 2011 with an interest rate of 2.8%. The County refunded the Series 2006B and 2011 bonds to reduce its total debt service payments over 14 years by about \$1.4 million ultimately reducing the General Fund transfer by the savings going forward.
- Efforts to make the fund self-supporting continue and the fund is showing improvements through collection efforts and operating efficiencies as evident by the continued positive growth in unrestricted net position of \$0.8 million to \$3.0 million at June 30, 2016. The County recognizes the need to continue support of the fund through annual General Fund transfers. Total amount transferred from the General Fund to the Utility Fund was \$673K in fiscal year 2016.



## Financial Analysis of the County's Funds

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

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

As of the end of fiscal year 2016, the County's governmental funds reported combined ending fund balances of \$22.2 million, a net decrease of \$1.6 million in comparison with the prior year. The \$1.6 million decrease can be attributed to:

- The spending of approximately \$3.2 million of the School Construction committed fund balance for the rebuilding of Page Middle School. The new Page Middle School was completed and opened September 2015, in time for the start of the new school term.
- The spending of approximately \$1.1 million of Capital Projects committed fund balance to complete various county and school projects.
- The contribution of \$2.5 million to unassigned fund balance due to the positive revenue results and continued prudent budget management strategies.

The General Fund is the chief operating fund of the County. At June 30, 2016, total fund balance was \$21.4 million of which unassigned fund balance was \$20.0 million. The Board of Supervisors adopted a fund balance policy in April 2011 as revised in October 2015 to keep an unassigned general fund balance at a minimum of 10% with a target of 12% governmental fund expenditures less any capital projects funded with bond proceeds. The unassigned fund balance in the General Fund was 20.0% using this policy criterion.

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

The School Construction Fund accounted for financial resources used for major Public School construction projects. An April 16, 2011 tornado severely damaged Page Middle School, which is one of two middle schools in the County. The County received the final insurance recovery payment of \$2.7 million in fiscal year 2014. Between 2011 and 2013, insurance payments totaling \$8.6 million was received. Three school bonds totaling \$23.5 million was issued. Construction on the rebuilding of the school started in fiscal year 2013 and was completed in early fiscal year 2016 in time for the September 2015 start of school session.

**Proprietary funds:** The County's proprietary funds provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Unrestricted net position of the Utility Fund at June 30, 2016 increased by \$0.8 million to \$3.0 million. Other factors concerning the finances of this fund have been addressed in the discussion of the County's business-type activities.



## General Fund Budgetary Highlights

Total General Fund expenditures in fiscal year 2016 came in at \$1.9 million or 3.7% below the final amended budget. Local expenditures for education were under budget by approximately \$850K.

General Fund revenues met and exceeded final budget projections in fiscal year 2016, which can be attributed to the signs of a measured recovery in the local economy and conservative revenue forecasting.

General Fund additional budget appropriation resulted in an increase of \$1.3 million, or about 2.2% between originally-adopted fiscal year 2016 budget appropriation for expenditures and transfers out and the final budget. The increase resulted primarily from re-appropriations of fiscal year 2015 budget commitments for completion of ongoing projects in fiscal year 2016.

## Capital Assets and Debt Administration

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$88.7 million (net of accumulated depreciation). This represents a decrease of \$7.6 million or 7.9% from fiscal year 2015. 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 fiscal year 2016 primarily related to the rebuilding of the Page Middle School. An April 16, 2011 tornado severely damaged Page Middle School, which at June 30, 2011 had a book value of \$10,753. The building was later demolished. 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 \$8.0 million was available for replacing the school. School bonds were issued for the project in fiscal year 2012, 2013 and the final piece of financing was issued in fiscal year 2014. The total budget for this project was approximately \$26.0 million. The new Page Middle School opened in September 2015 for the new school term.

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:

<b>Capital Assets</b> <b>As of June 30, 2016 and 2015</b> (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Land	\$ 6,487	\$ 6,487	\$ 3,599	\$ 3,599	\$ 10,086	\$ 10,086	\$ 2,289	\$ 2,289
Construction in progress	1,499	25,583	424	232	1,924	1,924		
Buildings	11,430	11,923	20,937	21,843	32,368	32,368	13,952	14,600
Improvements other than buildings	2,165	2,309	-	-	2,165	2,165	-	-
Equipment	7,589	8,540	1,232	1,207	8,821	8,821	2,522	2,661
Jointly owned assets	33,337	14,552	-	-	33,337	33,337	30,684	22,709
<b>Total</b>	<b>\$ 62,507</b>	<b>\$ 69,393</b>	<b>\$ 26,193</b>	<b>\$ 26,883</b>	<b>\$ 88,700</b>	<b>\$ 96,276</b>	<b>\$ 49,447</b>	<b>\$ 42,260</b>



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

**Long-term debt:** At June 30, 2016, the County's Primary Government had total outstanding debt of \$69.3 million and details are summarized in the following table:

<b>Long-Term Debt</b> <b>As of June 30, 2016 and 2015</b> <b>(\$ in thousands)</b>								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Bonds Payable:								
General obligation bonds	\$ 34,799	\$ 36,773	\$ -	\$ -	\$ 34,799	\$ 36,773	\$ -	\$ -
Revenue bonds	-	-	15,060	17,174	15,060	17,174	13,736	14,463
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	720	970	-	-	720	970	-	-
Capital leases	9,445	10,877	-	-	9,445	10,877	-	-
Derivative instrument liability	-	-	-	-	-	-	1,405	1,665
OPEB liability	1,560	1,448	126	119	1,686	1,566	2,291	2,039
Net pension liability	5,476	4,147	368	283	5,843	4,429	47,977	47,247
Compensated absences	1,673	1,635	118	117	1,791	1,753	1,760	1,695
<b>Total</b>	<b>\$ 53,673</b>	<b>\$ 55,851</b>	<b>\$ 15,672</b>	<b>\$ 17,692</b>	<b>\$ 69,345</b>	<b>\$ 73,543</b>	<b>\$ 67,170</b>	<b>\$ 67,110</b>

Debt associated with governmental activities decreased by \$2.2 million or 3.9% from the beginning balance of \$55.9 million which is attributable to the pay down of principal and bond refunding activity during the fiscal year. During fiscal year 2016 the County issued \$6.7 million in Lease Revenue Refunding Bonds, Series 2015 with an interest rate of 2.7%. The proceeds were used to refund \$6.9 million of outstanding Lease Revenue Bonds, Series 2006, which had an interest rate ranging from 4.0% to 4.5%. The County refunded the Series 2006 Bonds to reduce its total debt service payments over 15 years by \$875K.

The debt associated with business-type activities decreased by \$2.0 million or 11.3% from the beginning total of \$17.7 million, which is primarily attributed to pay down of principal and two additional bond refundings described earlier under Business-type Activities. As a result of the implementation of GASB 68 in fiscal year 2015, total debt liability includes recognizing net pension liability on the face of the financials, whereas previously only displayed and discussed in the notes to the financials. The most significant impact was on the School Board component unit. For fiscal year 2016, the School's recognized approximately \$48.0 million in net pension liability, about \$0.7 million increase from fiscal year 2015. Long-term debt balance as of June 30, 2016 for component units is \$67.2 million, essentially remaining level from the previous fiscal year. The increase in net pension liability is offset by the pay down of the revenue bonds.

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, 2016, the County's net debt as a percentage of assessed value was 1.0%, the net debt per capita ratio was \$1,190, and the debt payments percentage was 7.2%.



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

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

Throughout the calendar year 2015, the County's unemployment rate continued to show steady improvement over the prior year. The unemployment rate for the County's was 4.1%, which was lower than the state of Virginia at 4.4% and the United States at 5.3%. *(Source: Virginia Employment Commission)* Furthermore, positive trends continue in the areas of job growth, employment, tourism, real estate assessments, and decreasing unemployment.

The Board of Supervisors considered many factors when developing the fiscal year 2017 General Fund budget and the FY2017-FY2021 Five Year Capital Improvement Project (CIP) Plan - particularly the impacts of state and national economic conditions. While national indicators said the recession ended in 2009, the local economy is recovering at a more measured pace. Current economic conditions limited the resources available to the County to finance the services that residents expected. At the same time, the same economic conditions actually worked to increase the demand for human services, public recreational facilities, social services, libraries, public safety, and public schools.

The County Administrator's Approved FY 2017 Budget and 5 Year CIP Plan set forth financial plans that enables the Board of Supervisors to examine demands for County funds, to anticipate revenue needs, and to make decisions about the priority of programs, personnel, and level of services to be provided. The Board of Supervisors' overarching principals in developing the fiscal year 2017 Budget and CIP Plan were:

- Compensation increase for County and School employees;
- Support the most critical capital projects for Public Safety and the School Division;
- Minimize the Real Estate Tax Rate increase to only 1½ cent for a new rate of \$0.695;
- Structure the BPOL (Business, Professional, Occupational License) tax to support small businesses and remain competitive with neighboring localities;
- Support increase in school funding from fiscal year 2016 levels;
- No reductions in force by layoff;
- Utilize only PAYGo funding for capital projects retaining flexibility to accommodate larger projects as significant debt retirements occur over the next few years; and
- Strive to keep most services at current levels while enhancing select services supporting BOS initiatives, priorities, programs, directives, and capital approvals.

The fiscal year 2017 General Fund approved budget is \$61.8 million, which is an increase of \$2.4 million from adopted original fiscal year 2016 budget. The real estate tax rate was increased to \$0.695 from \$0.68, with personal property tax rates remaining at \$2.95. Subsequent to the adoption of the fiscal year 2017 budget, the Board of Supervisors approved an additional appropriations of \$250K, or a 1.1% increase in local funding support for the school system for unanticipated health insurance increase for their employees.

With the additional subsequent appropriation, the fiscal year 2017 School Operating Budget was approved at \$55.9 million, which is a \$2.3 million increase over the adopted fiscal year 2016 School Operating Budget. Also included in the fiscal year 2017 budget was \$23.8 million in local funding from the general fund, which includes the additional appropriation of \$250K. Additional information regarding the Fiscal Year 2017 Adopted Budget can be found on the County's Finance Department website at <http://gloucesterva.info/Finance/BudgetsandFinancialReports>.



Economic conditions, trends, and revenue collections continue to be closely monitored. Key factors that are expected to impact future budgets include declining revenue sources, projected increases in health insurance premiums, citizens' demands for maintaining service levels, needed funding for facility maintenance and capital improvements, and replacing state educational funding. Of particular interest has been unprecedented uncertainty in Washington and at the State Capitol.

In July, the Governor's administration reported that state revenue collections came in \$266 million short, potentially postponing and/or eliminating planned raises for state employees and local teachers. Revenue collections still set a new record for annual gross receipts, 1.7% higher than the year before. However, the state expected 3.2% growth to fund the state share of a 2% salary adjustment for SOQ (Standards of Quality)-recognized teaching positions, state employees, Constitutional officers, and state-supported local employees if the funding were matched by localities. The language in the budget made funding contingent on the state meeting its revenue projections.

Governor McAuliffe just recently announced his plans to keep the fiscal year 2017 state budget in balance in light of the revenue shortfall. As expected, the state funding for salary increases has been rescinded. The Governor's proposal does not include any further reductions to aid to localities, K-12 education programs, although there may be a reduction in sales tax distribution for public education due to weaker than expected sales tax revenues. The Governor proposes replacing general funds for education with lottery revenues, and proposes the use of additional Literary Fund dollars for teacher retirement costs. Ultimately the decision to not fund the plan salary increases impacts the fiscal year 2017 by approximately \$40K and 230K for County and Schools respectively. The County continues to monitor the state budget and 2017 General Assembly. Various sources indicate that funding for salary increases would be a top priority in budget deliberations in the 2017 session. In the meantime, the County is analyzing funding options to offset the state revenue loss.

### **Requests for Information**

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



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## *BASIC FINANCIAL STATEMENTS*



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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*



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Statement of Net Position  
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,710,443	\$ 645,380	\$ 20,355,823	\$ 351,166	\$ 82,568
Investments	3,255,128	1,317,969	4,573,097	569,093	799,732
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,462,705	1,268	23,463,973	-	-
Accounts receivable	491,252	481,989	973,241	1,080,453	-
Internal balances	12,171	(12,171)	-	-	-
Due from other governmental units	2,591,183	-	2,591,183	5,439,139	-
Inventories	-	44,169	44,169	28,177	1,083,044
Prepaid items	48,681	750	49,431	12,918	-
Restricted assets:					
Temporarily restricted:					
Investments - bond requirements	-	1,866,690	1,866,690	-	-
Cash and cash equivalents (in custody of others)	-	1,281,849	1,281,849	-	-
Investments (in custody of others)	-	2,133,979	2,133,979	-	-
Capital assets (net of accumulated depreciation):					
Land	6,486,853	3,599,246	10,086,099	1,476,061	813,267
Buildings and system	44,767,187	20,937,385	65,704,572	33,633,284	11,002,815
Improvements other than buildings	2,164,580	-	2,164,580	-	-
Machinery and equipment	7,589,319	1,232,138	8,821,457	2,521,990	-
Construction in progress	1,499,075	424,433	1,923,508	-	-
Total assets	<u>\$ 112,078,577</u>	<u>\$ 33,955,074</u>	<u>\$ 146,033,651</u>	<u>\$ 45,112,281</u>	<u>\$ 13,781,426</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 1,405,254
Item related to measurement of net pension liability	299,774	19,202	318,976	-	-
Pension contributions subsequent to measurement date	1,438,953	92,174	1,531,127	4,271,303	-
Deferred charges on refunding	168,756	335,217	503,973	-	-
Total deferred outflows of resources	<u>\$ 1,907,483</u>	<u>\$ 446,593</u>	<u>\$ 2,354,076</u>	<u>\$ 4,271,303</u>	<u>\$ 1,405,254</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 360,466	\$ 180,415	\$ 540,881	\$ 1,734,135	\$ 77,159
Accrued liabilities	1,100,869	20,344	1,121,213	5,149,797	-
Accrued interest payable	758,369	109,729	868,098	-	-
Due to other governmental units	3,926,125	-	3,926,125	222,454	288,000
Unearned revenue	57,206	-	57,206	-	-
Deposits held in escrow	-	126,000	126,000	-	-
Long-term liabilities:					
Due within one year	4,053,642	2,268,797	6,322,439	176,029	771,272
Derivative instrument - rate swap	-	-	-	-	1,405,254
Due in more than one year	49,619,430	13,403,348	63,022,778	51,852,454	12,965,175
Total liabilities	<u>\$ 59,876,107</u>	<u>\$ 16,108,633</u>	<u>\$ 75,984,740</u>	<u>\$ 59,134,869</u>	<u>\$ 15,506,860</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 19,676,841	\$ -	\$ 19,676,841	\$ -	\$ -
Items related to measurement of net pension liability	1,213,468	117,955	1,331,423	5,879,080	-
Total deferred inflow of resources	<u>\$ 20,890,309</u>	<u>\$ 117,955</u>	<u>\$ 21,008,264</u>	<u>\$ 5,879,080</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 17,543,250	\$ 13,602,185	\$ 31,145,435	\$ 37,631,335	\$ (1,920,365)
Restricted:					
Debt service and bond covenants	-	1,866,690	1,866,690	-	-
Unrestricted (deficit)	15,676,394	2,706,204	18,382,598	(53,261,700)	1,600,185
Total net position	<u>\$ 33,219,644</u>	<u>\$ 18,175,079</u>	<u>\$ 51,394,723</u>	<u>\$ (15,630,365)</u>	<u>\$ (320,180)</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, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ 5,213,213	\$ -	\$ 324,429
Judicial administration	1,832,619	225,492	1,264,047
Public safety	13,746,855	416,526	3,248,236
Public works	2,168,694	411,479	-
Health and welfare	5,018,243	44,851	3,111,565
Education	33,924,847	-	82,922
Parks, recreation, and cultural	2,316,509	264,424	146,205
Community development	1,850,500	74,260	9,851
Interest on long-term debt	1,903,921	-	244,384
Total governmental activities	\$ 67,975,401	\$ 1,437,032	\$ 8,431,639
Business-type activities:			
Public utilities	\$ 3,828,006	\$ 4,161,870	\$ -
Total business-type activities	\$ 3,828,006	\$ 4,161,870	\$ -
Total primary government	\$ 71,803,407	\$ 5,598,902	\$ 8,431,639
COMPONENT UNITS:			
School Board	\$ 56,256,227	\$ 1,150,225	\$ 31,080,670
Economic Development Authority	1,716,685	1,615,608	-
Total component units	\$ 57,972,912	\$ 2,765,833	\$ 31,080,670

General revenues:

General property taxes

Local sales and use tax

Consumer utility tax

Business license taxes

Restaurant food taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Payment from Gloucester County

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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



Net (Expense) Revenue and Changes in Net Position					
Capital Grants and Contributions	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ -	\$ (4,888,784)	\$ -	\$ (4,888,784)		
-	(343,080)	-	(343,080)		
-	(10,082,093)	-	(10,082,093)		
-	(1,757,215)	-	(1,757,215)		
-	(1,861,827)	-	(1,861,827)		
-	(33,841,925)	-	(33,841,925)		
-	(1,905,880)	-	(1,905,880)		
581,781	(1,184,608)	-	(1,184,608)		
-	(1,659,537)	-	(1,659,537)		
<u>\$ 581,781</u>	<u>\$ (57,524,949)</u>	<u>\$ -</u>	<u>\$ (57,524,949)</u>		
 \$ 713,180	 \$ -	 \$ 1,047,044	 \$ 1,047,044		
<u>\$ 713,180</u>	<u>\$ -</u>	<u>\$ 1,047,044</u>	<u>\$ 1,047,044</u>		
<u>\$ 1,294,961</u>	<u>\$ (57,524,949)</u>	<u>\$ 1,047,044</u>	<u>\$ (56,477,905)</u>		
 \$ -	 \$ -	 \$ -	 \$ -	 \$ (24,025,332)	 \$ -
-	-	-	-	-	(101,077)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,025,332)</u>	<u>\$ (101,077)</u>
 \$ 38,881,635	 \$ 39,235	 \$ 38,920,870	 \$ -	 \$ -	 \$ -
4,132,108	-	4,132,108	-	-	-
716,300	-	716,300	-	-	-
1,552,245	-	1,552,245	-	-	-
2,116,520	-	2,116,520	-	-	-
1,109,601	-	1,109,601	-	-	-
154,286	91,191	245,477	4,667	3,938	
670,380	-	670,380	136,168	-	
4,505,799	-	4,505,799	-	-	
-	-	-	32,073,280	-	
(673,000)	673,000	-	-	-	-
<u>\$ 53,165,874</u>	<u>\$ 803,426</u>	<u>\$ 53,969,300</u>	<u>\$ 32,214,115</u>	<u>\$ 3,938</u>	
<u>\$ (4,359,075)</u>	<u>\$ 1,850,470</u>	<u>\$ (2,508,605)</u>	<u>\$ 8,188,783</u>	<u>\$ (97,139)</u>	
<u>37,578,719</u>	<u>16,324,609</u>	<u>53,903,328</u>	<u>(23,819,148)</u>	<u>(223,041)</u>	
<u>\$ 33,219,644</u>	<u>\$ 18,175,079</u>	<u>\$ 51,394,723</u>	<u>\$ (15,630,365)</u>	<u>\$ (320,180)</u>	



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## *FUND FINANCIAL STATEMENTS*



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Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Capital Projects	School Construction	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,710,443	\$ -	\$ -	\$ -	\$ 19,710,443
Investments	3,132,992	122,136	-	-	3,255,128
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,462,705	-	-	-	23,462,705
Accounts receivable	489,157	-	-	2,095	491,252
Due from other funds	258,430	235,066	116,901	-	610,397
Due from other governmental units	1,738,712	497,613	-	354,858	2,591,183
Prepaid items	48,681	-	-	-	48,681
Total assets	<u>\$ 48,841,120</u>	<u>\$ 854,815</u>	<u>\$ 116,901</u>	<u>\$ 356,953</u>	<u>\$ 50,169,789</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 168,137	\$ 68,620	\$ 13,015	\$ 110,694	\$ 360,466
Accrued liabilities	1,000,827	-	100,042	-	1,100,869
Due to other governmental units	3,926,125	-	-	-	3,926,125
Due to other funds	351,967	-	-	246,259	598,226
Unearned revenue	57,206	-	-	-	57,206
Total liabilities	<u>\$ 5,504,262</u>	<u>\$ 68,620</u>	<u>\$ 113,057</u>	<u>\$ 356,953</u>	<u>\$ 6,042,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 21,891,720	\$ -	\$ -	\$ -	\$ 21,891,720
Total deferred inflows of resources	<u>\$ 21,891,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,891,720</u>
<b>Fund balances:</b>					
Nonspendable	\$ 48,681	\$ -	\$ -	\$ -	\$ 48,681
Restricted	77,013	97,400	-	-	174,413
Committed	1,310,127	688,795	3,844	-	2,002,766
Unassigned	20,009,317	-	-	-	20,009,317
Total fund balances	<u>\$ 21,445,138</u>	<u>\$ 786,195</u>	<u>\$ 3,844</u>	<u>\$ -</u>	<u>\$ 22,235,177</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,841,120</u>	<u>\$ 854,815</u>	<u>\$ 116,901</u>	<u>\$ 356,953</u>	<u>\$ 50,169,789</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 22,235,177
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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	\$ 98,983,104	
Accumulated depreciation	<u>(36,476,090)</u>	62,507,014

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

Unavailable revenue - property taxes	\$ 2,214,879	
Items related to measurement of net pension liability	<u>(1,213,468)</u>	1,001,411

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	1,438,953
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and loans payable	\$ (34,057,211)	
Add: Deferred charge on refunding (to be amortized as interest expense)	168,756	
Less: Issuance premium (to be amortized over life of debt)	(1,461,944)	
Accrued Interest payable	(758,369)	
Net OPEB obligation	(1,560,257)	
Net pension liability	(5,475,759)	
Items related to measurement of net pension liability	299,774	
Capital leases	(9,444,609)	
Compensated absences	<u>(1,673,292)</u>	<u>(53,962,911)</u>

Net position of governmental activities	\$ <u><u>33,219,644</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, 2016

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
<b>REVENUES</b>						
General property taxes	\$ 38,899,618	\$ -	\$ -	\$ -	\$ -	\$ 38,899,618
Other local taxes	9,626,774	-	-	-	-	9,626,774
Permits, privilege fees, and regulatory licenses	361,437	-	-	-	-	361,437
Fines and forfeitures	94,470	-	-	-	-	94,470
Revenue from the use of money and property	153,341	-	945	-	-	154,286
Charges for services	981,125	-	-	-	-	981,125
Miscellaneous	273,612	-	155,302	220,696	20,770	670,380
Recovered costs	362,494	-	-	-	-	362,494
Intergovernmental:						
Commonwealth	9,008,854	-	405,172	129,396	1,531,481	11,074,903
Federal	364,661	244,384	362,831	-	1,472,440	2,444,316
Total revenues	\$ 60,126,386	\$ 244,384	\$ 924,250	\$ 350,092	\$ 3,024,691	\$ 64,669,803
<b>EXPENDITURES</b>						
Current:						
General government administration	\$ 5,559,742	\$ -	\$ -	\$ -	\$ -	\$ 5,559,742
Judicial administration	1,776,474	-	-	-	-	1,776,474
Public safety	12,431,841	-	-	-	-	12,431,841
Public works	2,203,795	-	-	-	-	2,203,795
Health and welfare	752,054	-	-	-	4,312,081	5,064,135
Education	22,873,774	-	-	-	-	22,873,774
Parks, recreation, and cultural	2,180,280	-	-	-	-	2,180,280
Community development	1,040,427	-	-	-	-	1,040,427
Nondepartmental	300,585	-	-	-	-	300,585
Capital projects	-	-	2,979,522	3,568,799	-	6,548,321
Debt service:						
Principal retirement	-	10,276,799	-	-	-	10,276,799
Interest and other fiscal charges	-	2,019,033	-	-	-	2,019,033
Bond issuance costs	-	91,878	-	-	-	91,878
Total expenditures	\$ 49,118,972	\$ 12,387,710	\$ 2,979,522	\$ 3,568,799	\$ 4,312,081	\$ 72,367,084
Excess (deficiency) of revenues over (under) expenditures	\$ 11,007,414	\$ (12,143,326)	\$ (2,055,272)	\$ (3,218,707)	\$ (1,287,390)	\$ (7,697,281)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ -	\$ 5,418,326	\$ 1,023,315	\$ -	\$ 1,287,390	\$ 7,729,031
Transfers out	(8,402,031)	-	-	-	-	(8,402,031)
Refunding of lease revenue bonds	-	6,725,000	-	-	-	6,725,000
Total other financing sources (uses)	\$ (8,402,031)	\$ 12,143,326	\$ 1,023,315	\$ -	\$ 1,287,390	\$ 6,052,000
Net change in fund balances	\$ 2,605,383	\$ -	\$ (1,031,957)	\$ (3,218,707)	\$ -	\$ (1,645,281)
Fund balances - beginning	18,839,755	-	1,818,152	3,222,551	-	23,880,458
Fund balances - ending	\$ 21,445,138	\$ -	\$ 786,195	\$ 3,844	\$ -	\$ 22,235,177

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, 2016

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

Net change in fund balances - total governmental funds	\$ (1,645,281)
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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	\$ 5,972,472	
Depreciation expense	(3,459,835)	
Jointly owned asset allocation of assets	(5,369,366)	
Jointly owned asset depreciation	<u>(4,029,199)</u>	(6,885,928)

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

Property taxes	\$ (17,983)	
Change in deferred inflows related to the measurement of the net pension liability/asset	<u>1,605,107</u>	1,587,124

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$ (6,725,000)	
Principal payments	<u>10,276,799</u>	3,551,799

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (37,800)	
(Increase) decrease in net OPEB obligation	(112,591)	
(Increase) decrease in net pension liability	(1,328,960)	
Amortization of deferred charges on refunding	(15,651)	
Premium amortization	105,462	
Increase (decrease) in deferred outflows related to pension payments subsequent to measurement date	5,798	
Increase (decrease) in deferred outflows related to measurement of net pension liability	299,774	
(Increase) decrease in accrued interest payable	<u>117,179</u>	<u>(966,789)</u>

Change in net position of governmental activities	<u>\$ (4,359,075)</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, 2016

	Enterprise Fund Utilities Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 645,380
Investments	1,317,969
Taxes receivable (net of allowance for uncollectibles)	1,268
Accounts receivable (net of allowance for uncollectibles)	481,989
Inventories	44,169
Prepaid items	750
Total current assets	\$ 2,491,525
Noncurrent assets:	
Restricted current assets:	
Investments - bond requirements	\$ 1,866,690
Cash and cash equivalents (in custody of others)	1,281,849
Investments (in custody of others)	2,133,979
Total restricted current assets	\$ 5,282,518
Capital assets:	
Land	\$ 3,599,246
Utility plant in service	34,700,316
Machinery and equipment	1,784,101
Buildings	6,132,616
Construction in progress	424,433
Accumulated depreciation	(20,447,510)
Total net capital assets	\$ 26,193,202
Total noncurrent assets	\$ 31,475,720
Total assets	\$ 33,967,245
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refundings	\$ 335,217
Items related to measurement of net pension liability	19,202
Pension contributions subsequent to measurement date	92,174
Total deferred outflows of resources	\$ 446,593
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 180,415
Accrued liabilities	20,344
Accrued interest payable	109,729
Due to other funds	12,171
Compensated absences - current portion	11,797
Deposits held in escrow	126,000
Bonds payable - current portion	2,257,000
Total current liabilities	\$ 2,717,456



## Statement of Net Position

Proprietary Fund

June 30, 2016

	Enterprise Fund Utilities Fund
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 12,803,213
Net OPEB obligation	126,236
Net pension liability	367,723
Compensated absences - net of current portion	106,176
Total noncurrent liabilities	\$ 13,403,348
Total liabilities	\$ 16,120,804
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	\$ 117,955
NET POSITION	
Net investment in capital assets	\$ 13,602,185
Restricted for debt service and bond covenants	1,866,690
Unrestricted	2,706,204
Total net position	\$ 18,175,079

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, 2016

	Enterprise Fund Utilities Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 3,400,393
Sewer revenues	669,889
Other revenues	91,588
Total operating revenues	<u>\$ 4,161,870</u>
<b>OPERATING EXPENSES</b>	
Personnel services	\$ 912,038
Fringe benefits	303,893
Contractual services	212,863
Other charges	889,652
Depreciation	966,886
Total operating expenses	<u>\$ 3,285,332</u>
Operating income (loss)	<u>\$ 876,538</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Connection fees	\$ 713,180
Investment income	91,191
Taxes	39,235
Interest expense	(542,674)
Total nonoperating revenues (expenses)	<u>\$ 300,932</u>
Income before transfers	<u>\$ 1,177,470</u>
Transfers in	<u>673,000</u>
Change in net position	<u>\$ 1,850,470</u>
Total net position - beginning	<u>16,324,609</u>
Total net position - ending	<u><u>\$ 18,175,079</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, 2016

	Enterprise Fund Utilities Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 4,090,568
Receipts for miscellaneous items	91,460
Payments to suppliers	(1,101,056)
Payments to and for employees	(1,135,513)
Net cash provided by (used for) operating activities	\$ 1,945,459
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 669,777
Connection fees	713,180
Tax revenue	39,235
Net cash provided by (used for) noncapital financing activities	\$ 1,422,192
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	\$ (277,464)
Principal payments on bonds	(11,407,000)
Proceeds from indebtedness	9,427,000
Interest expense	(766,538)
Net cash provided by (used for) capital and related financing activities	\$ (3,024,002)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	\$ 79,355
Sale (purchase) of investments	(197,338)
Net cash provided by (used for) investing activities	\$ (117,983)
Net increase (decrease) in cash and cash equivalents	\$ 225,666
Cash and cash equivalents - beginning - including restricted	1,701,563
Cash and cash equivalents - ending - including restricted	\$ 1,927,229
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:	
Operating income (loss)	\$ 876,538
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 966,886
(Increase) decrease in accounts receivable	20,607
(Increase) decrease in deferred outflows of resources	(10,540)
(Increase) decrease in inventories	2,209
(Increase) decrease in prepaid items	(750)
Increase (decrease) in customer deposits	(449)
Increase (decrease) in accrued liabilities	15,235
Increase (decrease) in accounts payable	98,238
Increase (decrease) in net OPEB obligation	7,713
Increase (decrease) in net pension liability	85,128
Increase (decrease) in deferred inflows of resources	(116,227)
Increase (decrease) in compensated absences	871
Total adjustments	\$ 1,068,921
Net cash provided by (used for) operating activities	\$ 1,945,459

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



Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 168,730
Total assets	\$ <u>168,730</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 71,799
Amounts held for social services clients	27,333
Amounts held for regional program	2,021
Amounts held for others	67,577
Total liabilities	\$ <u>168,730</u>

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



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## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

#### Financial Statement Presentation

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

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

#### Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The exception to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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



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

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

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

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

**A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Gloucester (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units to be included for the fiscal year ended June 30, 2016.

*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, 2016.



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

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

*Discretely Presented Component Units: (Continued)*

The Gloucester County Economic Development Authority (EDA) is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Authority does not issue a separate financial report.

**C. Other Related Organizations**

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

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

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

**Included in the County's Financial Report**

None

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

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



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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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



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

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

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

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

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

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

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

The County reports the following nonmajor governmental funds:

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

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

Fiduciary Funds - (Trust and Agency Funds) - accounts for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare, Middle Peninsula Regional Special Education, Flexible Benefits and Sheriff/Jail.



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

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

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

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

E. Cash and Cash Equivalents:

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$511,939 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 30/December 5 (50% each date)	June 30/December 5 (50% each date)
Lien Date	January 1	January 1

The County bills and collects its own property taxes.



NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)H. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

I. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.



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

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.



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

O. Prepaid Items

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

P. Inventory

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

Q. Fund Equity

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

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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

Q. Fund Equity (Continued)

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.

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:				
Prepaid items	\$ 48,681	\$ -	\$ -	\$ 48,681
Total Nonspendable Fund Balance	\$ 48,681	\$ -	\$ -	\$ 48,681
Restricted:				
Sheriff's asset forfeiture, federal	\$ 28,144	\$ -	\$ -	\$ 28,144
Sheriff's asset forfeiture, state	36,393	-	-	36,393
Commonwealth Attorney's asset forfeiture, federal	462	-	-	462
Commonwealth Attorney's asset forfeiture, state	12,014	-	-	12,014
Proffers	-	97,400	-	97,400
Total Restricted Fund Balance	\$ 77,013	\$ 97,400	\$ -	\$ 174,413
Committed:				
Mosquito control	\$ 131,438	\$ -	\$ -	\$ 131,438
Tourism projects	301,543	-	-	301,543
Daffodil festival	74,542	-	-	74,542
Program donations	23,355	-	-	23,355
Subsequent expenditures	-	543,541	3,844	547,385
Probation and pretrial	61,139	-	-	61,139
Cable services	590,766	-	-	590,766
County capital replacement	127,344	-	-	127,344
Park projects	-	23,118	-	23,118
Older adult capital projects	-	122,136	-	122,136
Total Committed Fund Balance	\$ 1,310,127	\$ 688,795	\$ 3,844	\$ 2,002,766
Unassigned Fund Balance	\$ 20,009,317	\$ -	\$ -	\$ 20,009,317
Total Fund Balances	\$ 21,445,138	\$ 786,195	\$ 3,844	\$ 22,235,177



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

**R. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the financial reporting for the derivative debt incurred by the Component Economic Development Authority. The final item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

**S. Adoption of Accounting Principles:**

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 18.



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

S. Adoption of Accounting Principles: (Continued)

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

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.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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

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 exceeded appropriations in the Debt Service Fund at June 30, 2016 due to the refunding of a \$6,885,000 lease revenue bond during the year.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2016 were held by the County or in the County’s name by the County’s custodial banks.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values				
Rated Debt Investments	Fair Quality Ratings			
	AAAm	AAA	AA-	
Primary Government:				
Local Government Investment Pool	\$ 4,578,053	\$ -	\$ -	
Virginia State Non-Arbitrage Pool	2,133,979	-	-	
U.S. Treasury Note	-	1,866,690	-	
Total	<u>\$ 6,712,032</u>	<u>\$ 1,866,690</u>	<u>\$ -</u>	
Component Unit-School Board:				
Local Government Investment Pool	\$ 569,093	\$ -	\$ -	
Total	<u>\$ 569,093</u>	<u>\$ -</u>	<u>\$ -</u>	
Component Unit-Economic Development Authority:				
Money Market Funds	\$ 598,786	\$ -	\$ -	
Corporate Bonds	-	-	200,946	
Total	<u>\$ 598,786</u>	<u>\$ -</u>	<u>\$ 200,946</u>	

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 4,578,053	\$ 4,578,053	\$ -
Virginia State Non-Arbitrage Pool	2,133,979	2,133,979	-
U.S. Treasury Note	1,866,690	1,866,690	-
Total	<u>\$ 8,578,722</u>	<u>\$ 8,578,722</u>	<u>\$ -</u>
Component Unit-School Board:			
Local Government Investment Pool	\$ 569,093	\$ 569,093	\$ -
Total	<u>\$ 569,093</u>	<u>\$ 569,093</u>	<u>\$ -</u>
Component Unit-Economic Development Authority			
Money Market Funds	\$ 598,786	\$ 598,786	\$ -
Corporate Bonds	200,946	100,781	100,165
Total	<u>\$ 799,732</u>	<u>\$ 699,567</u>	<u>\$ 100,165</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U. S. Government securities (including securities issued or guaranteed by the U. S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2016, the County has receivables from and amounts due to other governments as follows:

		<u>Component Units</u>	
	<u>Primary Government</u>	<u>School Board</u>	<u>Economic Development Authority</u>
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,926,125	\$ -
Gloucester County Cafeteria	222,454	-	-
Gloucester County Economic Development Authority	288,000	-	-
Commonwealth of Virginia:			
Local sales tax	737,400	-	-
Local communication sales tax	175,057	-	-
Local cable television fees	66,496	-	-
Mobile home titling tax	9,106	-	-
CSA funds	139,193	-	-
VPA funds	89,296	-	-
State sales tax	-	1,027,237	-
Constitutional officer reimbursements	286,917	-	-
Recordation tax	37,607	-	-
Other Grants	69,553	-	-
E-911 funds	33,522	-	-
Federal Government:			
School fund grants	-	485,777	-
FEMA grant	165,484	-	-
Emergency services	125,000	-	-
VPA funds	126,369	-	-
Other federal grants	19,729	-	-
Total due from other governments	<u>\$ 2,591,183</u>	<u>\$ 5,439,139</u>	<u>\$ -</u>
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 3,926,125	\$ -	\$ -
Gloucester County	<u>-</u>	<u>222,454</u>	<u>288,000</u>
Total due to other governments	<u>\$ 3,926,125</u>	<u>\$ 222,454</u>	<u>\$ 288,000</u>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables and payables as of June 30, 2016, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 258,430	\$ 351,967
Capital Projects	235,066	-
School Construction	116,901	-
Virginia Public Assistance	-	175,529
Comprehensive Services Act	-	70,730
Total Governmental Funds	<u>\$ 610,397</u>	<u>\$ 598,226</u>
Utilities	\$ -	\$ 12,171
Total All Funds	<u>\$ 610,397</u>	<u>\$ 610,397</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, 2016:

**Primary Government:**

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,486,853	\$ -	\$ -	\$ 6,486,853
Construction in progress	909,468	592,607	3,000	1,499,075
Jointly owned assets - construction in progress	<u>24,673,703</u>	<u>4,422,695</u>	<u>29,096,398</u>	<u>-</u>
Total capital assets not subject to depreciation	<u>\$ 32,070,024</u>	<u>\$ 5,015,302</u>	<u>\$ 29,099,398</u>	<u>\$ 7,985,928</u>
Capital assets subject to depreciation:				
Buildings	\$ 19,814,400	\$ -	\$ -	\$ 19,814,400
Improvements other than buildings	2,913,181	5,265	-	2,918,446
Machinery and equipment	18,562,881	951,905	703,194	18,811,592
Jointly owned assets - buildings	<u>25,725,706</u>	<u>29,096,398</u>	<u>5,369,366</u>	<u>49,452,738</u>
Total capital assets subject to depreciation	<u>\$ 67,016,168</u>	<u>\$ 30,053,568</u>	<u>\$ 6,072,560</u>	<u>\$ 90,997,176</u>
Accumulated depreciation:				
Buildings	\$ (7,891,070)	\$ (493,030)	\$ -	\$ (8,384,100)
Improvements other than buildings	(604,665)	(149,201)	-	(753,866)
Machinery and equipment	(10,023,326)	(1,902,141)	(703,194)	(11,222,273)
Jointly owned assets - buildings	<u>(11,174,189)</u>	<u>(912,463)</u>	<u>4,029,199</u>	<u>(16,115,851)</u>
Total accumulated depreciation	<u>\$ (29,693,250)</u>	<u>\$ (3,456,835)</u>	<u>\$ 3,326,005</u>	<u>\$ (36,476,090)</u>
Total capital assets being depreciated, net	<u>\$ 37,322,918</u>	<u>\$ 26,596,733</u>	<u>\$ 9,398,565</u>	<u>\$ 54,521,086</u>
Governmental activities capital assets, net	<u>\$ 69,392,942</u>	<u>\$ 31,612,035</u>	<u>\$ 38,497,963</u>	<u>\$ 62,507,014</u>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	257,234
Judicial administration		200,872
Public safety		1,881,775
Public works		39,518
Health and welfare		51,880
Education		922,972
Parks, recreation and cultural		95,469
Community development		7,115
Total Governmental activities	\$	<u>3,456,835</u>

A summary of proprietary fund property, plant, and equipment at June 30, 2016 follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,246	\$ -	\$ -	\$ 3,599,246
Construction in progress	<u>232,452</u>	<u>191,981</u>	<u>-</u>	<u>424,433</u>
Total capital assets not subject to depreciation	\$ <u>3,831,698</u>	\$ <u>191,981</u>	\$ <u>-</u>	\$ <u>4,023,679</u>
Capital assets subject to depreciation:				
Plant in service	\$ 34,692,182	\$ 8,134	\$ -	\$ 34,700,316
Machinery and equipment	1,752,127	77,349	45,375	1,784,101
Buildings	<u>6,171,216</u>	<u>-</u>	<u>38,600</u>	<u>6,132,616</u>
Total capital assets subject to depreciation	\$ <u>42,615,525</u>	\$ <u>85,483</u>	\$ <u>83,975</u>	\$ <u>42,617,033</u>
Accumulated depreciation:				
Plant in service	\$ (15,301,862)	\$ (733,785)	\$ -	\$ (16,035,647)
Machinery and equipment	(544,628)	(52,710)	(45,375)	(551,963)
Buildings	<u>(3,718,109)</u>	<u>(180,391)</u>	<u>(38,600)</u>	<u>(3,859,900)</u>
Total accumulated depreciation	\$ <u>(19,564,599)</u>	\$ <u>(966,886)</u>	\$ <u>(83,975)</u>	\$ <u>(20,447,510)</u>
Total capital assets being depreciated, net	\$ <u>23,050,926</u>	\$ <u>(881,403)</u>	\$ <u>-</u>	\$ <u>22,169,523</u>
Business-type activities capital assets, net	\$ <u>26,882,624</u>	\$ <u>(689,422)</u>	\$ <u>-</u>	\$ <u>26,193,202</u>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2016:

Component Unit - School Board:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	\$ 2,981,094	\$ 174,067	\$ -	\$ 3,155,161
Machinery and equipment	10,885,278	404,784	27,000	11,263,062
Jointly owned assets - buildings	40,147,513	-	(5,369,366)	45,516,879
Total capital assets subject to depreciation	\$ 54,013,885	\$ 578,851	\$ (5,342,366)	\$ 59,935,102
Accumulated depreciation:				
Buildings	\$ (119,080)	\$ (86,459)	\$ -	\$ (205,539)
Machinery and equipment	(8,223,928)	(544,144)	(27,000)	(8,741,072)
Jointly owned assets - buildings	(17,438,428)	(1,423,988)	(4,029,199)	(14,833,217)
Total accumulated depreciation	\$ (25,781,436)	\$ (2,054,591)	\$ (4,056,199)	\$ (23,779,828)
Total capital assets being depreciated, net	\$ 28,232,449	\$ (1,475,740)	\$ (9,398,565)	\$ 36,155,274
Governmental activities capital assets, net	\$ 29,708,510	\$ (1,475,740)	\$ (9,398,565)	\$ 37,631,335

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, 2016, is that school financed assets in the amount of \$33,336,887 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2016 follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 813,267	\$ -	\$ -	\$ 813,267
Total capital assets not subject to depreciation	\$ 813,267	\$ -	\$ -	\$ 813,267
Capital assets subject to depreciation:				
Buildings	\$ 18,403,393	\$ -	\$ -	\$ 18,403,393
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	\$ 18,410,627	\$ -	\$ -	\$ 18,410,627
Accumulated depreciation:				
Buildings	\$ (6,665,104)	\$ (735,474)	\$ -	\$ (7,400,578)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (6,672,338)	\$ (735,474)	\$ -	\$ (7,407,812)
Total capital assets being depreciated, net	\$ 11,738,289	\$ (735,474)	\$ -	\$ 11,002,815
Business-type activities capital assets, net	\$ 12,551,556	\$ (735,474)	\$ -	\$ 11,816,082

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 8,402,031
Debt Service	5,418,326	-
Capital Projects	1,023,315	-
Other Governmental Funds	1,287,390	-
Total Governmental Funds	\$ 7,729,031	\$ 8,402,031
Enterprise Funds:		
Utilities	673,000	-
Total-All Funds	\$ 8,402,031	\$ 8,402,031

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, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2016 is as follows:

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Incurred by County:					
Compensated absences	\$ 1,635,492	\$ 1,401,863	\$ 1,364,063	\$ 1,673,292	\$ 167,329
Net OPEB obligation	1,447,666	142,277	29,686	1,560,257	-
Net pension liability	4,146,799	5,581,863	4,252,903	5,475,759	-
Capital leases	10,877,408	6,725,000	8,157,799	9,444,609	1,697,947
Total incurred by County	\$ 18,107,365	\$ 13,851,003	\$ 13,804,451	\$ 18,153,917	\$ 1,865,276
Incurred by School Board:					
State Literary Fund Loans	\$ 970,324	\$ -	\$ 250,000	\$ 720,324	\$ 250,000
General obligation bonds	35,205,887	-	1,869,000	33,336,887	1,938,366
Add deferred amounts:					
For issuance premium	1,567,406	-	105,462	1,461,944	-
Total incurred by School Board	\$ 37,743,617	\$ -	\$ 2,224,462	\$ 35,519,155	\$ 2,188,366
Total Governmental Activities	\$ 55,850,982	\$ 13,851,003	\$ 16,028,913	\$ 53,673,072	\$ 4,053,642
<b>Business-type Activities:</b>					
Compensated absences	\$ 117,102	\$ 96,450	\$ 95,579	\$ 117,973	\$ 11,797
Net OPEB obligation	118,523	9,746	2,033	126,236	-
Net pension liability	282,595	357,553	272,425	367,723	-
Revenue bonds	16,507,000	9,427,000	11,407,000	14,527,000	2,257,000
Add deferred amounts:					
For issuance premium	710,951	-	177,738	533,213	-
Less deferred amounts:					
For issuance discount	(43,674)	-	(43,674)	-	-
Total Business-type Activities	\$ 17,692,497	\$ 9,890,749	\$ 11,911,101	\$ 15,672,145	\$ 2,268,797

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities	
	Capital Leases	
	Principal	Interest
2017	\$ 1,697,947	\$ 299,372
2018	1,764,662	229,589
2019	392,000	156,801
2020	398,000	146,096
2021	413,000	135,107
2022	423,000	123,779
2023	432,000	112,194
2024	441,000	100,365
2025	459,000	88,170
2026	471,000	75,568
2027	483,000	62,642
2028	498,000	49,349
2029	508,000	35,718
2030	523,000	21,748
2031	541,000	7,331
Total	\$ 9,444,609	\$ 1,643,829

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Governmental Activities School Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 250,000	\$ 21,609	\$ 1,938,366	\$ 1,435,674
2018	250,000	14,109	1,907,960	1,345,191
2019	220,324	6,609	2,262,778	1,256,636
2020	-	-	2,342,866	1,165,801
2021	-	-	2,418,219	1,071,132
2022	-	-	2,518,853	970,440
2023	-	-	2,581,258	878,352
2024	-	-	2,661,126	791,492
2025	-	-	2,005,284	707,585
2026	-	-	2,067,045	631,358
2027	-	-	2,129,162	557,061
2028	-	-	1,686,650	490,400
2029	-	-	1,365,490	436,215
2030	-	-	990,490	398,483
2031	-	-	1,020,489	357,543
2032	-	-	1,022,712	315,313
2033	-	-	1,057,713	282,310
2034	-	-	1,087,713	247,910
2035	-	-	272,713	115,194
Total	\$ <u>720,324</u>	\$ <u>42,327</u>	\$ <u>33,336,887</u>	\$ <u>13,454,090</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2017	\$ 2,257,000	\$ 431,535
2018	2,382,000	309,767
2019	2,486,000	208,543
2020	714,000	147,945
2021	708,000	133,014
2022	719,000	118,031
2023	729,000	102,826
2024	749,000	87,308
2025	759,000	71,473
2026	775,000	55,367
2027	699,000	39,889
2028	506,000	27,237
2029	517,000	16,496
2030	527,000	5,534
Total	\$ <u>14,527,000</u>	\$ <u>1,754,965</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Obligations:</u>	
<u>Capital Leases:</u>	
\$6,725,000 capital lease revenue refunding bond (payable from the General Fund) issued August 12, 2015, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at 2.71%.	\$ 6,725,000
\$11,245,000 capital lease (payable from the General Fund) dated December 28, 2006, secured by communications equipment, due in combined annual installments of principal and interest of \$1,452,058 through July 1, 2017, including interest at 4.49%.	<u>2,719,609</u>
Total Capital Leases	\$ 9,444,609
Compensated absences (payable from the General Fund)	1,673,292
Net OPEB obligation (payable from the General Fund)	1,560,257
Net pension liability (payable from the General Fund)	<u>5,475,759</u>
Total long-term obligations incurred by County	<u><u>\$ 18,153,917</u></u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds:</u>	
\$500,000 General Obligation School Bond, Series 2011, dated December 15, 2011 payable in various annual installments each December 1 through 2030, interest payable semi-annually at 4.25%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	\$ 460,000
\$5,999,684 General Obligation School Bond, Series 2012, dated October 31, 2012 payable in various annual installments each December 1 through 2034, interest payable semi-annually at 3.84%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	5,639,699
\$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%.	140,000
\$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, \$3,950,000 plus unamortized issuance premium of \$162,379.	4,112,379
\$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Face amount of bonds outstanding, \$4,315,000 plus unamortized issuance premium of \$89,112.	4,404,112
\$15,845,000 School Bonds issued November 21, 2013 payable in various annual installments each July 15 through 2033. Interest payable semi-annually at various interest rates from 2.3% through 5.05%. Face amount of bonds outstanding, \$14,785,000 plus unamortized issuance premium of \$1,015,888.	15,800,888
\$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, \$4,047,188 plus unamortized issuance premium of \$194,565.	4,241,753
Total school bonds	\$ 34,798,831



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	\$ <u>720,324</u>
Total long-term obligations incurred by School Board, payable from the General Fund	\$ <u>35,519,155</u>
<u>Business-type activities:</u>	
<u>Revenue Bonds:</u>	
\$9,427,000 Water and Sewer Revenue and Refunding Bonds issued March 30, 2016, payable in various amounts through December 1, 2029, interest payable semi-annually at 2.1%.	\$ 9,427,000
\$9,740,000 Water and Sewer Revenue and Refunding Bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.286% to 5.125%. Face amount of bonds outstanding, \$5,100,000 plus unamortized issuance premium of \$533,213.	5,633,213
Total revenue bonds	\$ 15,060,213
Compensated absences (payable from the Enterprise Fund)	117,973
Net Pension liability (payable from the Enterprise Fund)	367,723
Net OPEB obligation (payable from the Enterprise Fund)	126,236
Total business-type activities obligations	\$ <u>15,672,145</u>

All Enterprise Fund revenue is pledged to collateralize all revenue bonds as long as they remain outstanding. Outstanding revenue bonds at June 30, 2016 report remaining principal and interest balances payable of \$14,527,000 and \$1,754,965, respectively.

Bond Refundings

Capital Leases

The County issued \$6,725,000 in Lease Revenue Refunding Bonds, Series 2015 with an interest rate of 2.71%. The proceeds were used to refund \$6,885,000 of outstanding Lease Revenue Bonds, Series 2006 which had interest rates ranging from 4% to 4.5%. The net proceeds of \$6,633,122 (after payment of \$91,878 in issuance costs) plus other available funds were used to call the Series 2006 bonds. As a result, the 2006 Series bonds have been removed from the statement of net position.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Bond Refundings (Continued)

Capital Leases (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$168,756. This amount is reported as a deferred outflow of resources and is being amortized over the remaining life of the refunding debt. The County refunded the Series 2006 bonds to reduce its total debt service payments over 15 years by \$874,997 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$709,484.

Revenue Bonds

The County issued \$9,427,000 in Water and Sewer Revenue Refunding Bonds, Series 2016 with an interest rate of 2.1%. The proceeds were used to refund \$6,750,000 of outstanding Water and Sewer Revenue Bonds, Series 2006B which had interest rates ranging from 4% to 4.5% and \$2,872,000 of outstanding Water and Sewer Revenue Bonds, Series 2011 with an interest rate of 2.82% . The net proceeds of \$9,301,951 (after payment of \$125,049 in issuance costs) plus other available funds were used to call the Series 2006B and 2011 bonds. As a result, the 2006B and 2011 Series bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$243,810. This amount is reported as a deferred outflow of resources and is being amortized over the remaining life of the refunding debt. The County refunded the Series 2006B and 2011 bonds to reduce its total debt service payments over 14 years by \$1,353,033 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,105,510.

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of a new courthouse and radio equipment for judicial administration and public safety. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Courthouse Construction	\$ 7,237,000
Radio Equipment	13,513,899
Less: Accumulated depreciation	(9,031,548)
	<u>\$ 11,719,351</u>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	Governmental Activities
2017	\$ 1,997,319
2018	1,994,251
2019	548,801
2020	544,096
2021	548,107
2022	546,779
2023	544,194
2024	541,365
2025	547,170
2026	546,568
2027	545,642
2028	547,349
2029	543,718
2030	544,748
2031	548,330
Total minimum lease payments	\$ 11,088,437
Less: amount representing interest	(1,643,828)
Present value of minimum lease payments	\$ 9,444,609

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, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 1,694,775	\$ 2,035,244	\$ 1,969,730	\$ 1,760,289	\$ 176,029
Net OPEB obligation	2,039,293	562,265	310,187	2,291,371	-
Net pension liability	47,246,801	4,671,854	3,941,832	47,976,823	-
Total incurred by School Board	\$ 50,980,869	\$ 7,269,363	\$ 6,221,749	\$ 52,028,483	\$ 176,029



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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, 2016:

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Bonds and Note Payable	\$ 14,463,350	\$ -	\$ 726,903	\$ 13,736,447	\$ 771,272
Derivative instrument	1,665,311	-	260,057	1,405,254	-
Total	<u>\$ 16,128,661</u>	<u>\$ -</u>	<u>\$ 986,960</u>	<u>\$ 15,141,701</u>	<u>\$ 771,272</u>

Details of long-term indebtedness:

Bonds and Notes Payable:

\$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%.

Amount  
Outstanding

\$ 13,554,711

\$210,000 Promissory Note with BB&T dated July 12, 2012, payable in monthly installments of combined principal and interest of \$1,325 through June 12, 2017, interest at 4.40%, balance due on July 12, 2017

181,736

Total Debt Incurred by the Component Unit Economic Development Authority

\$ 13,736,447

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 \$15,141,701 is more than the balance outstanding on the bonds payable of \$13,736,447. The difference of \$1,405,254 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap (Continued)

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

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

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 June 30,</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 771,272	\$ 795,347
2018	984,232	741,132
2019	11,980,943	579,277
Total	\$ <u>13,736,447</u>	\$ <u>2,115,756</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (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 AND UNAVAILABLE REVENUE:**

At June 30, 2016, deferred and unavailable revenue are reported as follows:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 2,214,879
2nd half assessments due in December 2016	19,356,876	19,356,876
Prepaid property taxes due in December 2016 but paid in advance by taxpayers	319,965	319,965
	\$ <u>19,676,841</u>	\$ <u>21,891,720</u>

**NOTE 11—COMMITMENTS AND CONTINGENCIES:**

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

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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NOTE 11—COMMITMENTS AND CONTINGENCIES: (Continued)

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

NOTE 12—LITIGATION:

At June 30, 2016, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Association of Counties Group Self-Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

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, 2014	\$ 644,465
Incurred claims (including IBNR and changes in estimates)	6,500,396
Claim payments	<u>(6,481,118)</u>
Unpaid claims, June 30, 2015	\$ <u>663,743</u>
Incurred claims (including IBNR and changes in estimates)	7,858,103
Claim payments	<u>(7,681,758)</u>
Unpaid claims, June 30, 2016	\$ <u><u>840,088</u></u>



# COUNTY OF GLOUCESTER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

### **NOTE 14—PENSION PLAN:**

#### *Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p><b>Vesting (Cont.)</b>  <b><u>Defined Contributions Component: (Cont.)</u></b>  Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul> <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

#### **NOTE 14—PENSION PLAN: (CONTINUED)**

##### *Plan Description (Continued)*

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

##### *Employees Covered by Benefit Terms*

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	175	95
Inactive members:		
Vested inactive members	54	20
Non-vested inactive members	72	69
Inactive members active elsewhere in VRS	125	21
Total inactive members	251	110
Active members	317	197
Total covered employees	743	402

##### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2016 was 11.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,531,127 and \$1,533,287 for the years ended June 30, 2016 and June 30, 2015, respectively.



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### **NOTE 14—PENSION PLAN: (CONTINUED)**

##### *Contributions (Continued)*

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 8.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$297,334 and \$337,412 for the years ended June 30, 2016 and June 30, 2015, respectively.

##### *Net Pension Liability*

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

##### *Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

##### **Largest 10 - Non-LEOS:**

###### **Pre-Retirement:**

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

###### **Post-Retirement:**

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

###### **Post-Disablement:**

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



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### **NOTE 14—PENSION PLAN: (CONTINUED)**

##### *Actuarial Assumptions - General Employees (Continued)*

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

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

###### Largest 10 - Non-LEOS:

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

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

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

##### *Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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**NOTE 14—PENSION PLAN: (CONTINUED)**

*Actuarial Assumptions - Public Safety Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Long-Term Expected Rate of Return*

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

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

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Discount Rate*

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

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 54,479,781	\$ 50,050,387	\$ 4,429,394
Changes for the year:			
Service cost	\$ 1,746,320	\$ -	\$ 1,746,320
Interest	3,729,750	-	3,729,750
Differences between expected and actual experience	431,689	-	431,689
Contributions - employer	-	1,533,287	(1,533,287)
Contributions - employee	-	693,210	(693,210)
Net investment income	-	2,298,831	(2,298,831)
Benefit payments, including refunds of employee contributions	(2,395,275)	(2,395,275)	-
Administrative expenses	-	(31,171)	31,171
Other changes	-	(486)	486
Net changes	\$ 3,512,484	\$ 2,098,396	\$ 1,414,088
Balances at June 30, 2015	\$ 57,992,265	\$ 52,148,783	\$ 5,843,482



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Changes in Net Pension Liability*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 16,823,784	\$ 16,149,983	\$ 673,801
Changes for the year:			
Service cost	\$ 427,429	\$ -	\$ 427,429
Interest	1,153,160	-	1,153,160
Differences between expected and actual experience	(462,410)	-	(462,410)
Contributions - employer	-	337,412	(337,412)
Contributions - employee	-	197,164	(197,164)
Net investment income	-	736,846	(736,846)
Benefit payments, including refunds of employee contributions	(700,146)	(700,146)	-
Administrative expenses	-	(10,111)	10,111
Other changes	-	(154)	154
Net changes	\$ 418,033	\$ 561,011	\$ (142,978)
Balances at June 30, 2015	\$ 17,241,817	\$ 16,710,994	\$ 530,823

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 13,719,914	\$ 5,843,482	\$ (686,656)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	2,645,242	530,823	(1,248,900)



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$907,065 and \$(26,362) respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Component Unit School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 318,976	\$ -	\$ -	\$ 334,672
Net difference between projected and actual earnings on pension plan investments	-	1,331,423	-	426,408
Employer contributions subsequent to the measurement date	<u>1,531,127</u>	<u>-</u>	<u>297,344</u>	<u>-</u>
Total	<u>\$ 1,850,103</u>	<u>\$ 1,331,423</u>	<u>\$ 297,344</u>	<u>\$ 761,080</u>

\$1,531,127 and \$297,344 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (410,940)	\$ (295,707)
2018	(410,940)	(295,707)
2019	(430,104)	(247,165)
2020	239,537	77,499
2021	-	-



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### **NOTE 14—PENSION PLAN: (CONTINUED)**

##### **Component Unit School Board (professional)**

###### *Plan Description*

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

###### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, the actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$3,973,959 and \$4,063,900 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$47,446,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .37696% as compared to .38539% at June 30, 2014.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

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

For the year ended June 30, 2016, the school division recognized pension expense of \$3,081,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$ 653,000
Net difference between projected and actual earnings on pension plan investments	-	2,906,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,559,000
Employer contributions subsequent to the measurement date	<u>3,973,959</u>	<u>-</u>
Total	<u>\$ 3,973,959</u>	<u>\$ 5,118,000</u>

\$3,973,959 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (1,680,000)
2018	(1,680,000)
2019	(1,680,000)
2020	91,000
2021	(169,000)



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### **NOTE 14—PENSION PLAN: (CONTINUED)**

##### **Component Unit School Board (professional) (Continued)**

###### *Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

###### Mortality rates:

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

*Long-Term Expected Rate of Return*

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

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

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



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 14—PENSION PLAN: (CONTINUED)**

**Component Unit School Board (professional) (Continued)**

*Discount Rate*

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	69,432,000 \$	47,446,000 \$	29,346,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 (CONTINUED)

NOTE 15—SURETY BONDS:

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

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$165,000 for the year ended June 30, 2016. In FY 2015, the County decided to accept the first renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 165,000
2018	165,000
2019	151,250
Total	<u>\$ 481,250</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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NOTE 16—OPERATING LEASES: (CONTINUED)

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was \$45,057 for the year ended June 30, 2016. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2017	\$ 46,184
2018	47,338
2019	48,522
2020	49,735
2021	50,978
2022 - 2032	562,167
Total	<u>\$ 804,924</u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$65,053 for the year ended June 30, 2016. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2017	\$ 67,005
2018	69,015
2019	29,110
Total	<u>\$ 165,130</u>

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NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

A. Post-retirement Medical Plan for Employee

Plan Description

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

Funding Policy

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

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

The Schools currently have 41 retirees and 6 covered spouses in their plan. The County has 9 retirees and 1 covered spouse 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.



COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 154,582	\$ 565,587
Interest on net OPEB obligation	62,648	81,265
Adjustment to annual required contribution	(65,207)	(84,587)
Annual OPEB cost (expense)	\$ 152,023	\$ 562,265
Contributions made	(31,719)	(310,187)
Increase in net OPEB obligation	120,304	252,078
Net OPEB obligation-beginning of year	1,566,189	2,039,293
Net OPEB obligation-end of year	\$ 1,686,493	\$ 2,291,371

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:			
6/30/2014	\$ 388,020	25.18%	\$ 1,363,457
6/30/2015	253,553	20.04%	1,566,189
6/30/2016	152,023	20.86%	1,686,493
Schools:			
6/30/2014	\$ 517,769	47.95%	\$ 1,749,581
6/30/2015	540,258	46.38%	2,039,293
6/30/2016	562,265	55.17%	2,291,371



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

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

Funded Status and Funding Progress

As of July 1, 2016, the date of the most recent actuarial valuation, the County's actuarial accrued liability for benefits was \$1,542,939, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,631,772, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.32%.

As of July 1, 2014, the date of the most recent actuarial valuation, the School Board's actuarial accrued liability for benefits was \$6,424,548, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$32,195,779, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.95%.

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

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

*Mortality*-Life expectancies were based on mortality tables from the 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 75% of current actives of the Gloucester County Public Schools will elect medical coverage when they retire and that 10% of retirees who elect coverage will cover a spouse. The actuarial assumed that 60% of current actives of Gloucester County will elect medical coverage when they retire and that 50% of retirees who elect coverage will cover a spouse.



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

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

Actuarial Methods and Assumptions (Continued)

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

The remaining amortization period at June 30, 2016 was thirty years for the County and the School Board.

B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

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

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

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

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

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

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

Funding Policy

As a participating local political subdivision, the County and the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rates for the fiscal year ended 2016 were .15% and .59% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

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

For 2016, the County's contribution of \$9,574 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 2016 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>
6/30/2014	\$ 6,778	100.00%	\$ -
6/30/2015	9,726	100.00%	-
6/30/2016	9,574	100.00%	-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 290,670
Actuarial value of plan assets	\$ 251,925
Unfunded actuarial accrued liability (UAAL)	\$ 38,745
Funded ratio (actuarial value of plan assets/AAL)	86.67%
Covered payroll (active plan members)	\$ 6,530,066
UAAL as a percentage of covered payroll	0.59%



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

For 2016, the School Board's contribution of \$20,653 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>
6/30/2014	\$ 26,964	100.00%	\$ -
6/30/2015	23,456	100.00%	-
6/30/2016	20,653	100.00%	-

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 404,877
Actuarial value of plan assets	\$ 128,090
Unfunded actuarial accrued liability (UAAL)	\$ 276,787
Funded ratio (actuarial value of plan assets/AAL)	31.64%
Covered payroll (active plan members)	\$ 4,014,131
UAAL as a percentage of covered payroll	6.90%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions

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



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

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

Actuarial Methods and Assumptions: (Continued)

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2015 was 19-28 years using an open amortization period.

Professional Employees - Discretely Presented Component Unit School Board

The School Board professional employees participate in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$299,601, \$297,107, and \$312,701, respectively and equaled the required contributions for each year.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

**NOTE 18-FAIR VALUE MEASUREMENTS:**

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

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

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

(If there has been a change in valuation technique that has a significant effect on the result (e.g., changing from an expected cash flow technique or the use of an additional valuation technique), document that specific change, and the reason(s) for making it.)

The County has the following recurring fair value measurements as of June 30, 2016:

Investment type	Balance June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Treasury Note	\$ 1,866,691	\$ 1,866,691	\$ -	\$ -
	\$ 1,866,691	\$ 1,866,691	\$ -	\$ -
Component Unit--				
Economic Development Authority				
Debt Securities:				
Corporate Debt	\$ 200,946	\$ 200,946	\$ -	\$ -
Investments in derivative instruments:				
Interest rate swap liability	1,405,254	-	1,405,254	-
	\$ 1,606,200	\$ 200,946	\$ 1,405,254	\$ -



**NOTE 19-UPCOMING PRONOUNCEMENTS:**

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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



*REQUIRED SUPPLEMENTARY INFORMATION*



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## General Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 37,356,751	\$ 37,656,751	\$ 38,899,618	\$ 1,242,867
Other local taxes	9,289,874	9,289,874	9,626,774	336,900
Permits, privilege fees, and regulatory licenses	363,360	363,360	361,437	(1,923)
Fines and forfeitures	70,700	70,700	94,470	23,770
Revenue from the use of money and property	149,000	149,000	153,341	4,341
Charges for services	917,473	917,473	981,125	63,652
Miscellaneous	293,415	303,415	273,612	(29,803)
Recovered costs	560,500	560,500	362,494	(198,006)
Intergovernmental:				
Commonwealth	9,119,559	9,274,619	9,008,854	(265,765)
Federal	157,030	158,412	364,661	206,249
Total revenues	<u>\$ 58,277,662</u>	<u>\$ 58,744,104</u>	<u>\$ 60,126,386</u>	<u>\$ 1,382,282</u>
EXPENDITURES				
Current:				
General government administration	\$ 6,156,211	\$ 5,917,925	\$ 5,559,742	\$ 358,183
Judicial administration	1,848,285	1,852,742	1,776,474	76,268
Public safety	12,460,768	12,780,926	12,431,841	349,085
Public works	2,213,178	2,296,750	2,203,795	92,955
Health and welfare	805,121	805,121	752,054	53,067
Education	23,340,949	23,764,304	22,873,774	890,530
Parks, recreation, and cultural	2,151,341	2,190,661	2,180,280	10,381
Community development	1,036,053	1,095,365	1,040,427	54,938
Nondepartmental	300,585	300,585	300,585	-
Total expenditures	<u>\$ 50,312,491</u>	<u>\$ 51,004,379</u>	<u>\$ 49,118,972</u>	<u>\$ 1,885,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,965,171</u>	<u>\$ 7,739,725</u>	<u>\$ 11,007,414</u>	<u>\$ 3,267,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (9,206,674)</u>	<u>\$ (9,849,496)</u>	<u>\$ (8,402,031)</u>	<u>\$ 1,447,465</u>
Total other financing sources (uses)	<u>\$ (9,206,674)</u>	<u>\$ (9,849,496)</u>	<u>\$ (8,402,031)</u>	<u>\$ 1,447,465</u>
Net change in fund balances	\$ (1,241,503)	\$ (2,109,771)	\$ 2,605,383	\$ 4,715,154
Fund balances - beginning	1,241,503	2,109,771	18,839,755	16,729,984
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,445,138</u>	<u>\$ 21,445,138</u>



Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2016

Primary Government:

County Retiree Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2016	\$ -	\$ 1,542,939	\$ 1,542,939	0.00%	\$ 13,631,772	11.32%
7/1/2014	-	2,414,936	2,414,936	0.00%	13,807,344	17.49%
7/1/2012	-	3,372,078	3,372,078	0.00%	13,196,398	25.55%
7/1/2010	-	2,366,069	2,366,069	0.00%	12,277,374	19.27%
7/1/2008	-	2,678,945	2,678,945	0.00%	11,995,920	22.33%

Health Insurance Credit Program Through Virginia Retirement System:

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

Discretely Presented Component Unit:

School Board Retiree Health Plan:

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

Health Insurance Credit Program Through Virginia Retirement System:

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



Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Year Ended June 30, 2016

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

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



Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Year Ended June 30, 2016

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

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



Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Year Ended June 30, 2016

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.37696%	0.38539%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 47,446,000	\$ 46,573,000
Employer's Covered Payroll	27,832,766	28,171,301
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	170.47%	165.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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



Schedule of Employer Contributions  
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2016	\$ 1,531,127	1,531,127	- \$	13,744,410	11.14%
2015	1,533,287	1,533,287	-	13,824,211	11.09%
2014	1,631,042	1,631,042	-	13,810,687	11.81%
2013	1,560,294	1,560,294	-	13,211,634	11.81%
2012	1,136,083	1,136,083	-	12,189,732	9.32%
2011	1,144,691	1,144,691	-	12,282,090	9.32%
2010	999,941	999,941	-	12,514,910	7.99%
2009	1,014,964	1,014,964	-	12,702,932	7.99%
2008	981,626	981,626	-	12,239,724	8.02%
2007	938,916	938,916	-	11,707,178	8.02%
<b>Component Unit School Board (nonprofessional)</b>					
2016	\$ 297,344	297,344	- \$	3,485,857	8.53%
2015	337,412	337,412	-	3,973,266	8.49%
2014	369,177	369,177	-	4,025,922	9.17%
2013	362,215	362,215	-	3,950,003	9.17%
2012	262,579	262,579	-	3,822,107	6.87%
2011	266,997	266,997	-	3,886,418	6.87%
2010	299,100	299,100	-	4,303,592	6.95%
2009	302,859	302,859	-	4,357,689	6.95%
2008	302,827	302,827	-	4,326,103	7.00%
2007	291,506	291,506	-	4,164,366	7.00%
<b>Component Unit School Board (professional)</b>					
2016	\$ 3,973,959	3,973,959	- \$	28,264,289	14.06%
2015	4,063,900	4,063,900	-	28,026,897	14.50%
2014	3,286,207	3,286,207	-	28,183,593	11.66%
2013	3,283,284	3,283,284	-	28,158,525	11.66%

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

Schedule is intended to show information for 10 years. Only 4 years of information is available for the professional group of the Component Unit School Board.



Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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



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*OTHER SUPPLEMENTARY INFORMATION*



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*COMBINING AND INDIVIDUAL 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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 92,815	\$ -	\$ (92,815)
Intergovernmental:				
Federal	233,268	233,268	244,384	11,116
Total revenues	<u>\$ 233,268</u>	<u>\$ 326,083</u>	<u>\$ 244,384</u>	<u>\$ (81,699)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 3,696,799	\$ 3,696,799	\$ 10,276,799	\$ (6,580,000)
Interest and other fiscal charges	2,034,000	2,126,815	2,019,033	107,782
Bond issuance costs	-	-	91,878	(91,878)
Total expenditures	<u>\$ 5,730,799</u>	<u>\$ 5,823,614</u>	<u>\$ 12,387,710</u>	<u>\$ (6,564,096)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,497,531)</u>	<u>\$ (5,497,531)</u>	<u>\$ (12,143,326)</u>	<u>\$ (6,645,795)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 5,497,531	\$ 5,497,531	\$ 5,418,326	\$ (79,205)
Refunding of lease revenue bonds	-	-	6,725,000	6,725,000
Total other financing sources (uses)	<u>\$ 5,497,531</u>	<u>\$ 5,497,531</u>	<u>\$ 12,143,326</u>	<u>\$ 6,645,795</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



## Capital Projects Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 945	\$ 945
Miscellaneous	150,000	166,013	155,302	(10,711)
Intergovernmental:				
Commonwealth	1,184,554	560,943	405,172	(155,771)
Federal	2,250,000	750,000	362,831	(387,169)
Total revenues	<u>\$ 3,584,554</u>	<u>\$ 1,476,956</u>	<u>\$ 924,250</u>	<u>\$ (552,706)</u>
EXPENDITURES				
Capital projects	<u>\$ 6,021,576</u>	<u>\$ 4,099,823</u>	<u>\$ 2,979,522</u>	<u>\$ 1,120,301</u>
Total expenditures	<u>\$ 6,021,576</u>	<u>\$ 4,099,823</u>	<u>\$ 2,979,522</u>	<u>\$ 1,120,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,437,022)</u>	<u>\$ (2,622,867)</u>	<u>\$ (2,055,272)</u>	<u>\$ 567,595</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,053,022</u>	<u>\$ 1,695,844</u>	<u>\$ 1,023,315</u>	<u>\$ (672,529)</u>
Total other financing sources (uses)	<u>\$ 1,053,022</u>	<u>\$ 1,695,844</u>	<u>\$ 1,023,315</u>	<u>\$ (672,529)</u>
Net change in fund balances	<u>\$ (1,384,000)</u>	<u>\$ (927,023)</u>	<u>\$ (1,031,957)</u>	<u>\$ (104,934)</u>
Fund balances - beginning	<u>1,384,000</u>	<u>927,023</u>	<u>1,818,152</u>	<u>891,129</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 786,195</u>	<u>\$ 786,195</u>



## School Construction Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Miscellaneous	220,696	220,696	220,696	-
Intergovernmental:				
Commonwealth	400,000	400,000	129,396	(270,604)
Total revenues	\$ 621,196	\$ 621,196	\$ 350,092	\$ (271,104)
EXPENDITURES				
Capital projects	\$ 5,600,000	\$ 3,900,000	\$ 3,568,799	\$ 331,201
Total expenditures	\$ 5,600,000	\$ 3,900,000	\$ 3,568,799	\$ 331,201
Excess (deficiency) of revenues over (under) expenditures	\$ (4,978,804)	\$ (3,278,804)	\$ (3,218,707)	\$ 60,097
Net change in fund balances	\$ (4,978,804)	\$ (3,278,804)	\$ (3,218,707)	\$ 60,097
Fund balances - beginning	4,978,804	3,278,804	3,222,551	(56,253)
Fund balances - ending	\$ -	\$ -	\$ 3,844	\$ 3,844



Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2016

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
<b>ASSETS</b>			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ -	\$ 2,095	\$ 2,095
Due from other governmental units	215,665	139,193	354,858
Total assets	<u>\$ 215,665</u>	<u>\$ 141,288</u>	<u>\$ 356,953</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 40,136	\$ 70,558	\$ 110,694
Due to other funds	175,529	70,730	246,259
Total liabilities	<u>\$ 215,665</u>	<u>\$ 141,288</u>	<u>\$ 356,953</u>
 Total liabilities and fund balances	 <u>\$ 215,665</u>	 <u>\$ 141,288</u>	 <u>\$ 356,953</u>



Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
<b>REVENUES</b>			
Miscellaneous	\$ 890	\$ 19,880	\$ 20,770
Intergovernmental:			
Commonwealth	1,114,061	417,420	1,531,481
Federal	1,447,930	24,510	1,472,440
Total revenues	<u>\$ 2,562,881</u>	<u>\$ 461,810</u>	<u>\$ 3,024,691</u>
<b>EXPENDITURES</b>			
Current:			
Health and welfare	\$ 3,456,337	\$ 855,744	\$ 4,312,081
Total expenditures	<u>\$ 3,456,337</u>	<u>\$ 855,744</u>	<u>\$ 4,312,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (893,456)</u>	<u>\$ (393,934)</u>	<u>\$ (1,287,390)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 893,456	\$ 393,934	\$ 1,287,390
Total other financing sources (uses)	<u>\$ 893,456</u>	<u>\$ 393,934</u>	<u>\$ 1,287,390</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 890	\$ 890
Intergovernmental:				
Commonwealth	1,421,678	1,421,678	1,114,061	(307,617)
Federal	1,433,805	1,433,805	1,447,930	14,125
Total revenues	<u>\$ 2,855,483</u>	<u>\$ 2,855,483</u>	<u>\$ 2,562,881</u>	<u>\$ (292,602)</u>
EXPENDITURES				
Health and welfare	<u>\$ 4,076,068</u>	<u>\$ 4,076,068</u>	<u>\$ 3,456,337</u>	<u>\$ 619,731</u>
Total expenditures	<u>\$ 4,076,068</u>	<u>\$ 4,076,068</u>	<u>\$ 3,456,337</u>	<u>\$ 619,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,220,585)</u>	<u>\$ (1,220,585)</u>	<u>\$ (893,456)</u>	<u>\$ 327,129</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,220,585</u>	<u>\$ 1,220,585</u>	<u>\$ 893,456</u>	<u>\$ (327,129)</u>
Total other financing sources (uses)	<u>\$ 1,220,585</u>	<u>\$ 1,220,585</u>	<u>\$ 893,456</u>	<u>\$ (327,129)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Exhibit 23

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,720	\$ 3,720	\$ 19,880	\$ 16,160
843,280	843,280	417,420	(425,860)
18,000	18,000	24,510	6,510
<u>\$ 865,000</u>	<u>\$ 865,000</u>	<u>\$ 461,810</u>	<u>\$ (403,190)</u>
\$ 1,516,000	\$ 1,516,000	\$ 855,744	\$ 660,256
<u>\$ 1,516,000</u>	<u>\$ 1,516,000</u>	<u>\$ 855,744</u>	<u>\$ 660,256</u>
\$ (651,000)	\$ (651,000)	\$ (393,934)	\$ 257,066
\$ 651,000	\$ 651,000	\$ 393,934	\$ (257,066)
<u>\$ 651,000</u>	<u>\$ 651,000</u>	<u>\$ 393,934</u>	<u>\$ (257,066)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2016

	Agency Funds				
	Middle Peninsula Regional				
	Special Welfare	Special Education	Flexible Benefits	Sheriff/Jail	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,333	\$ 73,820	\$ 48,029	\$ 19,548	\$ 168,730
Total assets	<u>\$ 27,333</u>	<u>\$ 73,820</u>	<u>\$ 48,029</u>	<u>\$ 19,548</u>	<u>\$ 168,730</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 71,799	\$ -	\$ -	\$ 71,799
Amounts held for social services clients	27,333	-	-	-	27,333
Amounts held for regional program	-	2,021	-	-	2,021
Amounts held for others	-	-	48,029	19,548	67,577
Total liabilities	<u>\$ 27,333</u>	<u>\$ 73,820</u>	<u>\$ 48,029</u>	<u>\$ 19,548</u>	<u>\$ 168,730</u>



Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 26,357	\$ 28,904	\$ 27,928	\$ 27,333
Accounts receivable	935	-	935	-
Total assets	<u>\$ 27,292</u>	<u>\$ 28,904</u>	<u>\$ 28,863</u>	<u>\$ 27,333</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 27,292</u>	<u>\$ 28,904</u>	<u>\$ 28,863</u>	<u>\$ 27,333</u>
<b>Middle Peninsula Regional Special Education Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 88,496	\$ 554,300	\$ 568,976	\$ 73,820
Total assets	<u>\$ 88,496</u>	<u>\$ 554,300</u>	<u>\$ 568,976</u>	<u>\$ 73,820</u>
Liabilities:				
Accounts payable	\$ 79,719	\$ 71,799	\$ 79,719	\$ 71,799
Amounts held for regional program	8,777	482,501	489,257	2,021
Total liabilities	<u>\$ 88,496</u>	<u>\$ 554,300</u>	<u>\$ 568,976</u>	<u>\$ 73,820</u>
<b>Flexible Benefits Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 39,427</u>	<u>\$ 188,230</u>	<u>\$ 179,628</u>	<u>\$ 48,029</u>
Liabilities:				
Amounts held for others	<u>\$ 39,427</u>	<u>\$ 188,230</u>	<u>\$ 179,628</u>	<u>\$ 48,029</u>
Total liabilities	<u>\$ 39,427</u>	<u>\$ 188,230</u>	<u>\$ 179,628</u>	<u>\$ 48,029</u>
<b>Sheriff/Jail Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 25,548</u>	<u>\$ 73,246</u>	<u>\$ 79,246</u>	<u>\$ 19,548</u>
Liabilities:				
Amounts held for others	<u>\$ 25,548</u>	<u>\$ 73,246</u>	<u>\$ 79,246</u>	<u>\$ 19,548</u>
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 179,828	\$ 844,680	\$ 855,778	\$ 168,730
Accounts receivable	935	-	935	-
Total assets	<u>\$ 180,763</u>	<u>\$ 844,680</u>	<u>\$ 856,713</u>	<u>\$ 168,730</u>
Liabilities:				
Accounts payable	\$ 79,719	\$ 71,799	\$ 79,719	\$ 71,799
Amounts held for social services clients	27,292	28,904	28,863	27,333
Amounts held for regional program	8,777	482,501	489,257	2,021
Amounts held for others	64,975	261,476	258,874	67,577
Total liabilities	<u>\$ 180,763</u>	<u>\$ 844,680</u>	<u>\$ 856,713</u>	<u>\$ 168,730</u>



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*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*



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Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2016

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 99	\$ 351,067	\$ 351,166
Investments	-	569,093	569,093
Receivables (net of allowance for uncollectibles):			
Accounts receivable	386,546	2,424	388,970
Due from other governmental units	5,374,832	64,307	5,439,139
Inventories	-	28,177	28,177
Prepaid items	12,918	-	12,918
Total assets	<u>\$ 5,774,395</u>	<u>\$ 1,015,068</u>	<u>\$ 6,789,463</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 769,757	\$ 124,290	\$ 894,047
Accrued liabilities	5,004,638	145,159	5,149,797
Due to other governmental units	-	222,454	222,454
Total liabilities	<u>\$ 5,774,395</u>	<u>\$ 491,903</u>	<u>\$ 6,266,298</u>
Fund balances:			
Nonspendable	\$ 12,918	\$ 28,176	\$ 41,094
Assigned	-	494,989	494,989
Unassigned	(12,918)	-	(12,918)
Total fund balances	<u>\$ -</u>	<u>\$ 523,165</u>	<u>\$ 523,165</u>
Total liabilities and fund balances	<u>\$ 5,774,395</u>	<u>\$ 1,015,068</u>	<u>\$ 6,789,463</u>

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

Total fund balances per above \$ 523,165

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

Capital assets, cost	\$ 61,411,163	
Accumulated depreciation	(23,779,828)	37,631,335

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

Items related to measurement of net pension liability	(5,879,080)
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Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

4,271,303

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.

(148,605)

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

Compensated absences	\$ (1,760,289)	
Net OPEB obligation	(2,291,371)	
Net pension liability	(47,976,823)	(52,028,483)
Net position of governmental activities		<u>\$ (15,630,365)</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, 2016

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 2,500	\$ 2,167	\$ 4,667
Charges for services	61,494	1,088,731	1,150,225
Miscellaneous	82,289	53,879	136,168
Recovered costs	464,799	-	464,799
Intergovernmental:			
Local government	22,326,970	-	22,326,970
Commonwealth	27,630,957	37,162	27,668,119
Federal	2,150,935	1,261,616	3,412,551
Total revenues	<u>\$ 52,719,944</u>	<u>\$ 2,443,555</u>	<u>\$ 55,163,499</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ -	\$ 2,456,066	\$ 2,456,066
Instruction	38,123,224	-	38,123,224
Administration, Attendance, Health	2,117,146	-	2,117,146
Pupil Transportation	3,855,338	-	3,855,338
Operations & Maintenance	5,929,050	-	5,929,050
Technology	2,695,186	-	2,695,186
Total expenditures	<u>\$ 52,719,944</u>	<u>\$ 2,456,066</u>	<u>\$ 55,176,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (12,511)</u>	<u>\$ (12,511)</u>
Net change in fund balances	\$ -	\$ (12,511)	\$ (12,511)
Fund balances - beginning	-	535,676	535,676
Fund balances - ending	<u>\$ -</u>	<u>\$ 523,165</u>	<u>\$ 523,165</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	\$ (12,511)
--	-------------

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	\$ 5,948,217	
Depreciation expense	<u>1,974,608</u>	7,922,825

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,788,796
--	-----------

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (65,514)	
(Increase) decrease in net pension liability	(730,022)	
Increase (decrease) in deferred outflows related to pension payments subsequent to measurement date	(102,230)	
(Increase) decrease in net OPEB obligation	<u>(252,078)</u>	(1,149,844)

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.

Change in net position of governmental activities	\$ (1,360,483)
	<u>\$ 8,188,783</u>



Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2016

School Operating Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	53,054	53,054	61,494	8,440
Miscellaneous	94,247	94,247	82,289	(11,958)
Recovered costs	382,900	382,900	464,799	81,899
Intergovernmental:				
Local government	22,765,728	23,179,432	22,326,970	(852,462)
Commonwealth	27,865,471	27,865,471	27,630,957	(234,514)
Federal	2,401,418	2,401,418	2,150,935	(250,483)
Total revenues	<u>\$ 53,565,318</u>	<u>\$ 53,979,022</u>	<u>\$ 52,719,944</u>	<u>\$ (1,259,078)</u>
EXPENDITURES				
Current:				
Instruction	\$ 38,675,643	\$ 39,089,347	\$ 38,123,224	\$ 966,123
Administration, Attendance, Health	2,248,448	2,248,448	2,117,146	131,302
Pupil Transportation	3,869,814	3,869,814	3,855,338	14,476
Operations & Maintenance	6,051,914	6,051,914	5,929,050	122,864
Technology	2,719,499	2,719,499	2,695,186	24,313
Total expenditures	<u>\$ 53,565,318</u>	<u>\$ 53,979,022</u>	<u>\$ 52,719,944</u>	<u>\$ 1,259,078</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, 2016

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 2,167	\$ (833)
Charges for services	1,312,486	1,312,486	1,088,731	(223,755)
Miscellaneous	61,300	61,300	53,879	(7,421)
Intergovernmental:				
Commonwealth	38,987	38,987	37,162	(1,825)
Federal	1,202,953	1,202,953	1,261,616	58,663
Total revenues	<u>\$ 2,618,726</u>	<u>\$ 2,618,726</u>	<u>\$ 2,443,555</u>	<u>\$ (175,171)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,653,726</u>	<u>\$ 2,653,726</u>	<u>\$ 2,456,066</u>	<u>\$ 197,660</u>
Total expenditures	<u>\$ 2,653,726</u>	<u>\$ 2,653,726</u>	<u>\$ 2,456,066</u>	<u>\$ 197,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ (12,511)</u>	<u>\$ 22,489</u>
Net change in fund balances	\$ (35,000)	\$ (35,000)	\$ (12,511)	\$ 22,489
Fund balances - beginning	35,000	35,000	535,676	500,676
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,165</u>	<u>\$ 523,165</u>



Statement of Fiduciary Net Position  
Fiduciary Fund - Discretely Presented Component Unit School Board  
June 30, 2016

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	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 325,465
Total assets	<hr/> <hr/> \$ 325,465
NET POSITION	
Held in trust for scholarships	<hr/> <hr/> \$ 325,465



Statement of Changes in Fiduciary Net Position  
 Fiduciary Fund - Discretely Presented Component Unit School Board  
 For the Year Ended June 30, 2016

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 10,408
Total contributions	\$ 10,408
Investment earnings:	
Interest	\$ 3,138
Total investment earnings	\$ 3,138
Total additions	\$ 13,546
DEDUCTIONS	
Scholarships	\$ 20,000
Total deductions	\$ 20,000
Change in net position	\$ (6,454)
Net position - beginning	331,919
Net position - ending	\$ 325,465



## Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2016

	Self- Insurance Fund
<hr/>	
<b>ASSETS</b>	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 691,483
Total assets	<u>\$ 691,483</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 840,088
Total liabilities	<u>\$ 840,088</u>
 <b>NET POSITION</b>	
Unrestricted	\$ (148,605)
Total net position	<u><u>\$ (148,605)</u></u>



Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2016

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	Self- Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 6,497,620
Total operating revenues	<u>\$ 6,497,620</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 7,858,103
Total operating expenses	<u>\$ 7,858,103</u>
Operating income (loss)	<u>\$ (1,360,483)</u>
Total net position - beginning	\$ 1,211,878
Total net position - ending	<u><u>\$ (148,605)</u></u>



## Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2016

	Self- Insurance Fund
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 7,681,758
Payments for premiums	(7,681,758)
Net cash provided by (used for) operating activities	<u>\$ -</u>
 Cash and cash equivalents - beginning	 \$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,360,483)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 1,184,138
Increase (decrease) in accounts payable	176,345
Total adjustments	<u>\$ 1,360,483</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>



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*DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY*



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## Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2016

**ASSETS**

## Current assets:

Cash and cash equivalents	\$	82,568
Investments		799,732
Inventories		1,083,044
Total current assets	\$	<u>1,965,344</u>

## Noncurrent assets:

## Capital assets:

Land	\$	813,267
Buildings		18,403,393
Machinery and equipment		7,234
Accumulated depreciation		(7,407,812)
Total net capital assets	\$	<u>11,816,082</u>
Total noncurrent assets	\$	<u>11,816,082</u>
Total assets	\$	<u>13,781,426</u>

**DEFERRED OUTFLOWS**

Accumulated decrease in fair value of hedging derivatives	\$	<u>1,405,254</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	\$	77,159
Due to other governmental units		288,000
Bonds payable - current portion		771,272
Total current liabilities	\$	<u>1,136,431</u>

## Noncurrent liabilities:

Bonds payable - net of current portion	\$	12,965,175
Derivative instrument - rate swap		1,405,254
Total noncurrent liabilities	\$	<u>14,370,429</u>
Total liabilities	\$	<u>15,506,860</u>

**NET POSITION**

Net investment in capital assets	\$	(1,920,365)
Unrestricted		1,600,185
Total net position	\$	<u>(320,180)</u>



Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2016

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**OPERATING REVENUES**

## Charges for services:

Rents	\$	1,546,512
Contributions from local governments		55,000
Other revenues		14,096
Total operating revenues	\$	<u>1,615,608</u>

**OPERATING EXPENSES**

Contractual services	\$	28,011
Other charges		21,407
Automobile and travel expense		4,568
Economic development incentive programs		80,093
Depreciation		735,474
Total operating expenses	\$	<u>869,553</u>

Operating income (loss)	\$	<u>746,055</u>
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**NONOPERATING REVENUES (EXPENSES)**

Investment income	\$	3,938
Interest expense		(847,132)
Total nonoperating revenues (expenses)	\$	<u>(843,194)</u>

Change in net position	\$	(97,139)
------------------------	----	----------

Total net position - beginning		(223,041)
Total net position - ending	\$	<u><u>(320,180)</u></u>



## Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,546,512
Receipts for miscellaneous items	69,096
Payments for operating activities	(132,489)
Net cash provided by (used for) operating activities	<u>\$ 1,483,119</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on bonds	\$ (726,903)
Interest payments	<u>(847,132)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,574,035)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale (purchase) of investments	\$ 35,000
Net cash provided by (used for) investing activities	<u>\$ 35,000</u>

Net increase (decrease) in cash and cash equivalents	\$ (55,916)
--	-------------

Cash and cash equivalents - beginning	<u>138,484</u>
Cash and cash equivalents - ending	<u><u>\$ 82,568</u></u>

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

Operating income (loss)	\$ <u>746,055</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	\$ 735,474
Increase (decrease) in accounts payable	<u>1,590</u>
Total adjustments	<u>\$ 737,064</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,483,119</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, 2016

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	\$ 27,077,887	\$ 27,377,887	\$ 28,624,734	\$ 1,246,847
Real and personal public service corporation taxes	883,017	883,017	969,727	86,710
Personal property taxes	8,762,000	8,762,000	8,734,139	(27,861)
Mobile home taxes	43,000	43,000	41,522	(1,478)
Penalties	400,541	400,541	342,007	(58,534)
Interest	190,306	190,306	187,489	(2,817)
Total general property taxes	\$ 37,356,751	\$ 37,656,751	\$ 38,899,618	\$ 1,242,867
Other local taxes:				
Local sales and use taxes	\$ 4,111,262	\$ 4,111,262	\$ 4,132,108	\$ 20,846
Consumers' utility taxes	703,000	703,000	716,300	13,300
Electric consumption taxes	133,112	133,112	123,961	(9,151)
Business license taxes	1,670,000	1,670,000	1,552,245	(117,755)
Bank stock taxes	180,000	180,000	290,012	110,012
Taxes on recordation and wills	430,000	430,000	487,501	57,501
Hotel and motel room taxes	162,500	162,500	208,127	45,627
Restaurant food taxes	1,900,000	1,900,000	2,116,520	216,520
Total other local taxes	\$ 9,289,874	\$ 9,289,874	\$ 9,626,774	\$ 336,900
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 28,000	\$ 28,000	\$ 35,622	\$ 7,622
Permits and other licenses	335,360	335,360	325,815	(9,545)
Total permits, privilege fees, and regulatory licenses	\$ 363,360	\$ 363,360	\$ 361,437	\$ (1,923)
Fines and forfeitures:				
Court fines and forfeitures	\$ 70,000	\$ 70,000	\$ 94,335	\$ 24,335
Parking fines	700	700	135	(565)
Total fines and forfeitures	\$ 70,700	\$ 70,700	\$ 94,470	\$ 23,770
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 33,060	\$ (1,940)
Revenue from use of property	114,000	114,000	120,281	6,281
Total revenue from use of money and property	\$ 149,000	\$ 149,000	\$ 153,341	\$ 4,341



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Charges for law enforcement and traffic control	38,060	38,060	43,168	5,108
Charges for courthouse maintenance	14,200	14,200	15,161	961
Circuit court judge fees	39,800	39,800	39,608	(192)
Charges for courthouse security	60,000	60,000	60,114	114
Charges for probation	12,000	12,000	12,125	125
Charges for Commonwealth's Attorney	2,250	2,250	4,014	1,764
Miscellaneous dog fees	10,000	10,000	11,921	1,921
Charges for library	48,000	48,000	44,851	(3,149)
Charges for sanitation and waste removal	340,493	340,493	411,479	70,986
Charges for parks and recreation	253,500	253,500	264,056	10,556
Charges for community education	1,200	1,200	368	(832)
Charges for sale of publications and commemorative material	8,500	8,500	13,268	4,768
Charges for daffodil festival	71,170	71,170	60,748	(10,422)
Charges for sale of historical material	300	300	244	(56)
Total charges for services	\$ 917,473	\$ 917,473	\$ 981,125	\$ 63,652
Miscellaneous:				
Miscellaneous	\$ 293,415	\$ 303,415	\$ 273,612	\$ (29,803)
Total miscellaneous	\$ 293,415	\$ 303,415	\$ 273,612	\$ (29,803)
Recovered costs:				
Recovered costs sheriff	\$ 400,000	\$ 400,000	\$ 248,128	\$ (151,872)
Recovered costs jail	8,000	8,000	16,454	8,454
Treasurer recovered costs	100,000	100,000	69,462	(30,538)
Probation & pretrial recovered costs	44,000	44,000	27,600	(16,400)
Demolition recovered costs	8,500	8,500	850	(7,650)
Total recovered costs	\$ 560,500	\$ 560,500	\$ 362,494	\$ (198,006)
Total revenue from local sources	\$ 49,001,073	\$ 49,311,073	\$ 50,752,871	\$ 1,441,798
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ 1,742	\$ (258)
Mobile home titling tax	30,000	30,000	43,559	13,559
Motor vehicle rental tax	54,000	54,000	74,256	20,256
State recordation tax	120,000	120,000	128,792	8,792
Communication tax	1,598,000	1,598,000	1,478,810	(119,190)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	\$ 4,582,640	\$ 4,582,640	\$ 4,505,799	\$ (76,841)



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 394,584	\$ 394,584	\$ 394,516	\$ (68)
Sheriff	2,509,027	2,509,027	2,489,832	(19,195)
Jail	170,864	170,864	83,312	(87,552)
Asset forfeiture	-	-	2,154	2,154
Commissioner of revenue	131,246	131,246	131,187	(59)
Treasurer	134,969	134,969	134,358	(611)
Registrar/electoral board	42,941	42,941	58,884	15,943
Clerk of the Circuit Court	273,555	273,555	297,638	24,083
Total shared expenses	<u>\$ 3,657,186</u>	<u>\$ 3,657,186</u>	<u>\$ 3,591,881</u>	<u>\$ (65,305)</u>
Other categorical aid:				
Emergency medical services	\$ 40,000	\$ 40,000	\$ 41,504	\$ 1,504
Litter control grant	11,052	11,052	9,851	(1,201)
E911 wireless grant	42,627	42,627	45,387	2,760
Library grant	146,034	146,034	146,205	171
Probation & pretrial	478,848	633,908	503,278	(130,630)
Victim-witness grant	51,172	51,172	48,132	(3,040)
Fire programs	110,000	110,000	116,817	6,817
Total other categorical aid	<u>\$ 879,733</u>	<u>\$ 1,034,793</u>	<u>\$ 911,174</u>	<u>\$ (123,619)</u>
Total categorical aid	<u>\$ 4,536,919</u>	<u>\$ 4,691,979</u>	<u>\$ 4,503,055</u>	<u>\$ (188,924)</u>
Total revenue from the Commonwealth	<u>\$ 9,119,559</u>	<u>\$ 9,274,619</u>	<u>\$ 9,008,854</u>	<u>\$ (265,765)</u>
Revenue from the federal government:				
Categorical aid:				
V-stop prosecutor grant	\$ 23,981	\$ 23,981	\$ 20,483	\$ (3,498)
Public assistance and welfare administration	88,000	88,000	107,644	19,644
Highway safety grant	-	-	27,017	27,017
Public safety	31,405	32,787	182,229	149,442
Other federal revenue	13,644	13,644	27,288	13,644
Total categorical aid	<u>\$ 157,030</u>	<u>\$ 158,412</u>	<u>\$ 364,661</u>	<u>\$ 206,249</u>
Total revenue from the federal government	<u>\$ 157,030</u>	<u>\$ 158,412</u>	<u>\$ 364,661</u>	<u>\$ 206,249</u>
Total General Fund	<u><u>\$ 58,277,662</u></u>	<u><u>\$ 58,744,104</u></u>	<u><u>\$ 60,126,386</u></u>	<u><u>\$ 1,382,282</u></u>



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 890	\$ 890
Total revenue from local sources	\$ -	\$ -	\$ 890	\$ 890
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,421,678	\$ 1,421,678	\$ 1,114,061	\$ (307,617)
Total categorical aid	\$ 1,421,678	\$ 1,421,678	\$ 1,114,061	\$ (307,617)
Total revenue from the Commonwealth	\$ 1,421,678	\$ 1,421,678	\$ 1,114,061	\$ (307,617)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,433,805	\$ 1,433,805	\$ 1,447,930	\$ 14,125
Total categorical aid	\$ 1,433,805	\$ 1,433,805	\$ 1,447,930	\$ 14,125
Total revenue from the federal government	\$ 1,433,805	\$ 1,433,805	\$ 1,447,930	\$ 14,125
Total Virginia Public Assistance Fund	\$ 2,855,483	\$ 2,855,483	\$ 2,562,881	\$ (292,602)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 19,880	\$ 16,160
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 19,880	\$ 16,160
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 843,280	\$ 843,280	\$ 417,420	\$ (425,860)
Total categorical aid	\$ 843,280	\$ 843,280	\$ 417,420	\$ (425,860)
Total revenue from the Commonwealth	\$ 843,280	\$ 843,280	\$ 417,420	\$ (425,860)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 24,510	\$ 6,510
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 24,510	\$ 6,510
Total Comprehensive Services Act Fund	\$ 865,000	\$ 865,000	\$ 461,810	\$ (403,190)



Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ 92,815	\$ -	\$ (92,815)
Total miscellaneous revenue	\$ -	\$ 92,815	\$ -	\$ (92,815)
Total revenue from local sources	\$ -	\$ 92,815	\$ -	\$ (92,815)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 233,268	\$ 233,268	\$ 244,384	\$ 11,116
Total Debt Service Fund	\$ 233,268	\$ 326,083	\$ 244,384	\$ (81,699)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 945	\$ 945
Total revenue from use of money and property	\$ -	\$ -	\$ 945	\$ 945
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 43,000	\$ 43,000
Donations or other miscellaneous	\$ 150,000	\$ 166,013	\$ 112,302	\$ (53,711)
Total miscellaneous	\$ 150,000	\$ 166,013	\$ 155,302	\$ (10,711)
Total revenue from local sources	\$ 150,000	\$ 166,013	\$ 156,247	\$ (9,766)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School security grant	\$ -	\$ -	\$ 82,922	\$ 82,922
Acquisition/elevation grant	\$ 950,000	\$ 326,389	\$ 89,554	\$ (236,835)
Other state funds	\$ 234,554	\$ 234,554	\$ 232,696	\$ (1,858)
Total categorical aid	\$ 1,184,554	\$ 560,943	\$ 405,172	\$ (155,771)
Total revenue from the Commonwealth	\$ 1,184,554	\$ 560,943	\$ 405,172	\$ (155,771)
Revenue from the federal government:				
Categorical aid:				
Enhancement program (Fairfield project)	\$ -	\$ -	\$ 27,004	\$ 27,004
Acquisition/elevation grant	\$ 2,250,000	\$ 750,000	\$ 335,827	\$ (414,173)
Total categorical aid	\$ 2,250,000	\$ 750,000	\$ 362,831	\$ (387,169)
Total revenue from the federal government	\$ 2,250,000	\$ 750,000	\$ 362,831	\$ (387,169)
Total County Capital Improvements Fund	\$ 3,584,554	\$ 1,476,956	\$ 924,250	\$ (552,706)



Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ -	\$ (500)
Total revenue from use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Miscellaneous:				
Donations or other miscellaneous	\$ 220,696	\$ 220,696	\$ 220,696	\$ -
Total revenue from local sources	\$ 221,196	\$ 221,196	\$ 220,696	\$ (500)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State highway construction	\$ 400,000	\$ 400,000	\$ 129,396	\$ (270,604)
Total categorical aid	\$ 400,000	\$ 400,000	\$ 129,396	\$ (270,604)
Total revenue from the Commonwealth	\$ 400,000	\$ 400,000	\$ 129,396	\$ (270,604)
Total School Construction Fund	\$ 621,196	\$ 621,196	\$ 350,092	\$ (271,104)
Total Primary Government	\$ 66,437,163	\$ 64,888,822	\$ 64,669,803	\$ (219,019)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 53,054	\$ 53,054	\$ 61,494	\$ 8,440
Miscellaneous:				
Other miscellaneous	\$ 94,247	\$ 94,247	\$ 82,289	\$ (11,958)
Recovered costs:				
Medicaid reimbursements	\$ 215,300	\$ 215,300	\$ 256,388	\$ 41,088
Other recovered costs	167,600	167,600	208,411	40,811
Total recovered costs	\$ 382,900	\$ 382,900	\$ 464,799	\$ 81,899
Total revenue from local sources	\$ 532,701	\$ 532,701	\$ 611,082	\$ 78,381
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 22,765,728	\$ 23,179,432	\$ 22,326,970	\$ (852,462)
Total revenue from local governments	\$ 22,765,728	\$ 23,179,432	\$ 22,326,970	\$ (852,462)
Revenue from the Commonwealth:				
Categorical aid:				
Emergency assistance	\$ 20,100	\$ 20,100	\$ -	\$ (20,100)
Share of state sales tax	5,730,659	5,787,116	5,805,852	18,736
Basic school aid	14,786,730	14,747,572	14,989,289	241,717
ISAFP	15,717	15,717	15,717	-
Remedial summer education	74,094	74,094	75,931	1,837



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 374,049	\$ 374,049	\$ 378,654	\$ 4,605
Special education	1,085,080	1,085,080	1,098,439	13,359
Regular foster care	7,149	7,149	-	(7,149)
Gifted and talented	158,381	158,381	160,331	1,950
English as a second language	18,903	18,890	27,942	9,052
Textbook payment	324,244	324,243	328,235	3,992
Vocational standards of quality payments	225,777	225,777	228,557	2,780
Social security fringe benefits	825,604	825,604	835,769	10,165
Retirement fringe benefits	1,644,468	1,634,359	1,654,481	20,122
Group life insurance fringe benefits	50,547	50,547	51,170	623
Early reading intervention	60,297	60,297	62,307	2,010
Project graduation	-	-	23,354	23,354
Homebound education	26,802	26,802	22,635	(4,167)
Salary supplements	240,000	235,366	-	(235,366)
Regional program tuition	744,713	744,713	555,348	(189,365)
Vocational educational equipment	16,639	16,639	10,115	(6,524)
Special education - foster children	-	-	5,562	5,562
At risk payments	244,539	244,495	247,440	2,945
National Board Certification TC	37,500	37,500	35,000	(2,500)
Industry credential student	7,500	7,500	10,357	2,857
Primary class size	434,278	433,535	465,708	32,173
VA Preschool	205,384	205,384	186,367	(19,017)
Race to GED	-	-	3,000	3,000
Standards of Learning algebra readiness	49,348	49,348	51,560	2,212
Mentor teacher program	3,614	3,614	4,151	537
VPSA technology	451,600	451,600	294,400	(157,200)
Other state funds	1,755	-	3,286	3,286
Total categorical aid	\$ 27,865,471	\$ 27,865,471	\$ 27,630,957	\$ (234,514)
Total revenue from the Commonwealth	\$ 27,865,471	\$ 27,865,471	\$ 27,630,957	\$ (234,514)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 666,988	\$ 666,988	\$ 661,594	\$ (5,394)
Title VI-B, special education	1,166,302	1,166,302	1,144,344	(21,958)
Vocational education	73,158	73,158	73,829	671
Title II	225,487	225,487	144,420	(81,067)
Impact aid	50,000	50,000	55,530	5,530



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 69,483	\$ 69,483	\$ 69,669	\$ 186
Other federal funds	150,000	150,000	1,549	(148,451)
Total categorical aid	<u>\$ 2,401,418</u>	<u>\$ 2,401,418</u>	<u>\$ 2,150,935</u>	<u>\$ (250,483)</u>
Total revenue from the federal government	<u>\$ 2,401,418</u>	<u>\$ 2,401,418</u>	<u>\$ 2,150,935</u>	<u>\$ (250,483)</u>
Total School Operating Fund	<u><u>\$ 53,565,318</u></u>	<u><u>\$ 53,979,022</u></u>	<u><u>\$ 52,719,944</u></u>	<u><u>\$ (1,259,078)</u></u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ 3,000	\$ 2,167	\$ (833)
Total revenue from use of money and property	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,167</u>	<u>\$ (833)</u>
Charges for services:				
Cafeteria sales	\$ 1,304,000	\$ 1,304,000	\$ 1,078,733	\$ (225,267)
Other charges for services	8,486	8,486	9,998	1,512
Total charges for services	<u>\$ 1,312,486</u>	<u>\$ 1,312,486</u>	<u>\$ 1,088,731</u>	<u>\$ (223,755)</u>
Miscellaneous:				
Other miscellaneous	\$ 61,300	\$ 61,300	\$ 53,879	\$ (7,421)
Total miscellaneous	<u>\$ 61,300</u>	<u>\$ 61,300</u>	<u>\$ 53,879</u>	<u>\$ (7,421)</u>
Total revenue from local sources	<u><u>\$ 1,376,786</u></u>	<u><u>\$ 1,376,786</u></u>	<u><u>\$ 1,144,777</u></u>	<u><u>\$ (232,009)</u></u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 38,987	\$ 38,987	\$ 37,162	\$ (1,825)
Total revenue from the Commonwealth	<u>\$ 38,987</u>	<u>\$ 38,987</u>	<u>\$ 37,162</u>	<u>\$ (1,825)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,202,953	\$ 1,202,953	\$ 1,097,730	\$ (105,223)
USDA commodities	-	-	163,886	163,886
Total categorical aid	<u>\$ 1,202,953</u>	<u>\$ 1,202,953</u>	<u>\$ 1,261,616</u>	<u>\$ 58,663</u>
Total revenue from the federal government	<u>\$ 1,202,953</u>	<u>\$ 1,202,953</u>	<u>\$ 1,261,616</u>	<u>\$ 58,663</u>
Total School Cafeteria Fund	<u><u>\$ 2,618,726</u></u>	<u><u>\$ 2,618,726</u></u>	<u><u>\$ 2,443,555</u></u>	<u><u>\$ (175,171)</u></u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 56,184,044</u></u>	<u><u>\$ 56,597,748</u></u>	<u><u>\$ 55,163,499</u></u>	<u><u>\$ (1,434,249)</u></u>



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 96,676	\$ 81,676	\$ 99,858	\$ (18,182)
General and financial administration:				
County administrator	\$ 1,112,320	\$ 628,799	\$ 542,241	\$ 86,558
Human resources	360,075	371,427	370,577	850
County attorney	275,923	272,103	264,817	7,286
Commissioner of revenue	475,969	476,864	465,997	10,867
County assessor	460,063	466,183	404,946	61,237
Treasurer	684,575	686,221	662,743	23,478
Finance	498,659	501,455	413,042	88,413
Department of information technology	1,209,995	1,398,497	1,389,919	8,578
GIS	239,703	283,019	243,044	39,975
Purchasing	262,679	270,519	256,543	13,976
Other general and financial administration	263,636	263,636	236,514	27,122
Total general and financial administration	\$ 5,843,597	\$ 5,618,723	\$ 5,250,383	\$ 368,340
Board of elections:				
Electoral board and officials	\$ 215,938	\$ 217,526	\$ 209,501	\$ 8,025
Total board of elections	\$ 215,938	\$ 217,526	\$ 209,501	\$ 8,025
Total general government administration	\$ 6,156,211	\$ 5,917,925	\$ 5,559,742	\$ 358,183
Judicial administration:				
Courts:				
Circuit court	\$ 76,674	\$ 77,178	\$ 71,346	\$ 5,832
General district court	15,050	15,050	11,339	3,711
Commissioner of accounts	600	600	646	(46)
Magistrate	1,000	1,000	869	131
Juvenile and domestic relations district court	18,350	18,350	16,496	1,854
Clerk of the circuit court	448,179	451,253	459,681	(8,428)
Victim and witness assistance	75,478	76,306	75,104	1,202
Court services unit	302,460	302,460	243,340	59,120
Group home commission	205,225	205,225	205,126	99
Total courts	\$ 1,143,016	\$ 1,147,422	\$ 1,083,947	\$ 63,475
Commonwealth's attorney:				
Commonwealth's attorney	\$ 705,269	\$ 705,320	\$ 692,527	\$ 12,793
Total commonwealth's attorney	\$ 705,269	\$ 705,320	\$ 692,527	\$ 12,793
Total judicial administration	\$ 1,848,285	\$ 1,852,742	\$ 1,776,474	\$ 76,268
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,987,773	\$ 5,137,211	\$ 5,075,117	\$ 62,094
Total law enforcement and traffic control	\$ 4,987,773	\$ 5,137,211	\$ 5,075,117	\$ 62,094



Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 2,088,112	\$ 2,088,112	\$ 2,096,433	\$ (8,321)
Radio system	576,128	576,128	558,208	17,920
State forestry service	7,500	7,500	7,427	73
Office of emergency services	192,575	308,285	291,105	17,180
Total fire and rescue services	<u>\$ 2,864,315</u>	<u>\$ 2,980,025</u>	<u>\$ 2,953,173</u>	<u>\$ 26,852</u>
Correction and detention:				
County operated institutions	\$ 3,107,458	\$ 3,105,993	\$ 2,917,910	\$ 188,083
Probation and pretrial	418,652	435,800	427,438	8,362
Total correction and detention	<u>\$ 3,526,110</u>	<u>\$ 3,541,793</u>	<u>\$ 3,345,348</u>	<u>\$ 196,445</u>
Inspections:				
Building	\$ 460,374	\$ 463,544	\$ 425,375	\$ 38,169
Total inspections	<u>\$ 460,374</u>	<u>\$ 463,544</u>	<u>\$ 425,375</u>	<u>\$ 38,169</u>
Other protection:				
Environmental programs	\$ 285,197	\$ 311,539	\$ 307,293	\$ 4,246
Animal control	336,799	346,614	325,295	21,319
Medical examiner	200	200	240	(40)
Total other protection	<u>\$ 622,196</u>	<u>\$ 658,353</u>	<u>\$ 632,828</u>	<u>\$ 25,525</u>
Total public safety	<u>\$ 12,460,768</u>	<u>\$ 12,780,926</u>	<u>\$ 12,431,841</u>	<u>\$ 349,085</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 322,377	\$ 341,136	\$ 307,582	\$ 33,554
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 322,377</u>	<u>\$ 341,136</u>	<u>\$ 307,582</u>	<u>\$ 33,554</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,100	\$ 9,100	\$ 7,704	\$ 1,396
Total sanitation and waste removal	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u>\$ 7,704</u>	<u>\$ 1,396</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,881,701	\$ 1,946,514	\$ 1,888,509	\$ 58,005
Total maintenance of general buildings and grounds	<u>\$ 1,881,701</u>	<u>\$ 1,946,514</u>	<u>\$ 1,888,509</u>	<u>\$ 58,005</u>
Total public works	<u>\$ 2,213,178</u>	<u>\$ 2,296,750</u>	<u>\$ 2,203,795</u>	<u>\$ 92,955</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 549,617	\$ 549,617	\$ 545,061	\$ 4,556
Mosquito control	138,645	138,645	90,134	48,511
Total health	<u>\$ 688,262</u>	<u>\$ 688,262</u>	<u>\$ 635,195</u>	<u>\$ 53,067</u>



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2016 (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	\$ 116,859	\$ 116,859	\$ 116,859	\$ -
Total mental health and mental retardation	\$ 116,859	\$ 116,859	\$ 116,859	\$ -
Total health and welfare	\$ 805,121	\$ 805,121	\$ 752,054	\$ 53,067
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 13,224	\$ 13,224	\$ 13,224	\$ -
Contribution to community education	540,897	550,548	518,212	32,336
Cable services	21,100	21,100	15,368	5,732
Contribution to County School Board	22,765,728	23,179,432	22,326,970	852,462
Total education	\$ 23,340,949	\$ 23,764,304	\$ 22,873,774	\$ 890,530
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 624,446	\$ 638,941	\$ 632,505	\$ 6,436
Beaverdam reservoir park	458,743	457,836	433,608	24,228
Total parks and recreation	\$ 1,083,189	\$ 1,096,777	\$ 1,066,113	\$ 30,664
Cultural enrichment:				
Daffodil festival	\$ 71,170	\$ 86,770	\$ 75,614	\$ 11,156
Total cultural enrichment	\$ 71,170	\$ 86,770	\$ 75,614	\$ 11,156
Library:				
Contribution to county library	\$ 996,982	\$ 1,007,114	\$ 1,038,553	\$ (31,439)
Total library	\$ 996,982	\$ 1,007,114	\$ 1,038,553	\$ (31,439)
Total parks, recreation, and cultural	\$ 2,151,341	\$ 2,190,661	\$ 2,180,280	\$ 10,381
Community development:				
Planning and community development:				
Community development	\$ 460,766	\$ 464,367	\$ 462,773	\$ 1,594
Tourism	195,209	199,588	179,778	19,810
Economic development	261,671	312,479	295,519	16,960
Total planning and community development	\$ 917,646	\$ 976,434	\$ 938,070	\$ 38,364
Environmental management:				
Clean community program	\$ 21,582	\$ 21,582	\$ 12,015	\$ 9,567
Total environmental management	\$ 21,582	\$ 21,582	\$ 12,015	\$ 9,567
Cooperative extension program:				
Extension office	\$ 96,825	\$ 97,349	\$ 90,342	\$ 7,007
Total cooperative extension program	\$ 96,825	\$ 97,349	\$ 90,342	\$ 7,007
Total community development	\$ 1,036,053	\$ 1,095,365	\$ 1,040,427	\$ 54,938



Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Contributions to civic organizations	\$ 300,585	\$ 300,585	\$ 300,585	\$ -
Total nondepartmental	\$ 300,585	\$ 300,585	\$ 300,585	\$ -
Total General Fund	\$ 50,312,491	\$ 51,004,379	\$ 49,118,972	\$ 1,885,407
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,710,089	\$ 2,710,089	\$ 2,414,633	\$ 295,456
Public assistance	1,256,000	1,256,000	972,688	283,312
Purchased services	98,367	98,367	59,434	38,933
Grants	7,000	7,000	5,870	1,130
Board of public welfare	4,612	4,612	3,712	900
Total welfare and social services	\$ 4,076,068	\$ 4,076,068	\$ 3,456,337	\$ 619,731
Total health and welfare	\$ 4,076,068	\$ 4,076,068	\$ 3,456,337	\$ 619,731
Total Virginia Public Assistance Fund	\$ 4,076,068	\$ 4,076,068	\$ 3,456,337	\$ 619,731
<b>Comprehensive Services Act Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,516,000	\$ 1,516,000	\$ 855,744	\$ 660,256
Total Comprehensive Services Act Fund	\$ 1,516,000	\$ 1,516,000	\$ 855,744	\$ 660,256
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 3,696,799	\$ 3,696,799	\$ 10,276,799	\$ (6,580,000)
Interest and other fiscal charges	2,034,000	2,126,815	2,019,033	107,782
Bond issuance costs	-	-	91,878	(91,878)
Total Debt Service Fund	\$ 5,730,799	\$ 5,823,614	\$ 12,387,710	\$ (6,564,096)
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County capital assets	\$ 3,900,000	\$ 2,433,918	\$ 1,356,325	\$ 1,077,593
Equipment and vehicles	224,347	-	-	-
School capital assets	1,897,229	1,665,905	1,623,197	42,708
Total capital projects	\$ 6,021,576	\$ 4,099,823	\$ 2,979,522	\$ 1,120,301
Total County Capital Improvements Fund	\$ 6,021,576	\$ 4,099,823	\$ 2,979,522	\$ 1,120,301
<b>School Construction Fund:</b>				
Capital projects expenditures:				
Page Middle School	\$ 5,600,000	\$ 3,900,000	\$ 3,568,799	\$ 331,201
Total School Construction Fund	\$ 5,600,000	\$ 3,900,000	\$ 3,568,799	\$ 331,201
Total Primary Government	\$ 73,256,934	\$ 70,419,884	\$ 72,367,084	\$ (1,947,200)



Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 38,675,643	\$ 39,089,347	\$ 38,123,224	\$ 966,123
Total instruction costs	<u>\$ 38,675,643</u>	<u>\$ 39,089,347</u>	<u>\$ 38,123,224</u>	<u>\$ 966,123</u>
Administration, and Attendance and Health:				
School board	\$ 121,480	\$ 121,692	\$ 122,192	\$ (500)
Other administration	2,126,968	2,126,756	1,994,954	131,802
Total administration of schools	<u>\$ 2,248,448</u>	<u>\$ 2,248,448</u>	<u>\$ 2,117,146</u>	<u>\$ 131,302</u>
Pupil transportation:				
Pupil transportation	\$ 3,869,814	\$ 3,869,814	\$ 3,855,338	\$ 14,476
Total pupil transportation	<u>\$ 3,869,814</u>	<u>\$ 3,869,814</u>	<u>\$ 3,855,338</u>	<u>\$ 14,476</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 6,051,914	\$ 6,051,914	\$ 5,929,050	\$ 122,864
Total operating and maintenance costs	<u>\$ 6,051,914</u>	<u>\$ 6,051,914</u>	<u>\$ 5,929,050</u>	<u>\$ 122,864</u>
Technology:				
Technology	\$ 2,719,499	\$ 2,719,499	\$ 2,695,186	\$ 24,313
Total technology	<u>\$ 2,719,499</u>	<u>\$ 2,719,499</u>	<u>\$ 2,695,186</u>	<u>\$ 24,313</u>
Total education	<u>\$ 53,565,318</u>	<u>\$ 53,979,022</u>	<u>\$ 52,719,944</u>	<u>\$ 1,259,078</u>
Total School Operating Fund	<u>\$ 53,565,318</u>	<u>\$ 53,979,022</u>	<u>\$ 52,719,944</u>	<u>\$ 1,259,078</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,653,726	\$ 2,653,726	\$ 2,292,180	\$ 361,546
USDA commodities	-	-	163,886	(163,886)
Total school food services	<u>\$ 2,653,726</u>	<u>\$ 2,653,726</u>	<u>\$ 2,456,066</u>	<u>\$ 197,660</u>
Total education	<u>\$ 2,653,726</u>	<u>\$ 2,653,726</u>	<u>\$ 2,456,066</u>	<u>\$ 197,660</u>
Total School Cafeteria Fund	<u>\$ 2,653,726</u>	<u>\$ 2,653,726</u>	<u>\$ 2,456,066</u>	<u>\$ 197,660</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 56,219,044</u>	<u>\$ 56,632,748</u>	<u>\$ 55,176,010</u>	<u>\$ 1,456,738</u>



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## *STATISTICAL SECTION*



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## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1-4

#### Revenue Capacity

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

5-8

#### Debt Capacity

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

9-11

#### Demographic and Economic Information

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

12-13

#### Operating Information

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

14-17

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



COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 17,543,250	\$ 20,771,917	\$ 22,330,023	\$ 13,292,660
Unrestricted	15,676,394	16,806,802	23,927,330	31,083,034
Total governmental activities net position	<u>\$ 33,219,644</u>	<u>\$ 37,578,719</u>	<u>\$ 46,257,353</u>	<u>\$ 44,375,694</u>
Business-type activities				
Net investment in capital assets	\$ 13,602,185	\$ 12,233,762	\$ 11,267,065	\$ 4,461,919
Restricted	1,866,690	1,869,579	1,869,878	4,720,154
Unrestricted	2,706,204	2,221,268	2,328,518	4,956,253
Total business-type activities net position	<u>\$ 18,175,079</u>	<u>\$ 16,324,609</u>	<u>\$ 15,465,461</u>	<u>\$ 14,138,326</u>
Primary government				
Net investment in capital assets	\$ 31,145,435	\$ 33,005,679	\$ 33,597,088	\$ 17,754,579
Restricted	1,866,690	1,869,579	1,869,878	4,720,154
Unrestricted	18,382,598	19,028,070	26,255,848	36,039,287
Total primary government net position	<u>\$ 51,394,723</u>	<u>\$ 53,903,328</u>	<u>\$ 61,722,814</u>	<u>\$ 58,514,020</u>

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



Table 1

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2012	2011	2010	2009	2008	2007
\$ 15,463,123	\$ 13,656,652	\$ 12,177,861	\$ 9,990,778	\$ 6,263,692	\$ 8,637,111
26,438,615	20,720,020	16,694,480	15,820,860	21,316,656	19,609,128
<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>	<u>\$ 27,580,348</u>	<u>\$ 28,246,239</u>
\$ 6,470,887	\$ 9,328,625	\$ 7,299,353	\$ 6,653,014	\$ 6,500,868	\$ 6,421,570
2,036,544	2,031,743	2,025,385	2,015,652	-	-
4,654,757	1,733,605	2,177,368	2,575,848	3,192,808	2,047,347
<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>	<u>\$ 9,693,676</u>	<u>\$ 8,468,917</u>
\$ 21,934,010	\$ 22,985,277	\$ 19,477,214	\$ 16,643,792	\$ 12,764,560	\$ 15,058,681
2,036,544	2,031,743	2,025,385	2,015,652	-	-
31,093,372	22,453,625	18,871,848	18,396,708	24,509,464	21,656,475
<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>	<u>\$ 37,274,024</u>	<u>\$ 36,715,156</u>



COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2015	2014	2013
Expenses				
Governmental activities:				
General government administration	\$ 5,213,213	\$ 5,402,313	\$ 5,575,520	\$ 5,465,093
Judicial administration	1,832,619	1,830,328	1,978,698	1,802,483
Public safety	13,746,855	12,838,684	13,224,115	12,943,310
Public works	2,168,694	2,140,168	2,487,293	2,218,227
Health and welfare	5,018,243	5,441,279	5,223,039	5,052,386
Education	33,924,847	29,991,304	27,169,073	25,586,345
Parks, recreation, culture	2,316,509	2,198,664	2,375,530	2,166,475
Community development	1,850,500	3,330,733	2,604,102	1,254,998
Interest on long-term debt	1,903,921	2,019,045	1,912,060	1,598,864
Total governmental activities expenses	<u>67,975,401</u>	<u>65,192,518</u>	<u>62,549,430</u>	<u>58,088,181</u>
Business-type activities:				
Public utilities	<u>3,828,006</u>	<u>3,873,419</u>	<u>4,164,968</u>	<u>4,561,013</u>
Total business-type activities expenses	<u>3,828,006</u>	<u>3,873,419</u>	<u>4,164,968</u>	<u>4,561,013</u>
Total Primary government expenses	<u>\$ 71,803,407</u>	<u>\$ 69,065,937</u>	<u>\$ 66,714,398</u>	<u>\$ 62,649,194</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	225,492	172,895	214,556	237,742
Public safety	416,526	422,313	399,325	364,823
Public works	411,479	315,626	219,143	197,204
Health and welfare	44,851	40,620	-	-
Education	-	-	-	-
Parks, recreation, culture	264,424	240,605	286,509	293,796
Community development	74,260	74,798	67,428	59,655
Operating grants and contributions	8,431,639	8,064,461	8,018,257	7,634,001
Capital grants and contributions	581,781	2,099,005	3,882,214	1,108,506
Total governmental activities program revenues	<u>\$ 10,450,452</u>	<u>\$ 11,430,323</u>	<u>\$ 13,087,432</u>	<u>\$ 9,895,727</u>
Business-type activities:				
Charges for services	\$ 4,161,870	\$ 4,135,611	\$ 4,193,272	\$ 4,375,188
Operating grants and contributions	-	-	-	-
Capital grants and contributions	<u>713,180</u>	<u>277,732</u>	<u>499,050</u>	<u>537,710</u>
Total business-type activities program revenues	<u>4,875,050</u>	<u>4,413,343</u>	<u>4,692,322</u>	<u>4,912,898</u>
Total primary government program revenue	<u>\$ 15,325,502</u>	<u>\$ 15,843,666</u>	<u>\$ 17,779,754</u>	<u>\$ 14,808,625</u>
Net(Expense)/Revenue				
Governmental activities	\$ (57,524,949)	\$ (53,762,195)	\$ (49,461,998)	\$ (48,192,454)
Business-type activities	<u>1,047,044</u>	<u>539,924</u>	<u>527,354</u>	<u>351,885</u>
Total primary government net expense	<u>\$ (56,477,905)</u>	<u>\$ (53,222,271)</u>	<u>\$ (48,934,644)</u>	<u>\$ (47,840,569)</u>



Table 2  
Page 1 of 2

2012	2011	2010	2009	2008	2007
\$ 4,420,563	\$ 4,526,232	\$ 4,654,227	\$ 4,868,825	\$ 5,059,027	\$ 4,385,731
1,784,911	1,685,971	1,629,116	1,784,423	1,789,176	1,498,764
12,376,310	10,660,881	10,652,290	10,900,401	11,897,730	10,480,141
2,496,814	2,097,050	1,929,966	1,955,625	1,991,262	2,032,499
4,446,775	4,531,487	4,533,563	4,429,077	4,065,857	3,953,184
24,339,028	24,091,981	22,357,066	27,072,029	24,969,859	23,035,692
2,111,087	1,922,593	1,824,076	2,170,357	2,015,572	1,898,798
1,170,407	1,599,847	2,299,482	2,255,957	2,780,816	1,534,243
1,624,212	1,751,068	2,057,826	2,726,734	1,754,490	1,559,087
<u>54,770,107</u>	<u>52,867,110</u>	<u>51,937,612</u>	<u>58,163,428</u>	<u>56,323,789</u>	<u>50,378,139</u>
<u>4,765,426</u>	<u>4,264,717</u>	<u>4,572,653</u>	<u>4,459,194</u>	<u>4,223,756</u>	<u>3,963,709</u>
<u>4,765,426</u>	<u>4,264,717</u>	<u>4,572,653</u>	<u>4,459,194</u>	<u>4,223,756</u>	<u>3,963,709</u>
<u>\$ 59,535,533</u>	<u>\$ 57,131,827</u>	<u>\$ 56,510,265</u>	<u>\$ 62,622,622</u>	<u>\$ 60,547,545</u>	<u>\$ 54,341,848</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
239,615	248,950	257,806	246,684	336,565	317,029
356,342	297,524	332,743	476,364	544,106	51,673
134,654	149,214	256,838	387,726	390,002	378,457
-	-	-	-	-	-
290	311	555	152	1,676	1,584
310,646	351,840	341,498	355,746	362,618	321,156
57,913	18,895	33,309	28,013	27,180	579,845
7,417,709	7,130,907	7,275,332	8,963,448	7,595,236	7,314,692
5,391,436	4,703,030	1,382,366	978,111	1,948,761	1,069,233
<u>\$ 13,908,605</u>	<u>\$ 12,900,671</u>	<u>\$ 9,880,447</u>	<u>\$ 11,436,244</u>	<u>\$ 11,206,144</u>	<u>\$ 10,033,669</u>
\$ 4,216,540	\$ 4,212,115	\$ 3,984,395	\$ 3,155,016	\$ 3,332,589	\$ 3,072,172
-	-	188,300	407,040	1,058,499	705,200
-	1,007,300	-	1,548,183	-	3,036,901
<u>4,216,540</u>	<u>5,219,415</u>	<u>4,172,695</u>	<u>5,110,239</u>	<u>4,391,088</u>	<u>6,814,273</u>
<u>\$ 18,125,145</u>	<u>\$ 18,120,086</u>	<u>\$ 14,053,142</u>	<u>\$ 16,546,483</u>	<u>\$ 15,597,232</u>	<u>\$ 16,847,942</u>
\$ (40,861,502)	\$ (39,966,439)	\$ (42,057,165)	\$ (46,727,184)	\$ (45,117,645)	\$ (40,344,470)
(548,886)	954,698	(399,958)	651,045	167,332	2,850,564
<u>\$ (41,410,388)</u>	<u>\$ (39,011,741)</u>	<u>\$ (42,457,123)</u>	<u>\$ (46,076,139)</u>	<u>\$ (44,950,313)</u>	<u>\$ (37,493,906)</u>



COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2015	2014	2013
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 38,881,635	\$ 37,735,100	\$ 37,840,631	\$ 37,352,864
Local sales and use tax	4,132,108	3,993,673	3,811,874	3,777,448
Communication sales tax (1)	-	-	-	-
Consumer utility tax	716,300	711,867	707,280	702,582
Business license taxes	1,552,245	1,547,404	1,560,493	1,504,047
Restaurant food taxes	2,116,520	1,896,892	1,857,472	1,857,427
Other local taxes	1,109,601	989,921	938,370	947,651
Unrestricted revenues from use of money and property	154,286	174,416	182,207	177,210
Miscellaneous	670,380	438,304	579,009	664,749
Grants and contributions not restricted to specific programs	4,505,799	4,500,206	4,540,079	4,559,150
Loss on disposal of capital assets	-	-	-	-
Transfers	(673,000)	(673,758)	(673,758)	(673,758)
Total governmental activities	\$ 53,165,874	\$ 51,314,025	\$ 51,343,657	\$ 50,869,370
Business-type activities:				
General property taxes	\$ 39,235	\$ 39,471	\$ 39,533	\$ 39,313
Unrestricted revenues from use of money and property	91,191	86,723	86,490	112,266
Transfers	673,000	673,758	673,758	673,758
Total business-type activities	\$ 803,426	\$ 799,952	\$ 799,781	\$ 825,337
Total primary government	\$ 53,969,300	\$ 52,113,977	\$ 52,143,438	\$ 51,694,707
Change in Net Position				
Governmental activities	\$ (4,359,075)	\$ (2,448,170)	\$ 1,881,659	\$ 2,676,916
Business-type activities	1,850,470	1,339,876	1,327,135	1,177,222
Total primary government	\$ (2,508,605)	\$ (1,108,294)	\$ 3,208,794	\$ 3,854,138

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



	2012	2011	2010	2009	2008	2007
\$	34,983,672	\$ 32,588,654	\$ 32,195,182	\$ 31,934,077	\$ 30,064,891	\$ 27,475,955
	3,729,207	3,537,751	3,547,316	3,622,137	3,944,337	3,913,265
	-	-	1,258,546	1,267,909	1,453,787	607,676
	699,428	700,959	698,238	695,930	686,877	1,217,097
	1,516,103	1,446,819	1,384,024	1,436,852	1,569,709	1,518,015
	1,789,149	1,669,468	1,632,857	1,616,050	1,660,639	1,576,236
	779,100	833,117	1,206,722	1,229,135	1,322,440	1,523,777
	154,387	159,151	203,980	273,362	951,284	1,318,342
	672,476	516,200	477,007	543,271	583,074	719,956
	4,543,046	4,518,651	3,013,996	3,019,751	3,014,716	1,727,129
	(480,000)	(500,000)	(500,000)	(680,000)	-	(22,282)
					(800,000)	(900,000)
\$	48,386,568	\$ 45,470,770	\$ 45,117,868	\$ 44,958,474	\$ 44,451,754	\$ 40,675,166
\$	38,705	\$ 38,638	\$ 37,470	\$ 36,179	\$ 36,222	\$ 36,441
	98,396	98,531	120,080	183,614	221,205	249,510
	480,000	500,000	500,000	680,000	800,000	900,000
\$	617,101	\$ 637,169	\$ 657,550	\$ 899,793	\$ 1,057,427	\$ 1,185,951
\$	49,003,669	\$ 46,107,939	\$ 45,775,418	\$ 45,858,267	\$ 45,509,181	\$ 41,861,117
\$	7,525,066	\$ 5,504,331	\$ 3,060,703	\$ (1,768,710)	\$ (665,891)	\$ 330,696
	68,215	1,591,867	257,592	1,550,838	1,224,759	4,036,515
\$	7,593,281	\$ 7,096,198	\$ 3,318,295	\$ (217,872)	\$ 558,868	\$ 4,367,211



COUNTY OF GLOUCESTER, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2016	2015	2014	2013
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	48,681	65,035	52,694	51,122
Restricted	77,013	133,004	141,770	141,989
Committed	1,310,127	1,118,337	1,015,138	1,024,155
Unassigned	20,009,317	17,523,379	18,249,344	16,960,462
Total General Fund	\$ 21,445,138	\$ 18,839,755	\$ 19,458,946	\$ 18,177,728
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Restricted	97,400	54,400	31,400	19,000
Committed	692,639	4,986,303	22,701,947	13,398,162
Assigned	-	-	257,062	244,485
Total all other governmental funds	\$ 790,039	\$ 5,040,703	\$ 22,990,409	\$ 13,661,647

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



Table 3

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<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ 149,442	\$ 238,285	\$ 495,576	\$ 500,502
-	-	14,334,402	12,622,904	13,140,232	12,994,355
52,204	50,598	-	-	-	-
128,885	132,450	-	-	-	-
921,746	799,389	-	-	-	-
15,321,565	14,967,748	-	-	-	-
<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>	<u>\$ 13,635,808</u>	<u>\$ 13,494,857</u>
\$ -	\$ -	\$ 19,000	\$ 19,000	\$ 2,389,898	\$ 6,150,997
-	-	-	808	649	801
-	-	2,810,371	3,678,708	5,466,719	6,585,325
19,000	19,000	-	-	-	-
9,840,182	5,225,558	-	-	-	-
239,297	-	-	-	-	-
<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>	<u>\$ 7,857,266</u>	<u>\$ 12,737,123</u>



COUNTY OF GLOUCESTER, VIRGINIA

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2016	2015	2014
<b>REVENUES</b>			
General property taxes	\$ 38,899,618	\$ 37,944,859	\$ 37,996,998
Other local taxes	9,626,774	9,139,757	8,875,489
Permits, privilege fees, and regulatory licenses	361,437	379,645	352,330
Fines and forfeitures	94,470	68,265	80,625
Revenue from the use of money and property	154,286	174,416	182,207
Charges for services	981,125	818,947	754,006
Miscellaneous	670,380	438,304	579,009
Recovered costs	362,494	378,821	409,810
Intergovernmental revenues:			
Commonwealth	11,074,903	11,800,473	11,034,381
Federal	2,444,316	2,863,199	2,681,235
Total revenues	\$ 64,669,803	\$ 64,006,686	\$ 62,946,090
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 5,559,742	\$ 5,506,522	\$ 5,418,618
Judicial administration	1,776,474	1,720,444	1,812,592
Public safety	12,431,841	12,260,636	11,609,450
Public works	2,203,795	2,156,828	2,172,118
Health and welfare	5,064,135	5,427,503	5,197,208
Education	22,873,774	23,055,992	22,839,193
Parks, recreation, and cultural	2,180,280	2,139,478	2,117,069
Community development	1,040,427	972,068	1,034,876
Nondepartmental	300,585	353,497	365,585
Capital projects	6,548,321	22,500,605	14,208,476
Debt service:			
Principal retirement	10,276,799	3,437,958	2,886,672
Interest and other fiscal charges	2,110,911	2,293,936	1,653,660
Principal retirement-School leases	-	72,317	69,529
Interest and other fiscal charges-School	-	4,041	8,255
Total expenditures	\$ 72,367,084	\$ 81,901,825	\$ 71,393,301
Excess (deficiency) of revenues over (under) expenditures	\$ (7,697,281)	\$ (17,895,139)	\$ (8,447,211)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 7,729,031	\$ 9,188,198	\$ 8,000,299
Transfers out	(8,402,031)	(9,861,956)	(8,674,057)
Issuance of general obligation bonds	-	-	15,845,000
Bond premium issuance	-	-	1,161,015
Issuance of capital leases	-	-	-
Insurance recovery	-	-	2,724,934
Refunding of lease revenue bonds	6,725,000	-	-
Total other financing sources (uses)	\$ 6,052,000	\$ (673,758)	\$ 19,057,191
Net change in fund balances	\$ (1,645,281)	\$ (18,568,897)	\$ 10,609,980
Fund balances - beginning	23,880,458	42,449,355	31,839,375
Fund balances - ending	\$ 22,235,177	\$ 23,880,458	\$ 42,449,355
Debt Service as a percentage of noncapital expenditures	18.66%	9.20%	7.94%

N/A - This information was unavailable.



Table 4

2013		2012		2011		2010		2009		2008		2007	
\$	37,534,509	\$	34,600,348	\$	32,277,667	\$	31,916,749	\$	32,090,454	\$	29,677,158	\$	27,371,520
	8,789,155		8,512,987		8,188,114		9,727,703		9,868,013		10,637,789		10,356,066
	307,747		318,074		262,490		285,060		421,907		505,444		561,291
	108,507		114,403		87,571		120,804		94,148		111,970		90,068
	177,210		154,387		159,151		203,980		273,362		909,595		1,296,199
	736,966		666,983		716,673		816,885		978,630		1,044,733		998,385
	664,749		672,476		516,200		477,007		543,271		583,074		719,956
	337,904		312,995		306,934		360,700		413,418		300,414		242,889
	10,781,890		10,422,899		10,517,539		9,033,241		9,927,995		9,467,389		8,822,084
	2,385,926		2,242,337		2,041,209		2,638,453		2,940,280		3,091,324		2,678,290
\$	<u>61,824,563</u>	\$	<u>58,017,889</u>	\$	<u>55,073,548</u>	\$	<u>55,580,582</u>	\$	<u>57,551,478</u>	\$	<u>56,328,890</u>	\$	<u>53,136,748</u>
\$	5,027,276	\$	4,580,732	\$	4,391,984	\$	4,796,836	\$	4,766,294	\$	4,744,278	\$	4,292,566
	1,634,575		1,644,976		1,511,513		1,473,565		1,619,429		1,616,046		1,311,561
	11,388,578		10,548,498		10,237,522		10,430,536		10,622,469		10,657,869		10,124,699
	2,119,356		2,021,420		1,879,012		1,866,165		1,873,556		1,820,371		1,717,936
	5,000,044		4,424,273		4,487,974		4,482,064		4,348,208		4,001,667		3,920,276
	22,777,077		20,419,880		20,969,964		20,323,168		21,703,289		21,561,837		20,123,728
	2,067,452		1,959,087		1,834,819		1,857,339		1,970,594		2,040,444		1,879,698
	901,444		746,246		731,327		728,581		776,991		828,242		908,769
	312,185		325,145		263,170		272,035		272,035		271,250		242,300
	5,825,679		5,540,772		2,925,484		2,698,567		19,493,940		15,512,754		5,091,488
	3,141,033		3,201,337		3,394,093		3,385,644		3,055,466		2,317,442		2,125,399
	1,695,351		1,702,835		1,858,998		2,012,572		2,547,578		1,603,656		1,430,257
	65,736		263,189		-		-		-		-		-
	12,048		18,318		-		-		-		-		-
\$	<u>61,967,834</u>	\$	<u>57,396,708</u>	\$	<u>54,485,860</u>	\$	<u>54,327,072</u>	\$	<u>73,049,849</u>	\$	<u>66,975,856</u>	\$	<u>53,168,677</u>
\$	<u>(143,271)</u>	\$	<u>621,181</u>	\$	<u>587,688</u>	\$	<u>1,253,510</u>	\$	<u>(15,498,371)</u>	\$	<u>(10,646,966)</u>	\$	<u>(31,929)</u>
\$	7,758,145	\$	10,042,633	\$	6,671,343	\$	6,578,300	\$	7,891,873	\$	6,288,819	\$	10,171,364
	(8,431,903)		(10,522,633)		(7,171,343)		(7,078,300)		(8,571,873)		(7,088,819)		(11,071,364)
	5,999,684		500,000		-		-		-		6,364,713		6,505,000
	-		-		-		-		-		343,349		162,022
	-		-		-		-		11,245,000		-		-
	133,841		4,686,955		3,793,840		-		-		-		-
	-		-		-		-		-		-		-
\$	<u>5,459,767</u>	\$	<u>4,706,955</u>	\$	<u>3,293,840</u>	\$	<u>(500,000)</u>	\$	<u>10,565,000</u>	\$	<u>5,908,062</u>	\$	<u>5,767,022</u>
\$	5,316,496	\$	5,328,136	\$	3,881,528	\$	753,510	\$	(4,933,371)	\$	(4,738,904)	\$	5,735,093
	26,522,879		21,194,743		17,313,215		16,559,705		21,493,076		26,231,980		20,496,887
\$	<u>31,839,375</u>	\$	<u>26,522,879</u>	\$	<u>21,194,743</u>	\$	<u>17,313,215</u>	\$	<u>16,559,705</u>	\$	<u>21,493,076</u>	\$	<u>26,231,980</u>
	8.57%		9.53%		9.84%		10.26%		9.88%		6.76%		6.90%



Principal Property Tax Payers  
Current Year and Nine Years Ago

Taxpayer	2016		2007	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 21,310,040	0.50 %	\$ 20,170,500	0.53 %
York River Crossing Assoc., LLC	15,143,000	0.36	10,060,500	0.27
Wal-Mart Real Estate Business Trust	13,691,030	0.32	13,307,000	0.35
Lowe's Home Center, Inc.	9,599,230	0.23	7,387,400	0.20
Horn Harbor Nursing Home Inc.	8,737,610	0.21	7,146,400	0.19
Thousand Trail, Inc.	8,452,450	0.20	5,525,500	0.15
Gloucester Medical Arts I, LLC	8,087,130	0.19		
Aggregate Industries Land Company Inc	7,223,590	0.17		
Nam Duc Vu & Hoa Anh Tran	7,074,410	0.17		
Walter Reed Memorial Hospital	6,908,030	0.16	5,156,600	0.14
E. Clairborne Robins, Jr.			5,334,450	0.14
Newport News General, etal			5,141,500	0.14
Somerset Stokes			6,905,200	0.18
	<u>\$ 106,226,520</u>	<u>2.51 %</u>	<u>\$ 86,135,050</u>	<u>2.29 %</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
2007	\$	21,213,981	\$	51,629	\$	21,265,610	\$	20,665,168	97.41%
2008		22,593,114		32,483		22,625,597		21,946,260	97.14%
2009		23,972,690		29,674		24,002,364		23,326,961	97.31%
2010		24,014,793		13,127		24,027,920		23,210,366	96.65%
2011		23,809,339		21,830		23,831,169		23,008,680	96.64%
2012		25,336,144		25,654		25,361,798		24,405,721	96.33%
2013		26,903,346		5,399		26,908,745		26,076,913	96.93%
2014		27,043,283		(16,852)		27,026,431		26,277,315	97.17%
2015		27,615,708		(2,465)		27,613,243		26,880,696	97.34%
2016		28,574,808		-		28,574,808		27,850,881	97.47%

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
2007	\$ 3,401,610	\$ 370,363	\$ 275,987	\$ 3,771,973	\$ 0.57	\$ 4,238,172
2008	3,420,549	379,187	277,551	3,799,736	0.61	4,269,366
2009	3,607,036	388,516	271,530	3,995,552	0.61	4,597,873
2010	3,713,586	443,021	305,263	4,156,607	0.58	4,156,607
2011	3,722,124	438,534	309,207	4,160,658	0.58	4,160,658
2012	3,752,701	439,874	306,387	4,192,575	0.65	4,192,575
2013	3,771,667	439,721	321,037	4,211,388	0.65	4,211,388
2014	3,799,377	437,932	322,225	4,237,310	0.65	4,237,310
2015	3,765,494	444,104	373,475	4,209,598	0.68	4,209,598
2016	3,797,973	443,944	358,584	4,241,916	0.695	4,241,916

Source: Commissioner of Revenue Department



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

Calendar Year Ended		Personal Property (1)		Machinery & Tools (1)		Boats (1)		Public Service (2)		Total
2008	\$	390,533,017	\$	5,013,829	\$	38,511,000	\$	68,635,807	\$	502,693,653
2009		355,192,059		7,573,930		33,365,200		75,965,554		472,096,743
2010		391,285,273		8,608,825		32,179,200		80,613,575		512,686,873
2011		385,778,693		7,811,202		35,990,400		87,981,942		517,562,237
2012		386,217,977		8,305,399		34,894,358		104,938,440		534,356,174
2013		400,536,792		8,218,191		43,702,556		155,642,943		608,100,482
2014		385,658,488		10,197,427		43,689,419		155,392,600		594,937,934
2015		385,720,050		10,298,798		-		158,444,423		554,463,271
2016		399,860,453		8,258,417		-		137,719,792		545,838,662

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

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

(3) Only nine years of information are available.



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		
2007	\$ 17,663,684	\$ 4,783,520	\$ 10,158,148	\$ 124,585	\$ 25,664,002	\$ 58,393,939	4.67%	\$ 1,612.96
2008	23,125,057	4,143,520	9,699,036	91,502	24,950,999	62,010,114	4.55%	1,701.80
2009	21,742,912	3,603,520	19,777,296	53,636	23,480,592	68,657,956	5.05%	1,866.92
2010	20,343,490	3,063,520	18,297,844	10,465	21,974,346	63,689,665	4.62%	1,727.97
2011	18,965,853	2,523,520	16,788,573	-	20,414,345	58,692,291	4.09%	1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.66%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.78%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.40%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	4.04%	1,767.50
2016	34,798,831	720,324	9,444,609	-	15,060,213	60,023,977	N/A*	1,619.12

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

\*Information not available at the time of completion.



Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total	Per Capita(a)	
2007	\$ 17,663,684	\$ 124,585	\$ 17,788,269	\$ 491.35	0.42%
2008	23,125,057	91,502	23,216,559	637.15	0.54%
2009	21,742,912	53,636	21,796,548	592.68	0.47%
2010	20,343,490	10,465	20,353,955	552.23	0.49%
2011	18,965,853	-	18,965,853	512.77	0.46%
2012	18,089,833	-	18,089,833	489.23	0.43%
2013	22,804,937	-	22,804,937	612.51	0.54%
2014	38,548,607	-	38,548,607	1,035.36	0.91%
2015	36,773,293	-	36,773,293	<i>987.87</i>	<i>0.87%</i>
2016	34,798,831	-	34,798,831	<i>938.68</i>	<i>0.82%</i>

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

(a) Population data can be found in Table 12

(b) See Table 7 for property value data

(c) Italicized amounts are estimates.



Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage
							Principal	Interest	
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
2012		3,893,650		2,780,595		1,113,055	1,790,872	1,063,304	0.39
2013		3,845,738		2,609,469		1,236,269	1,106,435	990,618	0.59
2014		4,193,272		2,550,179		1,643,093	1,987,000	793,760	0.59
2015		4,135,611		2,324,954		1,810,657	2,043,000	729,787	0.65
2016		4,161,870		2,318,446		1,843,424	1,980,000	766,538	0.67

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

Operating expenses above exclude interest, depreciation and amortization of loan costs. Principal payments above exclude current year refunding of water and sewer revenue bonds totaling \$9,427,000.



Demographic and Economic Statistics  
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
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	1,379,324	37,423	6.4	5,860
2011	36,987	1,434,937	38,796	5.2	5,925
2012	36,976	1,573,440	42,553	5.5	5,650
2013	37,232	1,583,328	42,526	5.1	5,469
2014	37,225	1,626,881	43,704	4.9	5,413
2015	37,072	N/A*	N/A*	4.1	5,316

\*Information not available at the time of completion.

Sources:

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



Principal Employers  
Current Year and Nine Years Ago

Employer	2016		2007	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County Schools	500 - 999	10+	1000+	5 - 9.9
Riverside Regional Medical Center	500 - 999	5 - 9.9	250 - 499	2.5 - 4.9
Virginia Institute of Marine Science	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
County of Gloucester	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
Wal-Mart	250 - 499	2.5 - 4.9	250 - 499	5 - 9.9
Rappahannock Community College	100 - 249	1 - 2.4		
York Convalescent Center	100 - 249	1 - 2.4		
Lowe's	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Food Lion	100 - 249	1 - 2.4		
Industrial Resources Technologies	100 - 249	1 - 2.4	250 - 499	2.5 - 4.9
The Home Depot	100 - 249	1 - 2.4	100 - 249	1 - 2.4
JL Jkm Enterprises Lc	50 - 99	Less than 1		
Farm Fresh	50 - 99	Less than 1		

Sources:  
Virginia Employment Commission



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

	Full-time Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Government Administration</b>										
Board of Supervisors	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Administration	5.0	7.0	6.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	2.0
Human Resources	4.5	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	8.0	7.5	7.5	7.5	8.5	9.5	9.5	9.5
County Assessor	6.5	6.5	6.5	6.5	6.5	6.5	6.0	6.0	6.0	4.0
Treasurer	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.5	10.5	10.5
Finance	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Information Technology	9.0	8.0	9.0	9.0	9.0	12.5	13.0	13.0	13.0	13.0
GIS (included with IT until 2012)	2.5	3.5	3.5	3.5	3.5					
Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5	3.5
VA Housing Dev. Authority	-	-	-	-	-	-	2.0	2.0	2.5	2.5
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Judicial Administration</b>										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Victim Witness	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0
Commonwealth Attorney	7.5	7.5	7.5	7.5	7.5	8.0	8.5	8.5	8.5	7.5
<b>Public Safety</b>										
Sheriff	64.0	64.0	61.5	50.0	50.0	48.0	49.0	53.0	53.0	53.5
E-911 (Combined w/Sheriff 2014)	-	-	-	11.5	11.5	11.5	11.5	12.0	12.0	12.0
Jail (included w/Sheriff until 2006)	36.5	38.5	37.5	37.0	35.0	35.5	38.0	38.0	38.0	38.5
Probation/Pretrial	7.0	7.0	7.0	7.0	7.0	7.5	7.5	7.5	8.0	-
Codes	-	-	-	14.0	13.0	13.0	14.0	16.0	16.0	16.0
Building Inspections	8.0	7.0	6.0							
Environmental Programs	4.0	4.0	4.0							
Animal Control	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	2.0	2.0	1.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5
<b>Public Works</b>										
Engineering	4.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	3.0	3.0
Buildings & Grounds	28.0	28.0	28.5	28.5	28.5	28.0	28.0	29.0	28.0	28.0
<b>Education</b>										
Community Education	8.0	7.5	7.5	7.5	7.5	8.0	8.0	8.0	8.0	8.0
Cable Services	-	-	-	0.5	0.5	-	0.5	0.5	0.5	0.5
<b>Parks, Recreation &amp; Cultural</b>										
Parks & Recreation	5.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Park Operations (formerly Beaverdam)	6.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
Historical	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12.0	12.5	12.5	12.5	12.5	12.0	12.0	12.0	12.0	12.0
<b>Community Development</b>										
Planning	6.0	7.0	7.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Economic Development	2.0	2.0	2.0	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	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Utilities</b>	<b>24.5</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>	<b>25.0</b>	<b>25.5</b>	<b>27.5</b>	<b>24.0</b>	<b>21.5</b>
<b>TOTAL</b>	<b>307</b>	<b>312</b>	<b>308</b>	<b>306</b>	<b>303</b>	<b>299</b>	<b>312</b>	<b>325</b>	<b>320</b>	<b>306</b>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sheriff's Department (1)				
Reports taken	N/A	43,584	39,350	38,808
Civil processed record workload	N/A	30,530	30,757	42,873
Circuit court days	N/A	207	196	175
General district court days	N/A	109	113	116
Juvenile and domestic court days	N/A	234	240	237
Inmate average daily population	N/A	45	79	86
 Parks, Recreation & Tourism (2)				
Number of Participants	4,772	4,489	3,957	3,920
 Library (3)				
Material circulated	183,566	172,769	169,016	179,320
Library patrons	37,185	35,396	33,256	29,295
 Water system (4)				
Number of customers	4,728	4,629	4,629	4,588
Average daily consumption	834,800	838,400	827,000	809,000
Annual consumption in gallons	304,700,000	306,030,000	301,865,000	295,456,000

## Sources:

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

N/A - This information is not available.



Table 15

2012	2011	2010	2009	2008	2007
38,414	37,076	36,219	31,434	35,954	3,166
35,242	38,266	30,255	25,923	23,771	21,907
164	168	180	213	215	140
114	115	113	110	114	110
208	145	162	180	188	153
84	74	77	82	84	89
4,019	4,170	4,393	4,670	4,455	4,437
216,787	229,986	241,379	227,053	210,797	196,633
31,769	32,786	36,284	33,132	31,444	29,133
4,565	4,523	4,499	4,470	4,399	4,276
835,478	884,471	886,783	900,923	939,527	900,460
305,785,000	322,832,000	323,676,000	328,837,000	343,867,000	328,668,000



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

Customer name	2016		2007	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
V.I.M.S.-MRL	443,000	14,767	-	-
V.I.M.S.-SRL	383,000	12,767	-	-
Riverside Walter Reed Hospital	360,000	12,000	485,000	16,167
York River MHP	283,000	9,433	-	-
Walter Reed Convalescent Center	259,000	8,633	428,000	14,267
John A. Franklin (Wicomico Trailer Park)	256,000	8,533	-	-
John A. Franklin (Wicomico Trailer Park)	241,000	8,033	-	-
RAI Care Centers of VA	192,000	6,400	-	-
York River Yacht Haven	177,000	5,900	252,000	8,400
Colonial Point Apartments	168,000	5,600	-	-
V.I.M.S.	-	-	352,000	11,733
Water Wizard Car Wash	-	-	382,000	12,733
BH Management	-	-	348,000	11,600
Wal-Mart	-	-	276,000	9,200
Touch of Spirit, Inc.	-	-	250,000	8,333
U-Do-It Laundry	-	-	201,000	6,700
County Jail	-	-	191,000	6,367

(1) Source - Gloucester County Utility Department



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COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

	2016	2015	2014	2013
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	31	33	33	33
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	8	8	8	8
Park acreage owned by the County	221	221	221	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

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



Table 17

2012	2011	2010	2009	2008	2007
1	1	1	1	1	1
33	34	27	27	27	27
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
221	185	185	185	185	185
44	40	40	40	40	40
2	2	2	2	2	2
1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000



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## *COMPLIANCE SECTION*



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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Gloucester, Virginia's basic financial statements, and have issued our report thereon dated October 14, 2016.

### Internal Control over Financial Reporting

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

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

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



## Compliance and Other Matters

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

### Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia  
October 14, 2016



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

### Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2016. County of Gloucester, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Gloucester, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Gloucester, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Gloucester, Virginia's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, County of Gloucester, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
October 14, 2016



COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

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	\$ 19,097
Temporary Assistance for Needy Families	93.558	0400109/0400110	229,417
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	240
Low-Income Home Energy Assistance	93.568	0600409/0600410	25,545
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	32,820
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	1,110
Foster Care - Title IV-E	93.658	1100109/1100110	163,473
Adoption Assistance	93.659	1120109/1120110	169,219
Social Services Block Grant	93.667	1000109/1000110	161,063
Chafee Foster Care Independence Program	93.674	9150108-9150110	5,456
Children's Health Insurance Program	93.767	0540109/0540110	13,113
Medical Assistance Program	93.778	1200109/1200110	416,577
Total Department of Health and Human Services			\$ 1,237,130
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 183,254
Department of Agriculture:			
Food Distribution--School	10.555	N/A	163,886
Department of Education:			
National School Lunch Program	10.555	1790100-40623	914,476
		Total 10.555	\$ 1,078,362
Total Child Nutrition Cluster			\$ 1,261,616
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	\$ 342,953
Total Department of Agriculture			\$ 1,604,569
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 7,371
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-01142LO12	2,832
Violence Against Women Formula Grants	16.588	3900100-46500	36,616
Total Department of Justice			\$ 46,819



COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016 (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:			
Emergency Management Performance Grants	97.042	7750100-52749	\$ 27,288
Homeland Security			
Homeland Security Grant Program	97.067	7750100-52703	155,891
Hazard Mitigation Grant	97.039	7760200-111,132	335,827
Total Department of Homeland Security			\$ 519,006
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	603002-103579	\$ 27,004
State and Community Highway Safety	20.600	6050700-53454	11,655
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	6050700-53351	15,363
Total Department of Transportation			\$ 54,022
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 69,669
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 55,531
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	661,594
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,112,250
Special Education - Preschool Grants	84.173	1790100-82521	32,094
Total Special Education Cluster			\$ 1,144,344
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	73,830
Advance Placement Program	84.330	609570	779
English Language Acquisition State Grants	84.365	1790100-61365	770
Supporting Effective Instruction State Grant	84.367	1790100-61480	144,420
Total Department of Education			\$ 2,081,268
Total Expenditures of Federal Awards			\$ 5,612,483

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, 2016

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#### 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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 - Food Donation

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

#### Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	364,661
Debt Service Fund		244,384

Special Revenue Funds:

Virginia Public Assistance Fund		1,447,930
CSA Fund		24,510

Capital Projects Funds:

County Capital Projects Fund		362,831
Total primary government	\$	<u>2,444,316</u>

Component Unit School Board:

School Operating Fund	\$	2,150,935
School Cafeteria Fund		1,261,616

Total component unit School Board	\$	<u>3,412,551</u>
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Less: BABs federal interest rate subsidy

(244,384)
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Total federal expenditures per basic financial  
statements

\$	<u><u>5,612,483</u></u>
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Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$	<u><u>5,612,483</u></u>
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COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

           yes   ✓   no

Significant deficiency(ies) identified?

           yes   ✓   none reported

Noncompliance material to financial statements noted?

           yes   ✓   no

Federal Awards

Internal control over major programs

Material weakness(es) identified?

           yes   ✓   no

Significant deficiency(ies) identified?

           yes   ✓   none reported

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

unmodified

Any audit findings disclosed that are required to be reported in accordance  
with Title 2, *U.S. Code of Federal Regulations Part 200, Uniform Guidance*?

           yes   ✓   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

  ✓   yes            no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.