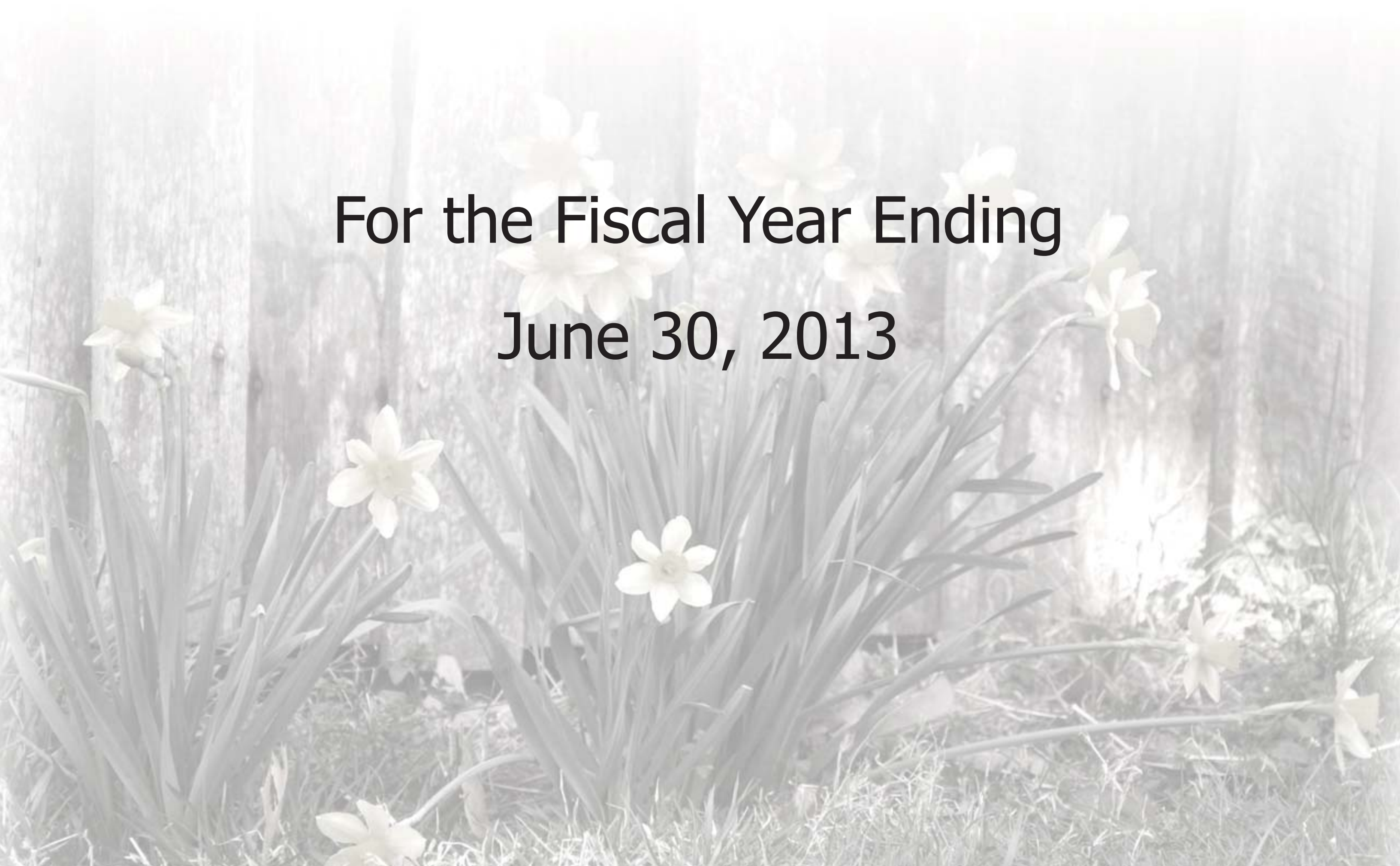
# County of Gloucester

# Virginia

# Comprehensive Annual Financial Report

For the Fiscal Year Ending

June 30, 2013



Cover photo and design by Leslie Sherwood Krom

# COUNTY OF GLOUCESTER, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# YEAR ENDED JUNE 30, 2013

**Prepared By:**

**Nickie C. Champion**
**Director of Financial Services**

**COUNTY OF GLOUCESTER, VIRGINIA**

**FINANCIAL REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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# COUNTY OF GLOUCESTER, VIRGINIA

**Board of Supervisors**

Louise D. Theberge, Chairperson
Robert J. Orth, Vice-Chairperson

| | | |
|---|---|---|
| John H. Northstein | Ashley L. Chriscoe | Andrew James, Jr. |
| Christopher A. Hutson | | Carter M. Borden |

**County School Board**

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

| | | |
|---|---|---|
| Carla B. Hook | Kimberly E. Hensley | Troy Anderson |
| Ann F. Burruss | | Kevin M. Smith |

**Board of Social Services**

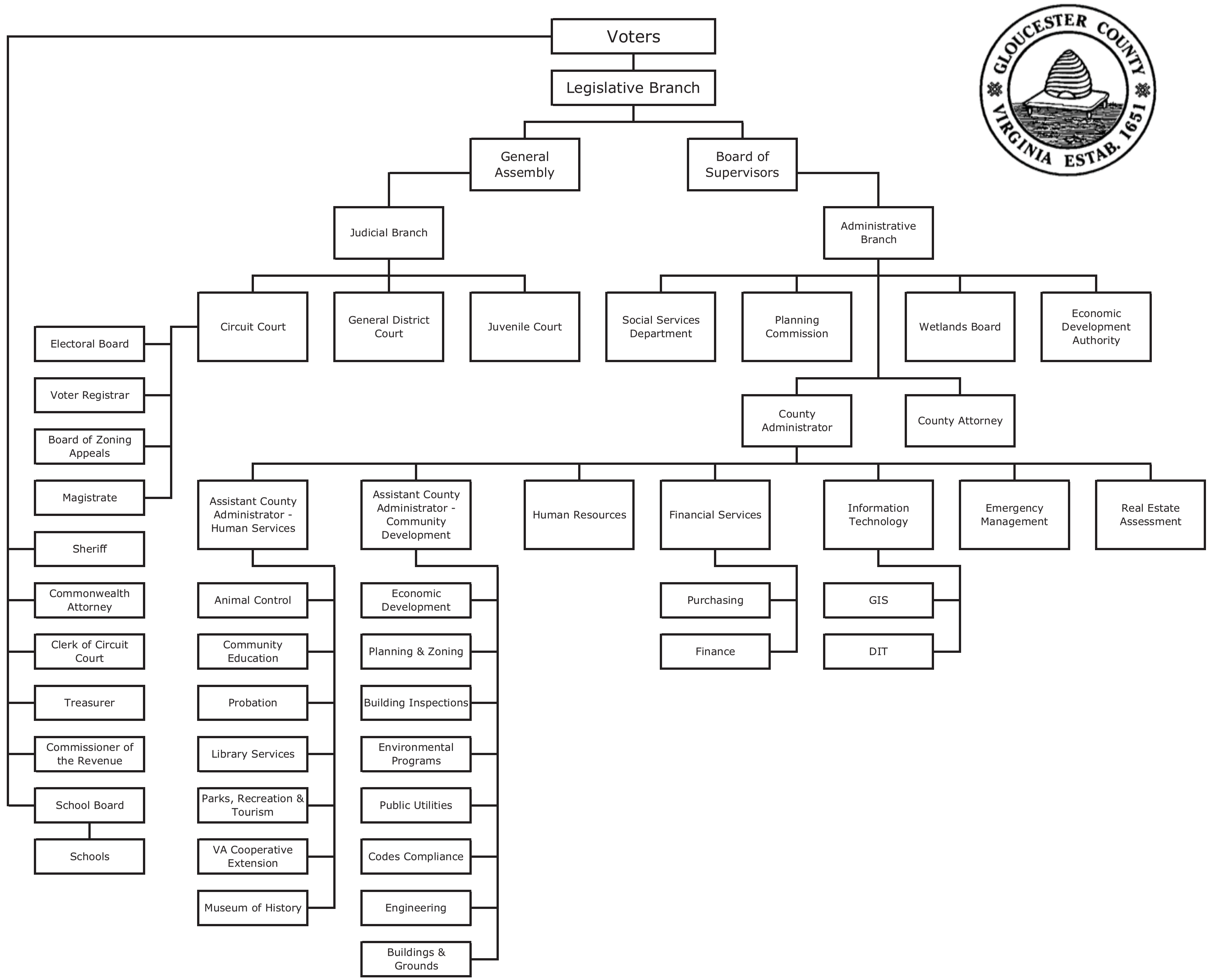
William B. Hudgins, Chairperson
Charles “Rick” Allen, Jr., Vice-Chairperson

| | |
|---|---|
| Patricia Brown | Jane Sterling |
| Aarron Conner | George Webster |
| Jane Smith | |

**Other Officials**

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

# Gloucester County Organization Chart



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, 2012**

Executive Director/CEO

# County of Gloucester

**County Administrator**
**6467 Main Street**
**P. O. Box 329**
**Gloucester, Virginia 23061** **(804)693-4042**

November 15, 2013

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

The Commonwealth of Virginia requires that local government publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the County of Gloucester (the County) for the fiscal year ended June 30, 2013.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A complements this letter of transmittal and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## Profile of Gloucester County

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

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

Edge Hill House

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

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

**Profile of Gloucester County: (Continued)**

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the County is financially accountable. Discretely presented component units qualifying for inclusion in this report are the Gloucester County School Board and the Gloucester County Economic Development Authority. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government.

The annual budget serves as the foundation for the County's financial planning and control. All departments and agencies of the County are required to submit requests for appropriation to the County Administrator. The County Administrator uses these requests as a starting point for developing a proposed budget for presentation to the Board of Supervisors in March. The Board of Supervisors is required to hold public hearings on the proposed budget and generally adopts a final budget no later than May 1.

The County maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions of the annual appropriated budget. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the function level within each fund except the school operating fund, which is at the fund level.

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

**Local Economy**

In anticipation of new economic upturns in the economy, Gloucester County continued an aggressive planning year during fiscal year 2013. The Gloucester Point/Hayes Village Plan and the Courthouse Area Plan were the impetus for exploring how to move from transportation oriented development to a more traditional neighborhood model. This planning activity focused on new ordinances for reducing land use impacts through higher densities, more multi-family and mixed-use projects.

Accordingly, Coleman's Crossing in the Hayes area of Gloucester was the first development incorporating this new model to break ground. A mixed-use, planned unit development, Coleman's Crossing will create a townhouse/commercial center that offers both traditional neighborhood amenities to reduce trips for basic needs like grocery shopping. With over 40,000 square feet of commercial space, across Crewe Road from the Hayes Shopping Center, new owners in Coleman's Crossing will be able to safely walk for groceries, pharmaceuticals, fast food, dry cleaning services and many more that harkens back to less use of the automobile.

This new planning model will be used to develop new comprehensive planning tools, such as overlay districts, which will encourage traditional neighborhood developments within Gloucester's development district. In order to take advantage for these new opportunities within the code with more certainty of approval administratively, developers will have to meet certain conditional use criteria. Like the Coleman's Crossing development, these new planning tools should foster new higher density developments with greater amenities to attract new residential and commercial growth. While the timing of these types of developments remains uncertain, the tools will be in place to encourage these new urbanism concepts.

**Local Economy: (Continued)**

These new methods to encourage new development should improve real estate sales and its associated tax base, increase building permits, and begin to show market gains that should grow both jobs and commercial development.

In 2013, Gloucester's existing businesses and major employers continue to invest in Gloucester County. The Riverside/Sanders assisted living project opened late in 2012 along with other small developments mostly in the medical field. Edgehill Town Center constructed new space for Gloucester Family Medical practice and is repurposing more of the center for new development opportunities. These projects, along with growth at Riverside/Walter Reed Hospital, are encouraging new medical service delivery.

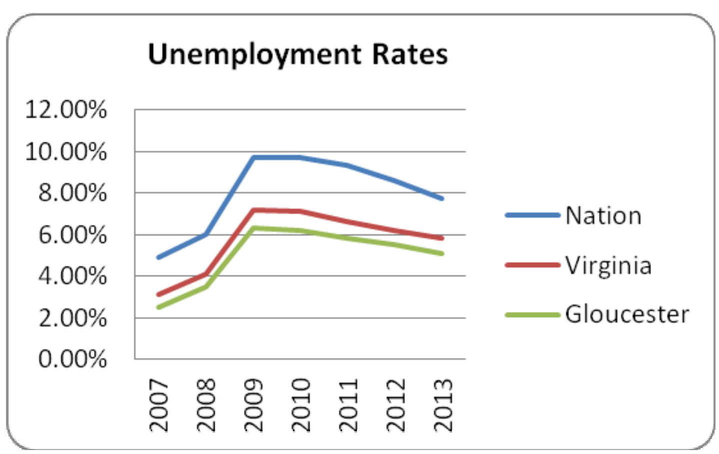
The next phase of development at Fox Mill Center is scheduled to break ground in 2014. The plan includes approximately 100,000 square feet of new retail development. In the Gloucester Business Park, Haywood Development completed site work and is now constructing the first of three flex space buildings.

The Economic Development Authority recently purchased the historic Woodville School, and they helped to form the T.C. Walker and Woodville/Rosenwald School Foundation to help preserve Woodville School, which is the last remaining Rosenwald School in Gloucester. Rosenwald Schools were built to offer African-American children an education opportunity. The Woodville School was built in 1923, and a member of the Foundation attended the school.

Finally, rebuilding Page Middle School on a new site, the closing and re-purposing of T.C. Walker Elementary School for school administrative offices and community use, the need for a new bus facility, utility maintenance facility and County garage facility were the main topics of new County expenditures in fiscal year 2013, and have continued into fiscal year 2014. Additionally, the potential development of the old Page School site and its impact on both tax-base and the comprehensive planning of the Corr property and the Gloucester Business Park remain unclear and could be a major topic for discussion during the remainder of fiscal year 2014 and into the fiscal year 2015 budget deliberations.

As stated in previous years, Gloucester's civilian labor force has remained relatively stable; however, as the region and the County are heavily dependent on defense and military related expenditures, federal budget uncertainty and any eventual decisions can impact the overall regional economy.

As of July 2013, the Gloucester unemployment rate was 5.1%, which compared favorably with July 2012 at 5.5%.



**Long term financial planning**

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

The County's Capital Improvement Committee, which was formed at the direction of the County Administrator, was charged with recommending a five-year plan to the Board of Supervisors. The CIP Committee attempted to balance the considerable amounts of money required for projects, within the current debt policies of the County, with the needs of competing demands for capital investment. The recommendation represented a balance between finite resources and an ever-increasing number of competing County priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors consistent with the County's Strategic Plan. The Board adopted the Committee's recommendation on April 16, 2013 and funded the first year of the 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.

**Relevant financial policies**

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County maintains an unassigned General Fund Balance sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls and to provide funds for all existing encumbrances. Policy guidelines have established this amount at a minimum of 10% of governmental fund expenditures less any capital projects funded with bond proceeds.

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

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

**Major Initiatives**

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

One of the most important services that the County provides to its citizens is public education. The County is making a major investment in the construction of a new middle school with completion expected by the beginning of the 2015 school year.

The Federal Emergency Management Agency 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.

The Gloucester Parks, Recreation, and Tourism have formed new partnerships with the Gloucester Chamber of Commerce, the Main Street Association, the Cook Foundation, and the Virginia Institute of Marine Science. This partnership has resulted in beautification efforts along Gloucester's Main Street such as lamp pole banners, bringing in more eco-tourists with the launch of the Gloucester Blueways kayaking/canoeing water trails, as well as, the Ride the Dragon Century cycling tour.

Gloucester will host a national event sponsored by the Continental Line, British Brigade, and Brigade of the American Revolution on the historic grounds of Warner Hall in October, 2013. A Revolutionary War reenactment of the 1781 Yorktown Campaign for the Battle of the Hook, celebrating General Washington's victory over the British Army will be the largest Revolutionary War Reenactment in the country in 2013. Historic battles will be brought to life by more than 1,000 Revolutionary War reenactors and living historians who will encamp near the actual battlefields where the American Revolution was won after six years of fighting.

The Economic Development Authority is working with Gloucester's small business community to foster better business practices through a series of workshops and individual counseling sessions in hopes that these workshops will offer new business efficiencies and profits. In conjunction with the Hampton Roads Small Business Development Center, the EDA will host monthly work-outs with businesses to provide business planning, management and financial tools.

**Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the seventeenth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Brenda G. Garton
County Administrator

Nickie C. Champion
Nickie C. Champion
Director of Financial Services

## 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, 2013, 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.

### *Opinion*s

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2013, 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.

### *Emphasis of Matter*

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 4-13, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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 November 15, 2013, on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
November 15, 2013

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

This section of the County of Gloucester (the "County") comprehensive annual financial report presents management's discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

## Financial Highlights

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities at the close of the most recent fiscal year by $58.5 million (*net position*). Of this amount, $36.0 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position, excluding component units, increased by $3.9 million, of which the governmental activities increased by $2.7 million and business-type activities increased by $1.2 million.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $31.8 million, an increase of $5.3 million in comparison with the prior year. Approximately 53.3% of this total amount, $17.0 million, is *available for spending* at the County's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $17.0 million, or 16.5% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

- The County's total debt increased by $2.5 million during the current fiscal year. The increase was a combination of pay down of principal during the year and the issuance of new debt for the Page Middle School project.

## Overview of the Financial Statements

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

### Government-wide financial statements

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

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

### Government-wide financial statements: (Continued)

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 21-23 of this report.

### Fund financial statements

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

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 27-30 of this report.

The County maintains one type of ***Proprietary Fund***. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

## Overview of the Financial Statements:  (Continued)

**Fund financial statements:  (Continued)**

***Fiduciary funds*** are used to account for resources held for the benefit of parties outside the County.  Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs.  The accounting used for fiduciary funds is much like that used for proprietary funds.  The basic fiduciary fund statement can be found on page 34 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.  The notes to the financial statements can be found on pages 35-77 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension benefits and health insurance to its employees.  Required supplementary information can be found on pages 81-83 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.  Combining and individual fund statements and schedules can be found starting on page 89 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing.  In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $58.6 million at the close of the most recent fiscal year.  A large portion of the County's net position ($17.8 million, 30.3% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.  The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.  Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of $4.7 million is restricted for business-type activities for bond covenants and future capital asset purchases and cannot be used to meet ongoing obligations to citizens and creditors.  Unrestricted net position of $36.0 million or 61.1% may be used to meet the County's ongoing obligations to citizens and creditors.

## Government-Wide Financial Analysis: (Continued)

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

Summary of Net Position
As of June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | $ 58,613,723 | $ 53,402,238 | $ 7,520,929 | $ 7,218,536 | $ 66,134,652 | $ 60,620,774 | $ 10,108,052 | $ 9,443,013 |
| Capital assets | 51,338,682 | 50,746,556 | 28,455,868 | 28,852,360 | 79,794,550 | 79,598,916 | 38,693,416 | 39,164,321 |
| Total assets | $ 109,952,405 | $ 104,148,794 | $ 35,976,797 | $ 36,070,896 | $ 145,929,202 | $ 140,219,690 | $ 48,801,468 | $ 48,607,334 |
| Accumulated decrease in fair value of hedging derivatives | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,363,123 | $ 3,313,813 |
| Deferred charges on refunding | 217,361 | - | 409,783 | - | 627,144 | - | - | - |
| Total deferred outflows | $ 217,361 | $ - | $ 409,783 | $ - | $ 627,144 | $ - | $ 2,363,123 | $ 3,313,813 |
| Long-term debt outstanding | $ 37,745,893 | $ 34,160,997 | $ 19,769,869 | $ 20,667,877 | $ 57,515,762 | $ 54,828,874 | $ 18,150,726 | $ 18,225,649 |
| Other liabilities | 9,405,786 | 28,289,019 | 2,478,385 | 2,441,915 | 11,884,171 | 30,730,934 | 10,016,841 | 11,024,418 |
| Total liabilities | $ 47,151,679 | $ 62,450,016 | $ 22,248,254 | $ 23,109,792 | $ 69,399,933 | $ 85,559,808 | $ 28,167,567 | $ 29,250,067 |
| Unavailable revenue - property taxes | $ 18,642,393 | $ - | $ - | $ - | $ 18,642,393 | $ - | $ - | $ - |
| Total deferred inflows | $ 18,642,393 | $ - | $ - | $ - | $ 18,642,393 | $ - | $ - | $ - |
| Net position | | | | | | | | |
| Invested in capital asset, net of related debt | $ 13,292,660 | $ 15,463,123 | $ 4,461,919 | $ 6,470,887 | $ 17,754,579 | $ 21,934,010 | $ 22,899,551 | $ 22,972,362 |
| Restricted | - | - | 4,720,154 | 2,036,544 | 4,720,154 | 2,036,544 | - | - |
| Unrestricted | 31,083,034 | 26,235,655 | 4,956,253 | 4,453,673 | 36,039,287 | 30,689,328 | 97,473 | (301,282) |
| Total net position | $ 44,375,694 | $ 41,698,778 | $ 14,138,326 | $ 12,961,104 | $ 58,514,020 | $ 54,659,882 | $ 22,997,024 | $ 22,671,080 |

The County's combined net position, which is the County's bottom line, increased by $3.9 million or 6.7% from the prior year. The change in the County's combined net position is a combination of an increase of $2.7 million from the efforts of governmental activities and an increase of $1.2 million from the efforts of business-type activities. The increase from the efforts of governmental activities can be attributed to increases in property tax rates, paying down debt in amounts in excess of depreciation claimed, and various decisions made to deal with economic conditions. The increase in the net position from business-type activities was the result of increases in capital contributions, modest decreases in the amount of outstanding debt, and an increase in contributed cash from governmental activities to help with new debt service payments.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by $23.0 million at the close of fiscal year 2013. While most of the decrease in capital assets of the Gloucester Economic Development Authority was due to depreciation of assets, the change also reflected the Authority purchasing an historic building for future preservation. Market affects decreased the derivative instrument liability by $1.0 million. The capital assets of the Public Schools (net of depreciation) increased by $55,427. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. One major factor affecting the increase in net position for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

## Government-Wide Financial Analysis: (Continued)

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

Summary of Changes in Net Position
Years Ended June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | | | |
| Program revenue: | | | | | | | | |
| Charges for services | $ 1,153,220 | $ 1,099,460 | $ 4,375,188 | $ 4,216,540 | $ 5,528,408 | $ 5,316,000 | $ 2,856,782 | $ 2,727,587 |
| Operating grants and contributions | 7,634,001 | 7,417,709 | - | - | 7,634,001 | 7,417,709 | 30,502,871 | 31,063,943 |
| Capital grants and contributions | 1,108,506 | 5,391,436 | 537,710 | - | 1,646,216 | 5,391,436 | - | - |
| General revenues: | | | | | | | | |
| Property taxes | 37,352,864 | 34,983,672 | 39,313 | 38,705 | 37,392,177 | 35,022,377 | - | - |
| Other taxes | 8,789,155 | 8,512,987 | - | - | 8,789,155 | 8,512,987 | - | - |
| Unrestricted revenues | 177,210 | 154,387 | 112,266 | 98,396 | 289,476 | 252,783 | 5,286 | 20,747 |
| Miscellaneous | 664,749 | 672,476 | - | - | 664,749 | 672,476 | 97,434 | 160,179 |
| Grants and contributions | 4,559,150 | 4,543,046 | - | - | 4,559,150 | 4,543,046 | - | - |
| Payment from County | - | - | - | - | - | - | 23,244,576 | 20,983,064 |
| Total revenue | $ 61,438,855 | $ 62,775,173 | $ 5,064,477 | $ 4,353,641 | $ 66,503,332 | $ 67,128,814 | $ 56,706,949 | $ 54,955,520 |
| Expenses: | | | | | | | | |
| General government | $ 5,465,093 | $ 4,420,563 | $ - | $ - | $ 5,465,093 | $ 4,420,563 | $ - | $ - |
| Judicial administration | 1,802,483 | 1,784,911 | - | - | 1,802,483 | 1,784,911 | - | - |
| Public safety | 12,943,310 | 12,376,310 | - | - | 12,943,310 | 12,376,310 | - | - |
| Public works | 2,218,227 | 2,496,814 | - | - | 2,218,227 | 2,496,814 | - | - |
| Health and welfare | 5,052,386 | 4,446,775 | - | - | 5,052,386 | 4,446,775 | - | - |
| Parks, recreation, and cultural | 2,166,475 | 2,111,087 | - | - | 2,166,475 | 2,111,087 | - | - |
| Community development | 1,254,998 | 1,170,407 | - | - | 1,254,998 | 1,170,407 | 1,810,635 | 1,807,677 |
| Interest on long-term debt | 1,598,864 | 1,624,212 | - | - | 1,598,864 | 1,624,212 | - | - |
| Education | 25,586,345 | 24,339,028 | - | - | 25,586,345 | 24,339,028 | 54,570,370 | 52,617,425 |
| Public Utilities | - | - | 4,561,013 | 4,765,426 | 4,561,013 | 4,765,426 | - | - |
| Total expenses | $ 58,088,181 | $ 54,770,107 | $ 4,561,013 | $ 4,765,426 | $ 62,649,194 | $ 59,535,533 | $ 56,381,005 | $ 54,425,102 |
| Change in net position, before transfers | $ 3,350,674 | $ 8,005,066 | $ 503,464 | $ (411,785) | $ 3,854,138 | $ 7,593,281 | $ 325,944 | $ 530,418 |
| Transfers | (673,758) | (480,000) | 673,758 | 480,000 | - | - | - | - |
| Change in net position | 2,676,916 | 7,525,066 | 1,177,222 | 68,215 | 3,854,138 | 7,593,281 | 325,944 | 530,418 |
| Net position, beginning, as restated | 41,698,778 | 34,173,712 | 12,961,104 | 12,892,889 | 54,659,882 | 47,066,601 | 22,671,080 | 22,140,662 |
| Net position, ending | $ 44,375,694 | $ 41,698,778 | $ 14,138,326 | $ 12,961,104 | $ 58,514,020 | $ 54,659,882 | $ 22,997,024 | $ 22,671,080 |

**Governmental activities** – For the fiscal year ended June 30, 2013, revenues from governmental activities (not including Capital Projects) totaled $61.5 million, which was a decrease of $1.3 million from the prior year. Real estate tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2012 and the first half of calendar year 2013 real property tax billing, were $26.9 million. While the County's assessed real property tax base for calendar year 2013 saw a very slight increase of $18.8 million largely due to new construction, the collections for real estate taxes rose by 6.8% largely due to an increase in the 2012 real estate tax rate from $.58 to $.65.

In the General Fund, the County reported current year collections of $11.9 million in personal property taxes, the County's second largest revenue source. Of that amount, $2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 30.0% of most taxpayer's payments. Collections from personal property taxes increased by $1.0 million or 8.7% largely due to an increase in the 2012 personal property tax rate from $2.60 to $2.95.

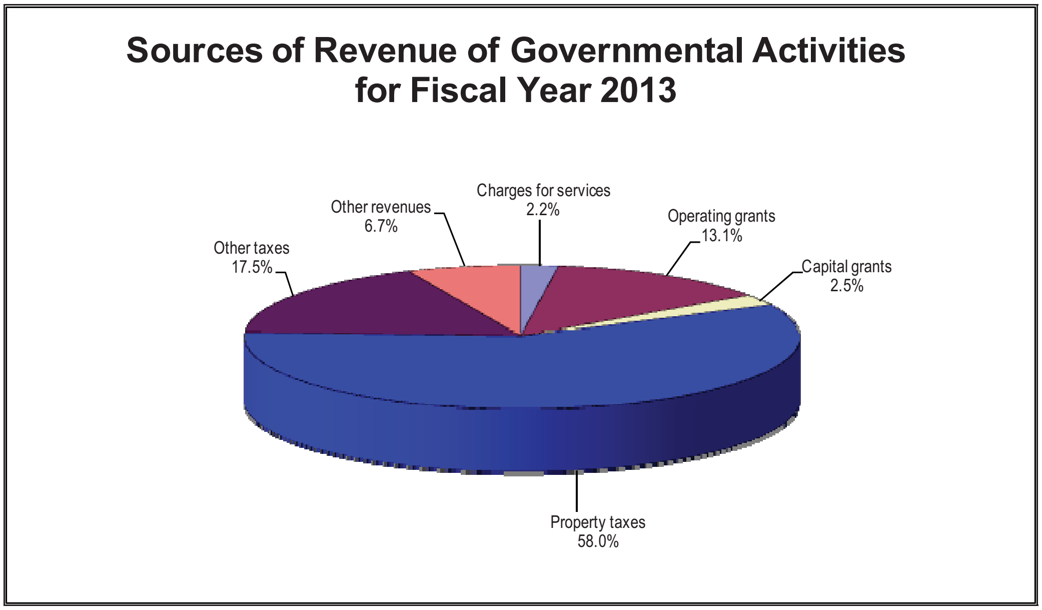
The increase of $276,168 in other taxes, which includes local sales taxes, local meals taxes, and local business license taxes, is evidence that the local economy continues to show signs of modest recovery from the economic downturn. The large decrease in operating grants and contributions reflects the insurance recoveries received the previous fiscal year for the April 16, 2011 tornado that severely damaged Page Middle School. At the time of this report, construction of a new school is progressing with an expected fall 2015 completion date.

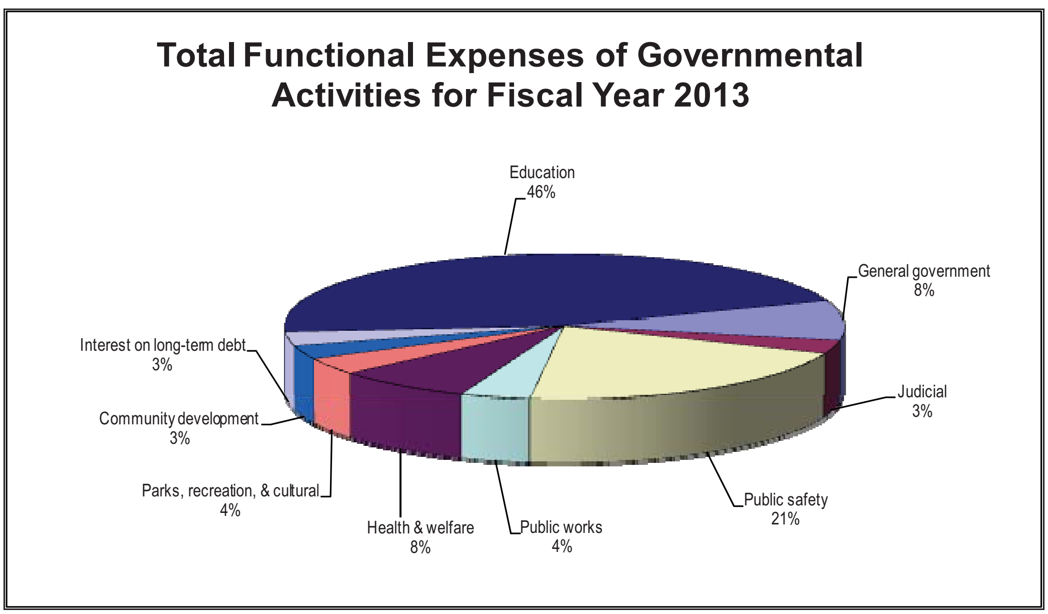
## Government-Wide Financial Analysis: (Continued)

For the fiscal year ended June 30, 2013, expenses relating to governmental activities (not including Capital Projects) were $1.4 million less than planned. As in the previous fiscal years, state and national economic conditions continued to negatively impact local budgets and, various strategies were enacted in order to reduce expenses. These strategies included delaying filling vacancies, delaying capital, and examining program efficiencies.

Public education continues to be one of the County's highest priorities and commitments, but the same economic conditions mentioned in other areas of this document have restricted efforts. The County contributed $22.3 million to public school operations and $2.9 million toward debt payments relating to school projects for a total contribution of $25.2 million. Due to continued loss of federal stimulus money and the continued practice by the State to push down mandates, the County increased their local contribution to education by $2.3 million.

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



## Government-Wide Financial Analysis: (Continued)

**Business-type activities** increased the County's net position by $1.2 million for fiscal year 2013. Similar to the changes in net position attributable to governmental activities, changes in business-type activity net position 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 4,588 customers in the County. Like all business-type activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8A) between the state Water Control Board, the Hampton Roads Sanitation District, and other localities including the County for the purpose of resolving certain alleged violations of environmental laws and regulations. Cumulative costs for the first phase of this Consent Special Order total $1.4 million, which are principally costs for data collection, evaluation and plan development. Costs needed for the second phase, which will implement long-term capacity enhancement and sewer rehabilitation plans, are unknown at this time.

- The County recognized that the Utility Fund had no capacity for additional debt, but needed to address requirements of the Consent Special Order as well as other capital repairs needed by the utility system, such as water treatment plan rehabilitation, emergency generators, upgrading the electrical motor control center, and upgrading sewer pump stations. The annual debt service requirement for a $3.8 million Series 2011 revenue bond was provided by the General Fund as a transfer.

- Efforts to make the fund self-supporting have been unsuccessful. With the conservation improvements in home and commercial appliances using water, the amount of water being sold through the system has continued to drop. This reflects in revenue for services declining while fixed costs of the system remain the same. The County recognizes the need to continue support of the fund through annual General Fund transfers. This transfer was $400,000 in fiscal year 2013.

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $31.8 million, an increase of $5.3 million in comparison with the prior year. The $5.3 million increase can be attributed to:

- The County's response to the uncertain economic conditions, which resulted in expenditures (not including the Capital Fund) being $1.4 million less than expected while revenue (not including the Capital Fund) being $2.0 million more than expected.

- The issuance of a $6.0 million school bond for the building of a new Page Middle School.

- The use of $520,505 of fund balance committed for capital projects.

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was $17.0 million, while total fund balance reached $18.2 million. The Board of Supervisors adopted a fund balance policy in April 2011 to keep an unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The unassigned fund balance in the General Fund was 16.5% 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 $3.5 million, which includes $3.2 million that has been committed for future capital projects.

The School Construction Fund accounts for financial resources to be used for major Public School construction projects. An April 16, 2011 tornado severely damaged Page Middle School, which is one of two middle schools in the County. The County received a preliminary insurance payment of $3.8 million in fiscal year 2011, $4.7 million in fiscal year 2012, and $133,841 in fiscal year 2013. Two school bonds totaling $6.5 million have been issued. Construction on the new school started in fiscal year 2013 and is expected to be completed in fiscal year 2016. The School Construction Fund has a fund balance of $10.2 million, which has been committed to replacing Page Middle School.

**Proprietary funds**: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the year amounted to $5.0 million, which is an increase of $291,496. The majority of this increase can be attributed to the very modest positive result from utility operations. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

As with most of the nation, Gloucester County has felt the impact of national and state economic downturns and the continued uncertainty for the future. Corrective actions such as delaying capital needs, freezing positions, and enacting program efficiencies were begun as early as September 2008, and continued into fiscal year 2013. Total General Fund expenditures in fiscal year 2013 came in $1.1 million or 2.4% below the final amended budget. Local expenditures for Education were under budget by $114,798.

General Fund revenues exceeded budget projections in fiscal year 2013 by $1.3 million, which can be attributed to the slow signs of recovery in the local economy as well as very conservative revenue forecasting.

There was an increase of $835,868 between the original General Fund budget and the final amended General Fund budget, and the major differences can be summarized as follows:

- An increase of $330,000 can be associated with the appropriation of fund balances for preliminary engineering to re-purpose T.C. Walker Elementary School into Thomas Calhoun Walker Education Center.

- An increase of $166,060 can be attributed to the anticipated receipt of various grants and other miscellaneous activities and donations.

- An increase of $292,883 can be associated with the appropriation of fund balances for designated carryovers for projects that were continued from the prior year into the current year.

## Capital Asset and Debt Administration

**Capital assets**: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to $79.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

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

Major capital asset events during the current fiscal year included the following:

- The County received several Federal Emergency Management Agency Grants, which were used to acquire properties that sustained damage or can expect to sustain damage as a result of coastal storms and returned these properties to green space. These grants covered 95.0% of project costs with affected homeowners contributing the 5.0% match.

- The County continues to work on an emergency communications system project with a projected budget of $16.2 million. This project is funded with a December 2006 lease-purchase agreement of $11.3 million, $450,000 in PSAP grants, and $4.5 million in cash. The County recently agreed to expand the budget by $665,000 in cash to build-out the basement of the building for an emergency operations center.

- The School Division closed T. C. Walker Elementary School and will repurpose the building as Thomas Calhoun Walker Education Center. The renovations to the building for office space and community use will be funded with $2.7 million in cash.

- 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 will be available for replacing the school. School bonds were issued for the project in fiscal year 2012 and 2013. With a total budget of approximately $26.0 million, the final piece of financing will happen in fiscal year 2014. The school is expected to open to students in the fall of 2015.

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

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

Capital Assets
As of June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | $ 5,952,893 | $ 5,174,685 | $ 3,599,246 | $ 3,599,146 | $ 9,552,139 | $ 8,773,831 | $ 2,289,328 | $ 2,080,926 |
| Construction in progress | 2,762,049 | 2,673,268 | 39,084 | 34,856 | 2,801,133 | 2,708,124 | - | - |
| Buildings | 12,124,955 | 9,746,698 | 23,676,338 | 24,067,726 | 35,801,293 | 33,814,424 | 13,285,238 | 14,021,972 |
| Improvements other than buildings | 2,511,912 | 2,624,087 | - | - | 2,511,912 | 2,624,087 | - | - |
| Equipment | 10,789,585 | 11,590,166 | 1,141,200 | 1,150,632 | 11,930,785 | 12,740,798 | 2,958,817 | 3,092,374 |
| Jointly owned assets | 17,197,288 | 18,937,652 | - | - | 17,197,288 | 18,937,652 | 20,160,033 | 19,969,049 |
| Total | $ 51,338,682 | $ 50,746,556 | $ 28,455,868 | $ 28,852,360 | $ 79,794,550 | $ 79,598,916 | $ 38,693,416 | $ 39,164,321 |

Additional information on the County's capital assets can be found in Note 6 on pages 50-53 of this report.

## Capital Asset and Debt Administration: (Continued)

**Long-term debt**: At the end of the current fiscal year, the County had total outstanding debt of $62.6 million and details are summarized in the following table:

Long-Term Debt
As of June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Bonds Payable: | | | | | | | | |
| General obligation bonds | $ 22,804,937 | $ 18,089,833 | $ - | $ - | $ 22,804,937 | $ 18,089,833 | $ - | $ - |
| Revenue bonds | - | - | 21,553,897 | 22,381,473 | 21,553,897 | 22,381,473 | 15,793,865 | 16,191,958 |
| Loans and Notes | - | - | - | - | - | - | - | - |
| Literary loans | 1,470,324 | 1,983,520 | - | - | 1,470,324 | 1,983,520 | - | - |
| Capital leases | 13,988,122 | 15,210,080 | - | - | 13,988,122 | 15,210,080 | - | - |
| Derivative instrument liability | - | - | - | - | - | - | 2,363,123 | 3,313,813 |
| OPEB liability | 987,654 | 735,027 | 85,482 | 63,642 | 1,073,136 | 798,669 | 1,480,096 | 1,052,190 |
| Compensated absences | 1,612,284 | 1,499,229 | 130,545 | 120,847 | 1,742,829 | 1,620,076 | 1,691,560 | 1,759,042 |
| Total | $ 40,863,321 | $ 37,517,689 | $ 21,769,924 | $ 22,565,962 | $ 62,633,245 | $ 60,083,651 | $ 21,328,644 | $ 22,317,003 |

Debt associated with governmental activities increased by $2.9 million, which is the net amount of pay down of principal during the year and the issuance of a new school construction bond. The debt associated with business-type activities decreased by $796,038, which can be attributed to pay down of principal during the year.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at $1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2013, the County's net debt as a percentage of assessed value was 0.9%, the net debt per capita ratio was $1,035, and the debt payments percentage was 6.7%.

The component unit, the Economic Development Authority, had issued variable rate taxable lease revenue and refunding bonds in the amount of $18.5 million in 2008, part of which were used to expand building capacity in the Gloucester Business Park. The amount of debt associated with component units primarily decreased because of an interest rate swap, which is further discussed in Note 8 on pages 54-63.

Additional information on the County's long-term debt can be found in Note 8 on pages 54-63.

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

The Board of Supervisors considered many factors when developing the fiscal year 2014 General Fund budget - particularly the impacts of state and national economic conditions. While national indicators said the recession ended in 2009, the local economy has been very slow to recover. 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, and public schools.

The fiscal year 2014 General Fund approved budget is $58.0 million, which is an increase of $2.1 million from adopted fiscal year 2013 budget. The approved budget included a 1.2% increase in local funding for the school system, money for an implementation strategy from a Pay and Classification Study for County employees, an increase in the transfer to the Utility Fund in order to offset new debt service in the fund, and funding to address some deferred capital needs. There were no increases in the real estate or personal property tax rates.

## Economic Factors and Next Year's Budgets and Rates: (Continued)

The fiscal year 2014 School Operating Budget was approved at $52.2 million, which is a $339,748 decrease over the adopted fiscal year 2013 budget. While there is a decrease in both state and federal funding for education, included in this budget was $22.6 million in local funding, which was a $152,781 or 1.2% increase over the previous fiscal year.

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

## 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, 2013

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | School Board | EDA |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 26,627,985 | $ 2,309,089 | $ 28,937,074 | $ 859,509 | $ 201,634 |
| Cash in custody of others | 4,693,042 | - | 4,693,042 | - | - |
| Investments | - | - | - | - | 913,947 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 23,886,925 | 3,760 | 23,890,685 | - | - |
| Accounts receivable | 406,689 | 442,479 | 849,168 | 1,899,624 | - |
| Due from other governmental units | 2,947,960 | - | 2,947,960 | 5,115,765 | - |
| Inventories | - | 43,447 | 43,447 | 29,478 | 1,083,044 |
| Prepaid items | 51,122 | 2,000 | 53,122 | 5,051 | - |
| Restricted assets: | | | | | |
| Temporarily restricted: | | | | | |
| Cash and cash equivalents (in custody of others) | - | 1,870,319 | 1,870,319 | - | - |
| Investments (in custody of others) | - | 2,849,835 | 2,849,835 | - | - |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 5,952,893 | 3,599,246 | 9,552,139 | 1,476,061 | 813,267 |
| Buildings and system | 29,322,243 | 23,676,338 | 52,998,581 | 20,236,033 | 13,209,238 |
| Improvements other than buildings | 2,511,912 | - | 2,511,912 | - | - |
| Machinery and equipment | 10,789,585 | 1,141,200 | 11,930,785 | 2,958,817 | - |
| Construction in progress | 2,762,049 | 39,084 | 2,801,133 | - | - |
| Total assets | $ 109,952,405 | $ 35,976,797 | $ 145,929,202 | $ 32,580,338 | $ 16,221,130 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Accumulated decrease in fair value of hedging derivatives | $ - | $ - | $ - | $ - | $ 2,363,123 |
| Deferred charges on refunding | 217,361 | 409,783 | 627,144 | - | - |
| Total deferred outflow of resources | $ 217,361 | $ 409,783 | $ 627,144 | $ - | $ 2,363,123 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 1,264,589 | $ 120,529 | $ 1,385,118 | $ 1,232,737 | $ 81,482 |
| Accrued liabilities | 654,181 | - | 654,181 | 5,051,704 | - |
| Accrued interest payable | 755,391 | 222,305 | 977,696 | - | - |
| Due to other governmental units | 3,614,197 | - | 3,614,197 | 150,000 | 323,000 |
| Deposits held in escrow | - | 135,496 | 135,496 | - | - |
| Derivative instrument - rate swap | - | - | - | - | 2,363,123 |
| Long-term liabilities: | | | | | |
| Due within one year | 3,117,428 | 2,000,055 | 5,117,483 | 169,156 | 645,639 |
| Due in more than one year | 37,745,893 | 19,769,869 | 57,515,762 | 3,002,500 | 15,148,226 |
| Total liabilities | $ 47,151,679 | $ 22,248,254 | $ 69,399,933 | $ 9,606,097 | $ 18,561,470 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue - property taxes | $ 18,642,393 | $ - | $ 18,642,393 | $ - | $ - |
| Total deferred outflow of resources | $ 18,642,393 | $ - | $ 18,642,393 | $ - | $ - |
| **NET POSITION** | | | | | |
| Net investment in capital assets | $ 13,292,660 | $ 4,461,919 | $ 17,754,579 | $ 24,670,911 | $ (1,771,360) |
| Restricted: | | | | | |
| Debt service and bond covenants | - | 1,870,319 | 1,870,319 | - | - |
| Capital asset purchases | - | 2,849,835 | 2,849,835 | - | - |
| Unrestricted (deficit) | 31,083,034 | 4,956,253 | 36,039,287 | (1,696,670) | 1,794,143 |
| Total net position | $ 44,375,694 | $ 14,138,326 | $ 58,514,020 | $ 22,974,241 | $ 22,783 |

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, 2013

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **PRIMARY GOVERNMENT:** | | | | |
| Governmental activities: | | | | |
| General government administration | $ 5,465,093 | $ - | $ 284,834 | $ 974,665 |
| Judicial administration | 1,802,483 | 237,742 | 692,384 | - |
| Public safety | 12,943,310 | 364,823 | 3,098,138 | - |
| Public works | 2,218,227 | 197,204 | | - |
| Health and welfare | 5,052,386 | - | 3,062,498 | - |
| Education | 25,586,345 | - | 186,505 | 133,841 |
| Parks, recreation, and cultural | 2,166,475 | 293,796 | 155,759 | - |
| Community development | 1,254,998 | 59,655 | 11,052 | - |
| Interest on long-term debt | 1,598,864 | - | 142,831 | - |
| Total governmental activities | $ 58,088,181 | $ 1,153,220 | $ 7,634,001 | $ 1,108,506 |
| Business-type activities: | | | | |
| Public utilities | $ 4,561,013 | $ 4,375,188 | $ - | $ 537,710 |
| Total business-type activities | $ 4,561,013 | $ 4,375,188 | $ - | $ 537,710 |
| Total primary government | $ 62,649,194 | $ 5,528,408 | $ 7,634,001 | $ 1,646,216 |
| **COMPONENT UNITS:** | | | | |
| School Board | $ 54,570,370 | $ 1,152,672 | $ 30,502,871 | $ - |
| Economic Development Authority | 1,810,635 | 1,704,110 | - | - |
| Total component units | $ 56,381,005 | $ 2,856,782 | $ 30,502,871 | $ - |

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, as restated
Net position - ending

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

| Governmental Activities | Business-type Activities | Total | School Board | EDA |
|---|---|---|---|---|
| Net (Expense) Revenue and Changes in Net Position | | | | |
| Primary Government | | | Component Units | |
| $ (4,205,594) | $ - | $ (4,205,594) | $ - | $ - |
| (872,357) | - | (872,357) | - | - |
| (9,480,349) | - | (9,480,349) | - | - |
| (2,021,023) | - | (2,021,023) | - | - |
| (1,989,888) | - | (1,989,888) | - | - |
| (25,265,999) | - | (25,265,999) | - | - |
| (1,716,920) | - | (1,716,920) | - | - |
| (1,184,291) | - | (1,184,291) | - | - |
| (1,456,033) | - | (1,456,033) | - | - |
| $ (48,192,454) | $ - | $ (48,192,454) | $ - | $ - |
| $ - | $ 351,885 | $ 351,885 | $ - | $ - |
| $ - | $ 351,885 | $ 351,885 | $ - | $ - |
| $ (48,192,454) | $ 351,885 | $ (47,840,569) | $ - | $ - |
| $ - | $ - | $ - | $ (22,914,827) | $ - |
| - | - | - | - | (106,525) |
| $ - | $ - | $ - | $ (22,914,827) | $ (106,525) |
| $ 37,352,864 | $ 39,313 | $ 37,392,177 | $ - | $ - |
| 3,777,448 | - | 3,777,448 | - | - |
| 702,582 | - | 702,582 | - | - |
| 1,504,047 | - | 1,504,047 | - | - |
| 1,857,427 | - | 1,857,427 | - | - |
| 947,651 | - | 947,651 | - | - |
| 177,210 | 112,266 | 289,476 | 3,900 | 1,386 |
| 664,749 | - | 664,749 | 97,434 | - |
| 4,559,150 | - | 4,559,150 | - | - |
| - | - | - | 23,244,576 | - |
| (673,758) | 673,758 | - | - | - |
| $ 50,869,370 | $ 825,337 | $ 51,694,707 | $ 23,345,910 | $ 1,386 |
| $ 2,676,916 | $ 1,177,222 | $ 3,854,138 | $ 431,083 | $ (105,139) |
| 41,698,778 | 12,961,104 | 54,659,882 | 22,543,158 | 127,922 |
| $ 44,375,694 | $ 14,138,326 | $ 58,514,020 | $ 22,974,241 | $ 22,783 |

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# Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2013

| | General | Debt Service | Capital Projects | School Construction | Other Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 26,427,297 | $ - | $ 121,482 | $ 79,206 | $ - | $ 26,627,985 |
| Cash in custody of others | - | - | - | 4,693,042 | - | 4,693,042 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Taxes receivable | 23,886,925 | - | - | - | - | 23,886,925 |
| Accounts receivable | 398,919 | - | 71 | - | 7,699 | 406,689 |
| Due from other funds | 175,484 | - | 2,452,409 | 5,861,988 | 17,699 | 8,507,580 |
| Due from other governmental units | 1,460,243 | - | 1,159,734 | - | 327,983 | 2,947,960 |
| Prepaid items | 51,122 | - | - | - | - | 51,122 |
| Total assets | $ 52,399,990 | $ - | $ 3,733,696 | $ 10,634,236 | $ 353,381 | $ 67,121,303 |
| **LIABILITIES** | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | $ 477,312 | $ - | $ 245,056 | $ 382,023 | $ 160,198 | $ 1,264,589 |
| Accrued liabilities | 654,181 | - | - | - | - | 654,181 |
| Due to other governmental units | 3,534,991 | - | - | 79,206 | - | 3,614,197 |
| Due to other funds | 8,314,397 | - | - | - | 193,183 | 8,507,580 |
| Total liabilities | $ 12,980,881 | $ - | $ 245,056 | $ 461,229 | $ 353,381 | $ 14,040,547 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenue - property taxes | $ 21,241,381 | $ - | $ - | $ - | $ - | $ 21,241,381 |
| Total deferred inflows of resources | $ 21,241,381 | $ - | $ - | $ - | $ - | $ 21,241,381 |
| Fund balances: | | | | | | |
| Nonspendable | $ 51,122 | $ - | $ - | $ - | $ - | $ 51,122 |
| Restricted | 141,989 | - | 19,000 | - | - | 160,989 |
| Committed | 1,024,155 | - | 3,225,155 | 10,173,007 | - | 14,422,317 |
| Assigned | - | - | 244,485 | - | - | 244,485 |
| Unassigned | 16,960,462 | - | - | - | - | 16,960,462 |
| Total fund balances | $ 18,177,728 | $ - | $ 3,488,640 | $ 10,173,007 | $ - | $ 31,839,375 |
| Total liabilities, deferred inflows of resources and fund balances | $ 52,399,990 | $ - | $ 3,733,696 | $ 10,634,236 | $ 353,381 | $ 67,121,303 |

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, 2013

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

| | | |
|---|---|---|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | $ 31,839,375 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets, cost | $ 77,762,358 | |
| Less: accumulated depreciation | (26,423,676) | 51,338,682 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Unearned revenue | | 2,598,988 |
| 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 | $ (23,686,972) | |
| Add: Deferred charge on refunding (to be amortized as interest expense) | 217,361 | |
| Less: Issuance premium (to be amortized over life of debt) | (588,289) | |
| Accrued Interest payable | (755,391) | |
| Other post employment benefits obligation | (987,654) | |
| Capital lease and notes payable obligations | (13,988,122) | |
| Compensated absences | (1,612,284) | (41,401,351) |
| Net position of governmental activities | | $ 44,375,694 |

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, 2013

| | General | Debt Service | Capital Projects | School Construction | Other Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| General property taxes | $ 37,534,509 | $ - | $ - | $ - | $ - | $ 37,534,509 |
| Other local taxes | 8,789,155 | - | - | - | - | 8,789,155 |
| Permits, privilege fees, and regulatory licenses | 307,747 | - | - | - | - | 307,747 |
| Fines and forfeitures | 108,507 | - | - | - | - | 108,507 |
| Revenue from the use of money and property | 154,031 | - | 198 | 22,981 | - | 177,210 |
| Charges for services | 736,966 | - | - | - | - | 736,966 |
| Miscellaneous | 269,971 | - | 286,439 | 69,285 | 39,054 | 664,749 |
| Recovered costs | 337,904 | - | - | - | - | 337,904 |
| Intergovernmental revenues: | | | | | | |
| Commonwealth | 8,666,629 | - | 193,499 | 186,505 | 1,735,257 | 10,781,890 |
| Federal | 200,729 | 142,831 | 802,830 | - | 1,239,536 | 2,385,926 |
| Total revenues | $ 57,106,148 | $ 142,831 | $ 1,282,966 | $ 278,771 | $ 3,013,847 | $ 61,824,563 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government administration | $ 5,027,276 | $ - | $ - | $ - | $ - | $ 5,027,276 |
| Judicial administration | 1,634,575 | - | - | - | - | 1,634,575 |
| Public safety | 11,388,578 | - | - | - | - | 11,388,578 |
| Public works | 2,119,356 | - | - | - | - | 2,119,356 |
| Health and welfare | 692,974 | - | - | - | 4,307,070 | 5,000,044 |
| Education | 22,777,077 | - | - | - | - | 22,777,077 |
| Parks, recreation, and cultural | 2,067,452 | - | - | - | - | 2,067,452 |
| Community development | 901,444 | - | - | - | - | 901,444 |
| Nondepartmental | 312,185 | - | - | - | - | 312,185 |
| Capital projects | - | - | 3,497,056 | 2,328,623 | - | 5,825,679 |
| Debt service: | | | | | | |
| Principal retirement | - | 3,141,033 | - | - | - | 3,141,033 |
| Interest and other fiscal charges | - | 1,695,351 | - | - | - | 1,695,351 |
| Principal retirement-School leases | - | 65,736 | - | - | - | 65,736 |
| Interest and other fiscal charges-School | - | 12,048 | - | - | - | 12,048 |
| Total expenditures | $ 46,920,917 | $ 4,914,168 | $ 3,497,056 | $ 2,328,623 | $ 4,307,070 | $ 61,967,834 |
| Excess (deficiency) of revenues over (under) expenditures | $ 10,185,231 | $ (4,771,337) | $ (2,214,090) | $ (2,049,852) | $ (1,293,223) | $ (143,271) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers in | $ - | $ 4,771,337 | $ 1,693,585 | $ - | $ 1,293,223 | $ 7,758,145 |
| Transfers out | (8,431,903) | - | - | - | - | (8,431,903) |
| Issuance of debt | - | - | - | 5,999,684 | - | 5,999,684 |
| Insurance recovery | - | - | - | 133,841 | - | 133,841 |
| Total other financing sources (uses) | $ (8,431,903) | $ 4,771,337 | $ 1,693,585 | $ 6,133,525 | $ 1,293,223 | $ 5,459,767 |
| Net change in fund balances | $ 1,753,328 | $ - | $ (520,505) | $ 4,083,673 | $ - | $ 5,316,496 |
| Fund balances - beginning | 16,424,400 | - | 4,009,145 | 6,089,334 | - | 26,522,879 |
| Fund balances - ending | $ 18,177,728 | $ - | $ 3,488,640 | $ 10,173,007 | $ - | $ 31,839,375 |

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, 2013

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ 5,316,496 |
| 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 | $ 4,640,445 | |
| Depreciation expense | (3,062,108) | |
| Jointly owned asset allocation of assets | (1,658,754) | |
| Jointly owned asset depreciation | 672,543 | 592,126 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (181,645) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Issuance of long-term debt | $ (5,999,684) | |
| Principal payments | 3,206,769 | |
| Amortization of deferred charges on refunding | (17,086) | |
| Premium amortization | 47,411 | (2,762,590) |
| 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 | $ (113,054) | |
| (Increase) decrease in net OPEB obligation | (252,627) | |
| (increase) decrease in accrued interest payable | 78,210 | (287,471) |
| Change in net position of governmental activities | | $ 2,676,916 |

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

Statement of Net Position
Proprietary Fund
June 30, 2013

| | | Enterprise Fund |
|---|---|---|
| | | Utilities Fund |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 2,309,089 |
| Taxes receivable (net of allowance for uncollectibles) | | 3,760 |
| Accounts receivable (net of allowance for uncollectibles) | | 442,479 |
| Inventories | | 43,447 |
| Prepaid expenses | | 2,000 |
| Total current assets | $ | 2,800,775 |
| Noncurrent assets: | | |
| Restricted current assets: | | |
| Cash and cash equivalents-bond requirements | $ | 1,870,319 |
| Investments (in custody of others) | | 2,849,835 |
| Total restricted current assets | $ | 4,720,154 |
| Capital assets: | | |
| Utility plant in service | $ | 34,668,967 |
| Land | | 3,599,246 |
| Machinery and equipment | | 1,622,164 |
| Buildings | | 6,171,216 |
| Construction in progress | | 39,084 |
| Accumulated depreciation | | (17,644,809) |
| Total net capital assets | $ | 28,455,868 |
| Total noncurrent assets | $ | 33,176,022 |
| Total assets | $ | 35,976,797 |
| **DEFERRED OUTFLOWS** | | |
| Deferred charges on refundings | $ | 409,783 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 120,529 |
| Accrued interest payable | | 222,305 |
| Compensated absences - current portion | | 13,055 |
| Deposits held in escrow | | 135,496 |
| Bonds payable - current portion | | 1,987,000 |
| Total current liabilities | $ | 2,478,385 |
| Noncurrent liabilities: | | |
| Bonds payable - net of current portion | $ | 19,566,897 |
| Net OPEB obligation | | 85,482 |
| Compensated absences - net of current portion | | 117,490 |
| Total noncurrent liabilities | $ | 19,769,869 |
| Total liabilities | $ | 22,248,254 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 4,461,919 |
| Restricted for debt service and bond covenants | | 1,870,319 |
| Restricted for capital asset purchases | | 2,849,835 |
| Unrestricted | | 4,956,253 |
| Total net position | $ | 14,138,326 |

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, 2013

| | | Enterprise Fund<br>Utilities Fund |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services: | | |
| Water revenues | $ | 3,175,889 |
| Sewer revenues | | 704,150 |
| Other revenues | | (34,301) |
| Total operating revenues | $ | 3,845,738 |
| **OPERATING EXPENSES** | | |
| Personal services | $ | 1,053,582 |
| Fringe benefits | | 386,547 |
| Contractual services | | 380,295 |
| Other charges | | 789,045 |
| Depreciation | | 964,952 |
| Total operating expenses | $ | 3,574,421 |
| Operating income (loss) | $ | 271,317 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Connection fees | $ | 529,450 |
| Investment earnings | | 112,266 |
| Bond issuance costs | | (187,672) |
| Taxes | | 39,313 |
| Interest expense | | (798,920) |
| Total nonoperating revenues (expenses) | $ | (305,563) |
| Income before contributions and transfers | $ | (34,246) |
| Capital contributions and construction grants | | 537,710 |
| Transfers in | | 673,758 |
| Change in net position | $ | 1,177,222 |
| Total net position - beginning, as restated | | 12,961,104 |
| Total net position - ending | $ | 14,138,326 |

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, 2013

| | Enterprise Fund |
|---|---|
| | Utilities Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers and users | $ 3,965,746 |
| Receipts for miscellaneous items | (34,301) |
| Payments to suppliers | (1,169,558) |
| Payments to employees | (1,408,589) |
| Net cash provided by (used for) operating activities | $ 1,353,298 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Transfers from other funds | $ 673,758 |
| Connection fees | 529,450 |
| Tax revenue | 41,655 |
| Net cash provided by (used for) noncapital financing activities | $ 1,244,863 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Additions to capital assets | $ (31,996) |
| Principal payments on bonds | (636,000) |
| Payment to bond refunding escrow agent | (11,454,600) |
| Debt cost of issuance | (187,672) |
| Capital contributions and construction grants | 1,246 |
| Proceeds from indebtedness | 10,984,165 |
| Interest payments | (990,618) |
| Net cash provided by (used for) capital and related financing activities | $ (2,315,475) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest and dividends received | $ 112,266 |
| Net cash provided by (used for) investing activities | $ 112,266 |
| Net increase (decrease) in cash and cash equivalents | $ 394,952 |
| Cash and cash equivalents - beginning - including restricted | 6,634,291 |
| Cash and cash equivalents - ending - including restricted | $ 7,029,243 |
| Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities: | |
| Operating income (loss) | $ 271,317 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities: | |
| Depreciation expense | $ 964,952 |
| (Increase) decrease in accounts receivable | 87,237 |
| (Increase) decrease in inventories | (2,485) |
| (Increase) decrease in prepaid expenses | 5,465 |
| Increase (decrease) in customer deposits | (1,530) |
| Increase (decrease) in accounts payable and accrued liabilities | 28,342 |
| Total adjustments | $ 1,081,981 |
| Net cash provided by (used for) operating activities | $ 1,353,298 |
| **Schedule of non-cash capital and related financing activities:** | |
| Contribution of capital assets from developers | $ 536,464 |

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 124,269 |
| Prepaid items | | 391 |
| Total assets | $ | 124,660 |
| **LIABILITIES** | | |
| Accounts payable | $ | 3,504 |
| Amounts held for social services clients | | 35,287 |
| Amounts held for regional program | | 15,013 |
| Amounts held for others | | 70,856 |
| Total liabilities | $ | 124,660 |

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

## NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

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

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

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

## 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, 2013.

*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, 2013.

## NOTE 1─SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### B. Individual Component Unit Disclosures (Continued)

*Discretely Presented Component Units: (Continued)*

The Gloucester County Economic Development Authority is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2013. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the year ended June 30, 2013.

### C. Other Related Organizations

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

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

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

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

None

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

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

## 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 unearned 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 non-major governmental funds:

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

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

   Fiduciary Funds – (Trust and Agency Funds) – accounts for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which include 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 – accounts for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

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

### E. Cash and Cash Equivalents:

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

### F. Investments

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

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

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

### G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $403,441 at June 30, 2013 and is comprised solely of property taxes.

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

### G. Receivables and Payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

### H. Capital Assets

Capital assets, which include property, plant and equipment, 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 as estimated fair market value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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 and infrastructure of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

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

## NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### I. Compensated Absences

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

### J. Retirement Plan

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

### K. Use of Estimates

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

### L. 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.

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

The County elected to early implement the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2011. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity’s net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from “net assets” to “net position.” The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances was required.

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

### N. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County reported a deferred outflows of resources as of June 30, 2013 related to the financial reporting for the derivative debt incurred by the Component Unit and certain deferred charges on refunding debt.

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 reported a deferred inflows of resources for property taxes unavailable at June 30, 2013.

### O. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The County early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

### P. 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 policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### Q. 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)

### R. 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.

### S. 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.

### T. 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 on behalf of the Board of Supervisors.

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

### T. 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 | $ 51,122 | $ - | $ - | $ 51,122 |
| Total Nonspendable Fund Balance | $ 51,122 | $ - | $ - | $ 51,122 |
| Restricted: | | | | |
| Sheriff's asset forfeiture, federal | $ 39,604 | $ - | $ - | $ 39,604 |
| Sheriff's asset forfeiture, state | 40,573 | - | - | 40,573 |
| Commonwealth Attorney's asset forfeiture, federal | 24,909 | - | - | 24,909 |
| Commonwealth Attorney's asset forfeiture, state | 36,903 | - | - | 36,903 |
| Proffers | - | 19,000 | - | 19,000 |
| Total Restricted Fund Balance | $ 141,989 | $ 19,000 | $ - | $ 160,989 |
| Committed: | | | | |
| Mosquito control | $ 149,648 | $ - | $ - | $ 149,648 |
| Tourism projects | 232,921 | - | - | 232,921 |
| Daffodil festival | 81,162 | - | - | 81,162 |
| Program donations | 21,823 | - | 16,657 | 38,480 |
| Subsequent expenditures | - | 3,103,673 | 10,156,350 | 13,260,023 |
| Probation and pretrial | 32,316 | - | - | 32,316 |
| Cable services | 506,285 | - | - | 506,285 |
| Older adult capital projects | - | 121,482 | - | 121,482 |
| Total Committed Fund Balance | $ 1,024,155 | $ 3,225,155 | $ 10,173,007 | $ 14,422,317 |
| Assigned: | | | | |
| Park projects | $ - | $ 86,484 | $ - | $ 86,484 |
| County capital replacement | - | 158,001 | - | 158,001 |
| Total Assigned Fund Balance | $ - | $ 244,485 | $ - | $ 244,485 |
| Unassigned Fund Balance | $ 16,960,462 | $ - | $ - | $ 16,960,462 |
| Total Fund Balances | $ 18,177,728 | $ 3,488,640 | $ 10,173,007 | $ 31,839,375 |

## NOTE 2─STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are required to be conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit – School Board.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2013.

## 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.

## NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

### Investments

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

### Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2013 were held by the County or in the County's name by the County's custodial banks.

### Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2013 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+ | AA | AA- |
| Primary Government: | | | | | |
| Local Government Investment Pool | $ 772,857 | $ - | $ - | $ - | $ - |
| Virginia State Non-Arbitrage Pool | 7,622,082 | - | - | - | - |
| U.S. Treasury Bill | - | 1,870,319 | - | - | - |
| Money Market Funds | 1,546,200 | - | - | - | - |
| Total | $ 9,941,139 | $ 1,870,319 | $ - | $ - | $ - |
| Component Unit-School Board: | | | | | |
| Local Government Investment Pool | $ 67,735 | $ - | $ - | $ - | $ - |
| Total | $ 67,735 | $ - | $ - | $ - | $ - |
| Component Unit-Economic Development Authority: | | | | | |
| Money Market Funds | $ 62,302 | $ - | $ - | $ - | $ - |
| Government Securities | - | - | 97,847 | - | - |
| Corporate Bonds | - | - | 102,474 | 202,824 | 506,756 |
| Total | $ 62,302 | $ - | $ 200,321 | $ 202,824 | $ 506,756 |

## 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 | 6-10 Years |
|---|---|---|---|---|
| Enterprise Funds: | | | | |
| U.S. Treasury Bill | $ 1,870,319 | $ 1,870,319 | $ - | $ - |
| | | | | - |
| Total | $ 1,870,319 | $ 1,870,319 | $ - | $ - |
| Component Unit-Economic Development Authority | | | | |
| Government Securities | $ 97,847 | $ - | $ 97,847 | $ - |
| Corporate Bonds | 812,054 | 202,235 | 609,819 | - |
| Total | $ 909,901 | $ 202,235 | $ 707,666 | $ - |

### External Investment Pools

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

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

## NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2013, the County has receivables from and amounts due to other governments as follows:

| | | Component Units | |
|---|---|---|---|
| | Primary Government | School Board | Economic Development Authority |
| Other Local Governments: | | | |
| County of Gloucester | $ - | $ 3,534,991 | $ - |
| Gloucester County Cafeteria | 150,000 | - | - |
| Gloucester County Economic Development Authority | 323,000 | - | - |
| Commonwealth of Virginia: | | | |
| Local sales tax | 661,400 | - | - |
| Local communication sales tax | 181,578 | - | - |
| Local cable television fees | 65,692 | - | - |
| Mobile home titling tax | 11,328 | - | - |
| CSA funds | 134,800 | - | - |
| VPA funds | 92,001 | - | - |
| State sales tax | - | 955,146 | - |
| Constitutional officer reimbursements | 267,312 | - | - |
| Miscellaneous | 36,649 | - | - |
| Fire programs | 16,445 | - | - |
| Disaster recovery funds | 190,299 | - | - |
| Other Grants | 22,192 | 18,504 | - |
| E-911 funds | 7,373 | - | - |
| Federal Government: | | | |
| School fund grants | - | 607,124 | - |
| Mitigation grant | 646,435 | - | - |
| VDOT Grant | 1,691 | - | - |
| VPA funds | 101,182 | - | - |
| Other federal grants | 38,583 | - | - |
| Total due from other governments | $ 2,947,960 | $ 5,115,765 | $ - |

Amounts due to other governments are as follows:

| | Primary Government | School Board | Economic Development Authority |
|---|---|---|---|
| Internal Revenue Service | $ 79,206 | $ - | $ - |
| Gloucester County School Board | 3,534,991 | - | - |
| Gloucester County | - | 150,000 | 323,000 |
| Total due to other governments | $ 3,614,197 | $ 150,000 | $ 323,000 |

## NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2013, are as follows:

| | Interfund Receivable | Interfund Payable |
|---|---|---|
| General | $ 175,484 | $ 8,314,397 |
| County Capital Improvements | 2,452,409 | - |
| School Construction | 5,861,988 | - |
| Virginia Public Assistance | 17,699 | 193,183 |
| Total Governmental Funds | $ 8,507,580 | $ 8,507,580 |

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, 2013:

**Primary Government:**

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 5,174,685 | $ 851,072 | $ 72,864 | $ 5,952,893 |
| Construction in progress | 2,358,929 | 119,493 | 2,358,929 | 119,493 |
| Jointly owned assets - construction in progress | 314,339 | 2,328,217 | - | 2,642,556 |
| Total capital assets not subject to depreciation | $ 7,847,953 | $ 3,298,782 | $ 2,431,793 | $ 8,714,942 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 16,418,190 | $ 2,891,314 | $ 247,136 | $ 19,062,368 |
| Improvements other than buildings | 2,791,401 | 30,937 | - | 2,822,338 |
| Machinery and equipment | 17,638,322 | 851,205 | 251,741 | 18,237,786 |
| Jointly owned assets - buildings | 30,583,678 | - | 1,658,754 | 28,924,924 |
| Total capital assets being depreciated | $ 67,431,591 | $ 3,773,456 | $ 2,157,631 | $ 69,047,416 |
| Accumulated depreciation: | | | | |
| Buildings | $ (6,671,492) | $ (513,057) | $ (247,136) | $ (6,937,413) |
| Improvements other than buildings | (167,314) | (143,112) | - | (310,426) |
| Machinery and equipment | (6,048,156) | (1,651,786) | (251,741) | (7,448,201) |
| Jointly owned assets - buildings | (11,646,026) | (754,153) | (672,543) | (11,727,636) |
| Total accumulated depreciation | $ (24,532,988) | $ (3,062,108) | $ (1,171,420) | $ (26,423,676) |
| Total capital assets being depreciated, net | $ 42,898,603 | $ 711,348 | $ 986,211 | $ 42,623,740 |
| Governmental capital assets, net | $ 50,746,556 | $ 4,010,130 | $ 3,418,004 | $ 51,338,682 |

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2013:

**Component Unit – School Board:**

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| Capital assets not subject to depreciation: | | | | |
| Land | $ 1,476,061 | $ - | $ - | $ 1,476,061 |
| Total capital assets not subject to depreciation | $ 1,476,061 | $ - | $ - | $ 1,476,061 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 80,000 | $ - | $ - | $ 80,000 |
| Machinery and equipment | 10,966,002 | 532,343 | 419,220 | 11,079,125 |
| Jointly owned assets - buildings | 32,249,351 | - | (1,658,754) | 33,908,105 |
| Total capital assets being depreciated | $ 43,295,353 | $ 532,343 | $ (1,239,534) | $ 45,067,230 |
| Accumulated depreciation: | | | | |
| Buildings | $ (2,000) | $ (2,000) | $ - | $ (4,000) |
| Machinery and equipment | (7,873,628) | (665,900) | (419,220) | (8,120,308) |
| Jointly owned assets - buildings | (12,280,302) | (795,227) | 672,543 | (13,748,072) |
| Total accumulated depreciation | $ (20,155,930) | $ (1,463,127) | $ 253,323 | $ (21,872,380) |
| Total capital assets being depreciated, net | $ 23,139,423 | $ (930,784) | $ (986,211) | $ 23,194,850 |
| Governmental capital assets, net | $ 24,615,484 | $ (930,784) | $ (986,211) | $ 24,670,911 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Governmental activities: | |
| General government administration | $ 181,816 |
| Judicial administration | 183,579 |
| Public safety | 1,680,598 |
| Public works | 44,452 |
| Health and welfare | 39,275 |
| Education | 800,290 |
| Parks, recreation and cultural | 95,995 |
| Community development | 36,103 |
| Total Governmental activities | $ 3,062,108 |
| Component Unit School Board | $ 1,463,127 |

## NOTE 6—CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the current law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2013, is that school financed assets in the amount of $19,839,844 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2013 follows:

**Primary Government:**

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| **Enterprise Fund:** | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 3,599,146 | $ 100 | $ - | $ 3,599,246 |
| Construction in progress | 34,856 | 4,228 | - | 39,084 |
| Total capital assets not subject to depreciation | $ 3,634,002 | $ 4,328 | $ - | $ 3,638,330 |
| Capital assets subject to depreciation: | | | | |
| Plant in service | $ 34,421,394 | $ 247,573 | $ - | $ 34,668,967 |
| Machinery and equipment | 1,594,396 | 27,768 | - | 1,622,164 |
| Buildings | 5,883,705 | 288,791 | 1,280 | 6,171,216 |
| Total capital assets being depreciated | $ 41,899,495 | $ 564,132 | $ 1,280 | $ 42,462,347 |
| Accumulated depreciation: | | | | |
| Plant in service | $ (13,082,450) | $ (739,546) | $ - | $ (13,821,996) |
| Machinery and equipment | (443,764) | (37,200) | - | (480,964) |
| Buildings | (3,154,923) | (188,206) | (1,280) | (3,341,849) |
| Total accumulated depreciation | $ (16,681,137) | $ (964,952) | $ (1,280) | $ (17,644,809) |
| Total capital assets being depreciated, net | $ 25,218,358 | $ (400,820) | $ - | $ 24,817,538 |
| Enterprise capital assets, net | $ 28,852,360 | $ (396,492) | $ - | $ 28,455,868 |

## NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2013 follows:

**Component Unit Economic Development Authority:**

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 604,865 | $ 208,402 | $ - | $ 813,267 |
| Total capital assets being depreciated | $ 604,865 | $ 208,402 | $ - | $ 813,267 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 18,402,655 | $ 738 | $ - | $ 18,403,393 |
| Machinery and equipment | 7,234 | - | - | 7,234 |
| Total capital assets being depreciated | $ 18,409,889 | $ 738 | $ - | $ 18,410,627 |
| Accumulated depreciation: | | | | |
| Buildings | $ (4,458,683) | $ (735,472) | $ - | $ (5,194,155) |
| Machinery and equipment | (7,234) | - | - | (7,234) |
| Total accumulated depreciation | $ (4,465,917) | $ (735,472) | $ - | $ (5,201,389) |
| Total capital assets being depreciated, net | $ 13,943,972 | $ (734,734) | $ - | $ 13,209,238 |
| Enterprise capital assets, net | $ 14,548,837 | $ (526,332) | $ - | $ 14,022,505 |

## NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

| Fund | Transfers In | Transfers Out |
|---|---|---|
| Primary Government: | | |
| Governmental Funds: | | |
| General Fund | $ - | $ 8,431,903 |
| Debt Service | 4,771,337 | - |
| Capital Projects | 1,693,585 | - |
| Other Governmental Funds | 1,293,223 | - |
| Total Governmental Funds | $ 7,758,145 | $ 8,431,903 |
| Enterprise Funds: | | |
| Utilities | 673,758 | - |
| Total-All Funds | $ 8,431,903 | $ 8,431,903 |

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.

## NOTE 8—LONG-TERM OBLIGATIONS:

### Details of Long-Term Indebtedness:

### Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2013 is as follows:

| | Balance at July 1, 2012 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2013 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Obligations: | | | | | |
| Incurred by County: | | | | | |
| Compensated absences | $ 1,499,229 | $ 1,516,741 | $ 1,403,686 | $ 1,612,284 | $ 161,228 |
| Net OPEB obligation | 735,027 | 338,662 | 86,035 | 987,654 | - |
| Capital lease | 15,236,946 | - | 1,390,669 | 13,846,277 | 1,450,763 |
| Total incurred by County | $ 17,471,202 | $ 1,855,403 | $ 2,880,390 | $ 16,446,215 | $ 1,611,991 |
| Incurred by School Board: | | | | | |
| State Literary Fund Loans | $ 1,983,520 | $ - | $ 513,196 | $ 1,470,324 | $ 250,000 |
| General obligation bonds | 17,454,132 | 5,999,684 | 1,237,168 | 22,216,648 | 1,185,909 |
| Add deferred amounts: | | | | | |
| For issuance premium | 635,701 | - | 47,412 | 588,289 | - |
| Capital lease and notes payable | 207,581 | - | 65,736 | 141,845 | 69,528 |
| Total incurred by School Board | $ 20,280,934 | $ 5,999,684 | $ 1,863,512 | $ 24,417,106 | $ 1,505,437 |
| Total Governmental Obligations | $ 37,752,136 | $ 7,855,087 | $ 4,743,902 | $ 40,863,321 | $ 3,117,428 |
| Enterprise Obligations: | | | | | |
| Compensated absences | $ 120,847 | $ 108,689 | $ 98,991 | $ 130,545 | $ 13,055 |
| Net OPEB obligation | 63,642 | 29,289 | 7,449 | 85,482 | - |
| Revenue bonds | 22,663,000 | 9,740,000 | 11,866,000 | 20,537,000 | 1,987,000 |
| Add deferred amounts: | | | | | |
| For issuance premium | 144,044 | 1,244,165 | 321,782 | 1,066,427 | - |
| Less deferred amounts: | | | | | |
| For issuance discount | (52,458) | - | (2,928) | (49,530) | - |
| Total Enterprise Obligations | $ 22,939,075 | $ 11,122,143 | $ 12,291,294 | $ 21,769,924 | $ 2,000,055 |

## NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Primary Government: (Continued)

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

| | County Obligations | |
|---|---|---|
| Year Ending June 30, | Capital Leases | |
| | Principal | Interest |
| 2014 | $ 1,450,763 | $ 602,365 |
| 2015 | 1,518,106 | 538,322 |
| 2016 | 1,577,799 | 471,529 |
| 2017 | 1,649,947 | 401,880 |
| 2018 | 1,719,662 | 329,166 |
| 2019 | 350,000 | 252,951 |
| 2020 | 360,000 | 238,308 |
| 2021 | 380,000 | 222,997 |
| 2022 | 395,000 | 206,472 |
| 2023 | 410,000 | 188,863 |
| 2024 | 425,000 | 170,597 |
| 2025 | 450,000 | 151,456 |
| 2026 | 470,000 | 131,331 |
| 2027 | 490,000 | 110,025 |
| 2028 | 515,000 | 87,412 |
| 2029 | 535,000 | 63,788 |
| 2030 | 560,000 | 39,150 |
| 2031 | 590,000 | 13,275 |
| Total | $ 13,846,277 | $ 4,219,887 |

## NOTE 8─LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Primary Government: (Continued)

| | School Obligations | | | | | |
|---|---|---|---|---|---|---|
| | State Literary Fund Loans | | General Obligation Bonds | | Capital Leases and Notes Payable | |
| Year Ending June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2014 | $ 250,000 | $ 44,110 | $ 1,185,909 | $ 1,001,535 | $ 69,528 | $ 8,255 |
| 2015 | 250,000 | 36,610 | 1,219,852 | 945,890 | 72,317 | 5,467 |
| 2016 | 250,000 | 29,110 | 1,259,000 | 888,329 | - | - |
| 2017 | 250,000 | 21,609 | 1,298,366 | 828,254 | - | - |
| 2018 | 250,000 | 14,109 | 1,232,960 | 770,975 | - | - |
| 2019 | 220,324 | 6,609 | 1,552,778 | 717,391 | - | - |
| 2020 | - | - | 1,597,866 | 663,295 | - | - |
| 2021 | - | - | 1,638,219 | 607,132 | - | - |
| 2022 | - | - | 1,693,853 | 546,966 | - | - |
| 2023 | - | - | 1,726,258 | 485,542 | - | - |
| 2024 | - | - | 1,781,126 | 421,935 | - | - |
| 2025 | - | - | 1,095,284 | 369,875 | - | - |
| 2026 | - | - | 1,122,045 | 331,211 | - | - |
| 2027 | - | - | 1,149,162 | 290,996 | - | - |
| 2028 | - | - | 671,650 | 261,102 | - | - |
| 2029 | - | - | 300,490 | 251,638 | - | - |
| 2030 | - | - | 300,490 | 251,638 | - | - |
| 2031 | - | - | 300,489 | 241,013 | - | - |
| 2032 | - | - | 272,712 | 230,388 | - | - |
| 2033 | - | - | 272,713 | 230,388 | - | - |
| 2034 | - | - | 272,713 | 230,388 | - | - |
| 2035 | - | - | 272,713 | 115,194 | - | - |
| Total | $ 1,470,324 | $ 152,157 | $ 22,216,648 | $ 10,681,075 | $ 141,845 | $ 13,722 |

## NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Primary Government: (Continued)

| | Enterprise Obligations | |
|---|---|---|
| Year Ending | Revenue Bonds | |
| June 30, | Principal | Interest |
| 2014 | $ 1,987,000 | $ 793,759 |
| 2015 | 2,043,000 | 729,795 |
| 2016 | 2,115,000 | 657,242 |
| 2017 | 2,205,000 | 574,029 |
| 2018 | 2,303,000 | 478,794 |
| 2019 | 2,415,000 | 368,984 |
| 2020 | 652,000 | 299,878 |
| 2021 | 655,000 | 275,862 |
| 2022 | 676,000 | 251,551 |
| 2023 | 698,000 | 223,735 |
| 2024 | 730,000 | 196,769 |
| 2025 | 753,000 | 168,488 |
| 2026 | 781,000 | 139,309 |
| 2027 | 814,000 | 109,009 |
| 2028 | 545,000 | 77,166 |
| 2029 | 570,000 | 52,572 |
| 2030 | 595,000 | 26,852 |
| Total | $ 20,537,000 | $ 5,423,794 |

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Indebtedness: (Continued)**

**Primary Government: (Continued)**

| **General Long-Term Obligations:** | | **Amount Outstanding** |
|---|---|---|
| Capital Leases: | | |
| $8,205,000 capital lease (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%. | $ | 7,470,000 |
| $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%. | | 6,376,277 |
| Total Capital Leases | $ | 13,846,277 |
| Compensated absences (payable from the General Fund) | | 1,612,284 |
| Net OPEB obligation (payable from the General Fund) | | 987,654 |
| Total Debt Incurred by County | $ | 16,446,215 |
| **Revenue Bonds:** | | |
| $3,758,000 Water and Sewer Revenue and Refunding Bonds issued December 13, 2011, payable in various amounts through February 1, 2027, interest payable semi-annually at 2.82%. | $ | 3,557,000 |
| $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, $9,600,000 plus unamortized issuance premium of $1,066,427. | | 10,666,427 |
| $8,560,000 Virginia Resource Authority bonds dated August 1, 2006, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 4.1% to 4.879%. Face amount of bonds outstanding, $7,380,000 less unamortized issuance discount of $49,530. | | 7,330,470 |
| Total revenue bonds | $ | 21,553,897 |
| Compensated absences (payable from the Enterprise Fund) | | 130,545 |
| Net OPEB obligation (payable from the Enterprise Fund) | | 85,482 |
| Total enterprise obligations | $ | 21,769,924 |

## NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Primary Government: (Continued)

| General Obligation Bonds: | | Amount Outstanding |
|---|---|---|
| School Bonds Payable: | | |
| $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. | $ | 490,000 |
| $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. | | 5,999,684 |
| $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%. | | 560,000 |
| $7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Face amount of bonds outstanding, $5,060,000 plus unamortized issuance premium of $228,807. | | 5,288,807 |
| $6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Face amount of bonds outstanding, $5,160,000 plus unamortized issuance premium of $113,415. | | 5,273,415 |
| $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, $4,946,964 plus unamortized issuance premium of $246,067. | | 5,193,031 |
| Total school bonds payable | $ | 22,804,937 |

## NOTE 8─LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Primary Government: (Continued)

| | | Amount Outstanding |
|---|---|---|
| State Literary Fund Loans: | | |
| $4,970,324 issued June 23, 1998 due in annual installments of $250,000 each July 15, through 2018, interest payable annually at 3% | $ | 1,470,324 |
| Notes Payable: | | |
| $811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of $77,784 through July 15, 2014, interest at 5.77% | | 141,845 |
| Total Notes Payable | $ | 141,845 |
| Total School Board Long-Term Debts Issued, payable from the General Fund | $ | 24,417,106 |

Bond Refunding

The County issued $9,740,000 in Water and Sewer Revenue Refunding Bonds, Series 2012 with interest rates ranging from 2.286% to 5.125%. The proceeds were used to refund $11,230,000 of outstanding Water and Sewer Revenue Bonds, Series 2002 which had interest rates ranging from 2.5% to 5.0%. The net proceeds of $10,796,493 (including a $1,244,165 premium and after payment of $187,672 in issuance costs) plus other available funds were used to call the Series 2002 bonds. As a result, the 2002 Series bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $213,283. 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 2002 bonds to reduce its total debt service payments over 7 years by $1,567,857 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,494,487.

Capital Leases

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

## NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

| | | Governmental Activities |
|---|---|---|
| Asset: | | |
| Courthouse Construction | $ | 7,237,000 |
| Radio Equipment | | 13,513,899 |
| Less: Accumulated depreciation | | (4,697,103) |
| | $ | 16,053,796 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

| Year Ending June 30, | | Governmental Activities |
|---|---|---|
| 2014 | $ | 2,053,127 |
| 2015 | | 2,056,428 |
| 2016 | | 2,049,328 |
| 2017 | | 2,051,828 |
| 2018 | | 2,048,828 |
| 2019 | | 602,951 |
| 2020 | | 598,308 |
| 2021 | | 602,997 |
| 2022 | | 601,472 |
| 2023 | | 598,863 |
| 2024 | | 595,597 |
| 2025 | | 601,456 |
| 2026 | | 601,331 |
| 2027 | | 600,025 |
| 2028 | | 602,412 |
| 2029 | | 598,788 |
| 2030 | | 599,150 |
| 2031 | | 603,275 |
| Total minimum lease payments | $ | 18,066,164 |
| Less: amount representing interest | | (4,219,887) |
| Present value of minimum lease payments | $ | 13,846,277 |

## NOTE 8–LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Component Unit–School Board:

The following is a summary of long-term debt transactions of the Component Unit–School Board for the year ended June 30, 2013:

| | Balance at July 1, 2012 | Increases | Decreases | Balance at June 30, 2013 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences (payable from the School Fund) | $ 1,759,042 | $ 1,758,355 | $ 1,825,837 | $ 1,691,560 | $ 169,156 |
| Net OPEB obligation | 1,052,190 | 678,452 | 250,546 | 1,480,096 | - |
| Total debt incurred by School Board | $ 2,811,232 | $ 2,436,807 | $ 2,076,383 | $ 3,171,656 | $ 169,156 |

### 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, 2013:

| | Balance at July 1, 2012 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2013 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds and Note Payable | $ 16,191,959 | $ 210,000 | $ 608,094 | $ 15,793,865 | $ 645,639 |
| Derivative instrument liability | 3,313,813 | - | 950,690 | 2,363,123 | - |
| Total | $ 19,505,772 | $ 210,000 | $ 1,558,784 | $ 18,156,988 | $ 645,639 |

| | Amount Outstanding |
|---|---|
| Bonds and Notes: | |
| $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%. | $ 15,590,322 |
| $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 | 203,543 |
| Total Debt incurred by the Component Unit Economic Development Authority | $ 15,793,865 |

## NOTE 8─LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Indebtedness: (Continued)

### Component Unit─Economic Development Authority: (Continued)

Interest rate swap

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

*Terms.* The bonds and the related swap agreement mature on March 1, 2019. The swap’s notional value of $18,156,988 is more than the balance outstanding on the bonds payable of $15,793,865. The difference of $2,363,123 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. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

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

| | As of and for the Years Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Fair value | $ (1,590,397) | $ (2,504,543) | $ (2,220,148) | $ (3,313,813) | $ (2,363,123) |
| Change in fair value | (1,590,397) | (914,146) | 284,395 | (1,093,665) | 950,690 |

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:

| Year Ending | Bonds and Notes | |
|---|---|---|
| June 30, | Principal | Interest |
| 2014 | $ 645,639 | $ 920,765 |
| 2015 | 685,139 | 881,332 |
| 2016 | 727,058 | 839,485 |
| 2017 | 771,272 | 795,347 |
| 2018 | 983,814 | 741,132 |
| 2019 | 11,980,943 | 579,277 |
| Total | $ 15,793,865 | $ 4,757,338 |

## 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─UNEARNED AND UNAVAILABLE REVENUE:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The County has no unearned revenue at June 30, 2013 but reports available revenue totaling $21,241,381 which is comprised of the following:

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled $20,969,292 at June 30, 2013.

Unavailable Prepaid Property Taxes: Property taxes due subsequent to June 30, 2013, but paid in advance by the tax payers totaled $272,089 at June 30, 2013.

## NOTE 11─COMMITMENTS AND CONTINGENCIES:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

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

The County is committed on a construction contract with Oyster Point Construction for renovation work at Thomas Calhoun Walker Education Center. The construction contract totals $2,107,094 with $1,992,011 outstanding at June 30, 2013.

## NOTE 12─LITIGATION:

At June 30, 2013, 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.

### Component Unit School Board─Health Insurance

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

| | | |
|---|---|---|
| Unpaid claims, June 30, 2011 | $ | 630,097 |
| Incurred claims (including IBNR and changes in estimates) | | 6,108,371 |
| Claim payments | | (6,093,864) |
| Unpaid claims, June 30, 2012 | $ | 644,604 |
| Incurred claims (including IBNR and changes in estimates) | | 5,913,831 |
| Claim payments | | (5,955,630) |
| Unpaid claims, June 30, 2013 | $ | 602,805 |

## NOTE 14─DEFINED BENEFIT PENSION PLAN:

### A. Plan Description

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

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

## NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

### A. Plan Description (Continued)

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at: http://varetire.org/Pdf/Publications/2012-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employers is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2013 was 11.81% and 9.17% of annual covered payroll, respectively.

The School Board's contributions for professional employees contributed $3,281,480, $1,735,128, and $1,418,658, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011 respectively and these contributions represented 11.66%, 6.33% and 3.93%, respectively, of current covered payroll.

### C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of $1,558,495 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the Board's non-professional employees were $362,323, which was equal to the Board's required and actual contributions.

| Fiscal Year Ending | Annual Pension Cost (APC) (1) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| County: | | | |
| June 30, 2012 | $ 1,558,495 | 100% | $ - |
| June 30, 2011 | 1,138,540 | 100% | - |
| June 30, 2010 | 1,144,696 | 100% | - |
| School Board: | | | |
| Non-Professional: | | | |
| June 30, 2012 | $ 362,323 | 100% | $ - |
| June 30, 2011 | 262,433 | 100% | - |
| June 30, 2010 | 266,942 | 100% | - |

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an

## NOTE 14–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

### C. Annual Pension Cost (Continued)

inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

### D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County plan was 78.44% funded. The actuarial accrued liability for benefits was $49,362,155, and the actuarial value of assets was $38,720,613, resulting in an unfunded actuarial accrued liability (UAAL) of $10,641,542. The covered payroll (annual payroll of active employees covered by the plan) was $12,051,099, and ratio of the UAAL to the covered payroll was 88.30%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board Non-Professional plan was 80.61% funded. The actuarial accrued liability for benefits was $15,898,109, and the actuarial value of assets was $12,816,001, resulting in an unfunded actuarial accrued liability (UAAL) of $3,082,108. The covered payroll (annual payroll of active employees covered by the plan) was $3,871,577 and ratio of the UAAL to the covered payroll was 79.61%.

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

## NOTE 15–SURETY BONDS:

| | | Amount |
|---|---|---|
| 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 | | |
| Diane Gamache, Clerk of the School Board | | 10,000 |
| Betty Jane Duncan, Deputy Clerk of the School Board | | 10,000 |
| Zane S. Barry, Director of Social Services | | 20,000 |
| NGM Insurance Company | | |
| Brenda G. Garton, County Administrator | | 5,000 |
| VA CORP Insurance Program - Surety | | |
| All County and Social Services Employees – Blanket Bond | | 250,000 |

## 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 $150,000 for the year ended June 30, 2013. In FY 2013, 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.

| Year Ending June 30, | | Amount |
|---|---|---|
| 2014 | $ | 151,250 |
| 2015 | | 165,000 |
| 2016 | | 165,000 |
| 2017 | | 165,000 |
| 2018 | | 165,000 |
| 2019 | | 151,250 |
| Total | $ | 962,500 |

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 $42,097 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

| Year Ending June 30, | | Amount |
|---|---|---|
| 2014 | $ | 42,886 |
| 2015 | | 43,958 |
| 2016 | | 45,057 |
| 2017 | | 46,184 |
| 2018 | | 47,338 |
| 2019 - 2032 | | 751,057 |
| Total | $ | 976,480 |

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 $59,533 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

| Year Ending June 30, | | Amount |
|---|---|---|
| 2014 | $ | 61,319 |
| 2015 | | 63,158 |
| 2016 | | 65,053 |
| 2017 | | 67,005 |
| 2018 | | 69,015 |
| 2019 | | 29,110 |
| Total | $ | 354,660 |

## 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:

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

The Schools currently have 38 retirees without spouse coverage and 5 retirees with spouse coverage on their plan. The County has 8 retirees without spouse coverage and 4 retirees with spouse coverage participating in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

## 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 | $ 369,256 | $ 680,172 |
| Interest on net OPEB obligation | 31,947 | 42,088 |
| Adjustment to annual required contribution | (33,252) | (43,808) |
| Annual OPEB cost (expense) | $ 367,951 | $ 678,452 |
| Contributions made | (93,484) | (250,546) |
| Increase in net OPEB obligation | 274,467 | 427,906 |
| Net OPEB obligation-beginning of year | 798,669 | 1,052,190 |
| Net OPEB obligation-end of year | $ 1,073,136 | $ 1,480,096 |

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: | | | |
| 6/30/2011 | $ 259,740 | 20.85% | $ 607,084 |
| 6/30/2012 | 259,485 | 26.17% | 798,669 |
| 6/30/2013 | 367,951 | 25.41% | 1,073,136 |
| Schools: | | | |
| 6/30/2011 | $ 506,833 | 54.75% | $ 866,333 |
| 6/30/2012 | 506,457 | 63.30% | 1,052,190 |
| 6/30/2013 | 678,452 | 36.93% | 1,480,096 |

## 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, 2012, the County's actuarial accrued liability for benefits was $3,372,078, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $13,196,398, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.55 percent.

As of July 1, 2012, the School Board's actuarial accrued liability for benefits was $7,292,483, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $32,094,234, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.72 percent.

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

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 55% 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 70% of current actives of Gloucester County will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse.

## 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. Claims are assumed to increase at the healthcare cost trend rate which was 8.50% for plan year 2013 for both the County and the School Board. The payroll growth rate was 2.50% based on a zero growth assumption population for both plans.

The remaining amortization period at June 30, 2013 was thirty years.

### B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

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

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

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

## 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 2013 were .10% and .67% 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 2013, the County's contribution of $8,075 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 2013 and the two preceding years are as follows:

| Fiscal Year Ended | Annual OPEB Cost (ARC) | Percentage of ARC Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2011 | $ 12,282 | 100.00% | $ - |
| 6/30/2012 | 12,216 | 100.00% | - |
| 6/30/2013 | 8,075 | 100.00% | - |

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 245,989 |
| Actuarial value of plan assets | $ 203,933 |
| Unfunded actuarial accrued liability (UAAL) | $ 42,056 |
| Funded ratio (actuarial value of plan assets/AAL) | 82.90% |
| Covered payroll (active plan members) | $ 5,756,073 |
| UAAL as a percentage of covered payroll | 0.73% |

## 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 2013, the School Board's contribution of $26,473 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 two preceding years are as follows:

| Fiscal Year Ended | Annual OPEB Cost (ARC) | Percentage of ARC Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2011 | $ 24,479 | 100.00% | $ - |
| 6/30/2012 | 24,066 | 100.00% | - |
| 6/30/2013 | 26,473 | 100.00% | - |

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 379,558 |
| Actuarial value of plan assets | $ 79,815 |
| Unfunded actuarial accrued liability (UAAL) | $ 299,743 |
| Funded ratio (actuarial value of plan assets/AAL) | 21.03% |
| Covered payroll (active plan members) | $ 3,871,577 |
| UAAL as a percentage of covered payroll | 7.74% |

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, 2012 was 29 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 1.10% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were $312,388, $164,467 and $170,239, respectively and equaled the required contributions for each year.

## NOTE 18–RESTATEMENT OF BEGINNING NET POSITION:

The following adjustments were made to beginning net position at June 30, 2013:

| | | Governmental Activities | | Business-Type Activities | | Component Unit - EDA |
|---|---|---|---|---|---|---|
| Net position as previously reported at June 30, 2012 | $ | 41,901,738 | $ | 13,162,188 | $ | 176,899 |
| Adjustment to expense issuance costs on debt previously deferred and amortized in accordance with implementation of GASB 65 on July 1, 2012 | | (202,960) | | (201,084) | | (48,977) |
| Net position as restated at July 1, 2012 | $ | 41,698,778 | $ | 12,961,104 | $ | 127,922 |

## NOTE 19–SUBSEQUENT EVENT:

At the August 6, 2013 Board of Supervisors meeting, the County authorized the issuance of up to $17.0 million in Virginia Public School Authority Bonds, which will be used toward the building of Page Middle School and various HVAC and school roofing needs. Bonds totaling $15,845,000 were sold on November 5, 2013 with a premium resulting in proceeds of $17,006,015. Closing is expected on November 21, 2013.

## NOTE 20–UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

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# Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| General property taxes | $ 36,525,107 | $ 36,525,107 | $ 37,534,509 | $ 1,009,402 |
| Other local taxes | 8,429,073 | 8,429,073 | 8,789,155 | 360,082 |
| Permits, privilege fees, and regulatory licenses | 274,600 | 274,600 | 307,747 | 33,147 |
| Fines and forfeitures | 132,500 | 132,500 | 108,507 | (23,993) |
| Revenue from the use of money and property | 145,356 | 145,356 | 154,031 | 8,675 |
| Charges for services | 689,864 | 689,864 | 736,966 | 47,102 |
| Miscellaneous | 254,693 | 307,935 | 269,971 | (37,964) |
| Recovered costs | 338,373 | 378,373 | 337,904 | (40,469) |
| Intergovernmental revenues: | | | | |
| Commonwealth | 8,656,308 | 8,683,789 | 8,666,629 | (17,160) |
| Federal | 173,999 | 219,336 | 200,729 | (18,607) |
| Total revenues | $ 55,619,873 | $ 55,785,933 | $ 57,106,148 | $ 1,320,215 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 5,530,460 | $ 5,344,364 | $ 5,027,276 | $ 317,088 |
| Judicial administration | 1,713,622 | 1,759,944 | 1,634,575 | 125,369 |
| Public safety | 11,553,976 | 11,632,157 | 11,388,578 | 243,579 |
| Public works | 2,214,752 | 2,218,747 | 2,119,356 | 99,391 |
| Health and welfare | 691,171 | 695,901 | 692,974 | 2,927 |
| Education | 22,837,622 | 22,946,680 | 22,777,077 | 169,603 |
| Parks, recreation, and cultural | 2,115,801 | 2,136,933 | 2,067,452 | 69,481 |
| Community development | 856,589 | 994,240 | 901,444 | 92,796 |
| Nondepartmental | 325,995 | 325,995 | 312,185 | 13,810 |
| Total expenditures | $ 47,839,988 | $ 48,054,961 | $ 46,920,917 | $ 1,134,044 |
| Excess (deficiency) of revenues over (under) expenditures | $ 7,779,885 | $ 7,730,972 | $ 10,185,231 | $ 2,454,259 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | $ (8,195,094) | $ (8,815,989) | $ (8,431,903) | $ 384,086 |
| Total other financing sources (uses) | $ (8,195,094) | $ (8,815,989) | $ (8,431,903) | $ 384,086 |
| Net change in fund balances | $ (415,209) | $ (1,085,017) | $ 1,753,328 | $ 2,838,345 |
| Fund balances - beginning | 415,209 | 1,085,017 | 16,424,400 | 15,339,383 |
| Fund balances - ending | $ - | $ - | $ 18,177,728 | $ 18,177,728 |

Schedule of Pension Funding Progress
For the Year Ended June 30, 2013

**Primary Government:**
**County Retirement 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 |
|---|---|---|---|---|---|---|
| 6/30/2012 | $ 38,720,613 | $ 49,362,155 | $ 10,641,542 | 78.44% | $ 12,051,099 | 88.30% |
| 6/30/2011 | 38,175,589 | 47,597,746 | 9,422,157 | 80.20% | 12,401,043 | 75.98% |
| 6/30/2010 | 36,682,369 | 44,549,184 | 7,866,815 | 82.34% | 12,277,374 | 64.08% |
| 6/30/2009 | 35,865,078 | 40,659,026 | 4,793,948 | 88.21% | 12,748,300 | 37.60% |
| 6/30/2008 | 34,792,859 | 38,322,362 | 3,529,503 | 90.79% | 11,995,920 | 29.42% |
| 6/30/2007 | 31,252,207 | 34,534,550 | 3,282,343 | 90.50% | 11,967,890 | 27.43% |
| 6/30/2006 | 27,113,595 | 29,885,627 | 2,772,032 | 90.72% | 10,880,883 | 25.48% |
| 6/30/2005 | 24,961,333 | 29,212,017 | 4,250,684 | 85.45% | 10,087,289 | 42.14% |
| 6/30/2004 | 23,804,086 | 25,304,942 | 1,500,856 | 94.07% | 9,534,011 | 15.74% |
| 6/30/2003 | 22,823,680 | 22,739,831 | (83,849) | 100.37% | 9,249,541 | -0.91% |

**Discretely Presented Component Unit:**
**School Board Non-Professionals Retirement 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 |
|---|---|---|---|---|---|---|
| 6/30/2012 | $ 12,816,001 | $ 15,898,109 | $ 3,082,108 | 80.61% | $ 3,871,577 | 79.61% |
| 6/30/2011 | 12,740,024 | 15,311,033 | 2,571,009 | 83.21% | 3,940,206 | 65.25% |
| 6/30/2010 | 12,419,907 | 15,084,183 | 2,664,276 | 82.34% | 4,308,860 | 61.83% |
| 6/30/2009 | 12,147,944 | 13,789,023 | 1,641,079 | 88.10% | 4,351,373 | 37.71% |
| 6/30/2008 | 11,872,681 | 12,695,426 | 822,745 | 93.52% | 4,247,086 | 19.37% |
| 6/30/2007 | 10,583,920 | 11,895,235 | 1,311,315 | 88.98% | 4,192,789 | 31.28% |
| 6/30/2006 | 9,204,914 | 10,721,286 | 1,516,372 | 85.86% | 3,976,011 | 38.14% |
| 6/30/2005 | 8,491,998 | 10,207,856 | 1,715,858 | 83.19% | 4,055,720 | 42.31% |
| 6/30/2004 | 8,101,614 | 8,335,831 | 234,217 | 97.19% | 3,647,401 | 6.42% |
| 6/30/2003 | 7,799,120 | 7,471,273 | (327,847) | 104.39% | 3,180,322 | -10.31% |

Schedule of OPEB Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2013

**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 |
|---|---|---|---|---|---|---|
| 7/1/2012 | $ - | $ 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 |
|---|---|---|---|---|---|---|
| 6/30/2012 | $ 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 |
|---|---|---|---|---|---|---|
| 7/1/2012 | $ - | $ 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% |

**Discretely Presented Component Unit:**
**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 |
|---|---|---|---|---|---|---|
| 6/30/2012 | $ 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% |

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## ***OTHER SUPPLEMENTARY INFORMATION***

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# Combining and Individual Fund Statements and Schedules

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Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Intergovernmental revenues: | | | | |
| Federal | $ 21,250 | $ 143,608 | $ 142,831 | $ (777) |
| Total revenues | $ 21,250 | $ 143,608 | $ 142,831 | $ (777) |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal retirement | $ 3,141,033 | $ 3,141,033 | $ 3,141,033 | $ - |
| Interest and other fiscal charges | 1,569,669 | 1,704,702 | 1,695,351 | 9,351 |
| Principal retirement-School Leases | 65,736 | 65,736 | 65,736 | - |
| Interest and other fiscal charges-School Leases | 12,048 | 12,048 | 12,048 | - |
| Total expenditures | $ 4,788,486 | $ 4,923,519 | $ 4,914,168 | $ 9,351 |
| Excess (deficiency) of revenues over (under) expenditures | $ (4,767,236) | $ (4,779,911) | $ (4,771,337) | $ 8,574 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 4,767,236 | $ 4,779,911 | $ 4,771,337 | $ (8,574) |
| Total other financing sources (uses) | $ 4,767,236 | $ 4,779,911 | $ 4,771,337 | $ (8,574) |
| Net change in fund balances | $ - | $ - | $ - | $ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ - | $ - | $ - | $ - |

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ - | $ - | $ 198 | $ 198 |
| Miscellaneous | 50,000 | 445,465 | 286,439 | (159,026) |
| Intergovernmental revenues: | | | | |
| Commonwealth | 200,000 | 807,285 | 193,499 | (613,786) |
| Federal | 750,000 | 2,265,319 | 802,830 | (1,462,489) |
| Total revenues | $ 1,000,000 | $ 3,518,069 | $ 1,282,966 | $ (2,235,103) |
| **EXPENDITURES** | | | | |
| Capital projects | $ 2,477,515 | $ 8,459,998 | $ 3,497,056 | $ 4,962,942 |
| Total expenditures | $ 2,477,515 | $ 8,459,998 | $ 3,497,056 | $ 4,962,942 |
| Excess (deficiency) of revenues over (under) expenditures | $ (1,477,515) | $ (4,941,929) | $ (2,214,090) | $ 2,727,839 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 1,127,515 | $ 1,735,735 | $ 1,693,585 | $ (42,150) |
| Total other financing sources (uses) | $ 1,127,515 | $ 1,735,735 | $ 1,693,585 | $ (42,150) |
| Net change in fund balances | $ (350,000) | $ (3,206,194) | $ (520,505) | $ 2,685,689 |
| Fund balances - beginning | 350,000 | 3,206,194 | 4,009,145 | 802,951 |
| Fund balances - ending | $ - | $ - | $ 3,488,640 | $ 3,488,640 |

School Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual Amounts** | |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ - | $ - | $ 22,981 | $ 22,981 |
| Miscellaneous | - | - | 69,285 | 69,285 |
| Intergovernmental revenues: | | | | |
| Commonwealth | - | - | 186,505 | 186,505 |
| Total revenues | $ - | $ - | $ 278,771 | $ 278,771 |
| **EXPENDITURES** | | | | |
| Capital projects | $ 9,500,000 | $ 9,500,000 | $ 2,328,623 | $ 7,171,377 |
| Total expenditures | $ 9,500,000 | $ 9,500,000 | $ 2,328,623 | $ 7,171,377 |
| Excess (deficiency) of revenues over (under) expenditures | $ (9,500,000) | $ (9,500,000) | $ (2,049,852) | $ 7,450,148 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Issuance of debt | $ - | $ - | $ 5,999,684 | $ 5,999,684 |
| Insurance recovery | 9,500,000 | 9,500,000 | 133,841 | (9,366,159) |
| Total other financing sources (uses) | $ 9,500,000 | $ 9,500,000 | $ 6,133,525 | $ (3,366,475) |
| Net change in fund balances | $ - | $ - | $ 4,083,673 | $ 4,083,673 |
| Fund balances - beginning | - | - | 6,089,334 | 6,089,334 |
| Fund balances - ending | $ - | $ - | $ 10,173,007 | $ 10,173,007 |

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Special Revenue | | |
|---|---|---|---|
| | **Virginia Public Assistance Fund** | **Comprehensive Services Act Fund** | **Total** |
| **ASSETS** | | | |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | $ - | $ 7,699 | $ 7,699 |
| Due from other funds | - | 17,699 | 17,699 |
| Due from other governmental units | 193,183 | 134,800 | 327,983 |
| Total assets | $ 193,183 | $ 160,198 | $ 353,381 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ - | $ 160,198 | $ 160,198 |
| Due to other funds | 193,183 | - | 193,183 |
| Total liabilities | $ 193,183 | $ 160,198 | $ 353,381 |
| Total liabilities and fund balances | $ 193,183 | $ 160,198 | $ 353,381 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

| | Virginia Public Assistance Fund | Comprehensive Services Act Fund | Total |
|---|---|---|---|
| **REVENUES** | | | |
| Miscellaneous | $ 675 | $ 38,379 | $ 39,054 |
| Intergovernmental revenues: | | | |
| Commonwealth | 1,142,859 | 592,398 | 1,735,257 |
| Federal | 1,166,348 | 73,188 | 1,239,536 |
| Total revenues | $ 2,309,882 | $ 703,965 | $ 3,013,847 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Health and welfare | $ 3,042,949 | $ 1,264,121 | $ 4,307,070 |
| Total expenditures | $ 3,042,949 | $ 1,264,121 | $ 4,307,070 |
| Excess (deficiency) of revenues over (under) expenditures | $ (733,067) | $ (560,156) | $ (1,293,223) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ 733,067 | $ 560,156 | $ 1,293,223 |
| Total other financing sources (uses) | $ 733,067 | $ 560,156 | $ 1,293,223 |
| Net change in fund balances | $ - | $ - | $ - |
| Fund balances - beginning | - | - | - |
| Fund balances - ending | $ - | $ - | $ - |

**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, 2013

| | Virginia Public Assistance Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Miscellaneous | $ - | $ - | $ 675 | $ 675 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 986,287 | 986,287 | 1,142,859 | 156,572 |
| Federal | 1,137,773 | 1,137,773 | 1,166,348 | 28,575 |
| Total revenues | $ 2,124,060 | $ 2,124,060 | $ 2,309,882 | $ 185,822 |
| **EXPENDITURES** | | | | |
| Health and welfare | $ 3,104,644 | $ 3,104,644 | $ 3,042,949 | $ 61,695 |
| Total expenditures | $ 3,104,644 | $ 3,104,644 | $ 3,042,949 | $ 61,695 |
| Excess (deficiency) of revenues over (under) expenditures | $ (980,584) | $ (980,584) | $ (733,067) | $ 247,517 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 980,584 | $ 980,584 | $ 733,067 | $ (247,517) |
| Total other financing sources (uses) | $ 980,584 | $ 980,584 | $ 733,067 | $ (247,517) |
| Net change in fund balances | $ - | $ - | $ - | $ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ - | $ - | $ - | $ - |

| Comprehensive Services Act Fund | | | | | | | |
|---|---|---|---|---|---|---|---|
| Budgeted Amounts | | | | | | | Variance with Final Budget Positive |
| | Original | | Final | | Actual | | (Negative) |
| $ | 4,030 | $ | 4,030 | $ | 38,379 | $ | 34,349 |
| | 833,470 | | 833,470 | | 592,398 | | (241,072) |
| | 19,500 | | 19,500 | | 73,188 | | 53,688 |
| $ | 857,000 | $ | 857,000 | $ | 703,965 | $ | (153,035) |
| $ | 1,503,000 | $ | 1,503,000 | $ | 1,264,121 | $ | 238,879 |
| $ | 1,503,000 | $ | 1,503,000 | $ | 1,264,121 | $ | 238,879 |
| $ | (646,000) | $ | (646,000) | $ | (560,156) | $ | 85,844 |
| $ | 646,000 | | 646,000 | $ | 560,156 | $ | (85,844) |
| $ | 646,000 | $ | 646,000 | $ | 560,156 | $ | (85,844) |
| $ | - | $ | - | $ | - | $ | - |
| | - | | - | | - | | - |
| $ | - | $ | - | $ | - | $ | - |

Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

| | Agency Funds | | | | |
|---|---|---|---|---|---|
| | Special Welfare | Middle Peninsula Regional Special Education | Flexible Benefits | Sheriff/ Jail | Total |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 35,287 | $ 14,639 | $ 57,557 | $ 16,786 | $ 124,269 |
| Prepaid items | - | 391 | - | - | 391 |
| Total assets | $ 35,287 | $ 15,030 | $ 57,557 | $ 16,786 | $ 124,660 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ - | $ 17 | $ 3,487 | $ - | $ 3,504 |
| Amounts held for social services clients | 35,287 | - | - | - | 35,287 |
| Amounts held for regional program | - | 15,013 | - | - | 15,013 |
| Amounts held for others | - | - | 54,070 | 16,786 | 70,856 |
| Total liabilities | $ 35,287 | $ 15,030 | $ 57,557 | $ 16,786 | $ 124,660 |

Statement of Changes in Assets and Liabilities - Agency Funds
June 30, 2013

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---|---|---|---|---|
| **Special Welfare Fund:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 19,425 | $ 69,732 | $ 53,870 | $ 35,287 |
| Liabilities: | | | | |
| Amounts held for social services clients | $ 19,425 | $ 69,732 | $ 53,870 | $ 35,287 |
| **Middle Peninsula Regional Special Education Fund:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 9,821 | $ 575,222 | $ 570,404 | $ 14,639 |
| Other receivables | 530 | - | 530 | - |
| Due from other governmental units | 100 | - | 100 | - |
| Prepaid items | - | 391 | - | 391 |
| Total assets | $ 10,451 | $ 575,613 | $ 571,034 | $ 15,030 |
| Liabilities: | | | | |
| Accounts payable | $ 17 | $ 570,910 | $ 570,910 | $ 17 |
| Amounts held for regional program | 10,434 | 4,703 | 124 | 15,013 |
| Total liabilities | $ 10,451 | $ 575,613 | $ 571,034 | $ 15,030 |
| **Flexible Benefits Fund:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 55,294 | $ 247,682 | $ 245,419 | $ 57,557 |
| Liabilities: | | | | |
| Accounts payable | $ 1,343 | $ 3,487 | $ 1,343 | $ 3,487 |
| Amounts held for others | 53,951 | 244,195 | 244,076 | 54,070 |
| Total liabilities | $ 55,294 | $ 247,682 | $ 245,419 | $ 57,557 |
| **Sheriff/Jail Fund:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 14,561 | $ 133,026 | $ 130,801 | $ 16,786 |
| Liabilities: | | | | |
| Amounts held for others | $ 14,561 | $ 133,026 | $ 130,801 | $ 16,786 |
| **Totals -- All Agency Funds** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 99,101 | $ 1,025,662 | $ 1,000,494 | $ 124,269 |
| Other receivable | 530 | - | 530 | - |
| Due from other governmental units | 100 | - | 100 | - |
| Prepaid items | - | 391 | - | 391 |
| Total assets | $ 99,731 | $ 1,026,053 | $ 1,001,124 | $ 124,660 |
| Liabilities: | | | | |
| Accounts payable | $ 1,360 | $ 574,397 | $ 572,253 | $ 3,504 |
| Amounts held for social services clients | 19,425 | 69,732 | 53,870 | 35,287 |
| Amounts held for regional program | 10,434 | 4,703 | 124 | 15,013 |
| Amounts held for others | 68,512 | 377,221 | 374,877 | 70,856 |
| Total liabilities | $ 99,731 | $ 1,026,053 | $ 1,001,124 | $ 124,660 |

Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Source
June 30, 2013

| | | |
|---|---|---|
| Governmental funds capital assets: | | |
| Land | $ | 5,952,893 |
| Buildings | | 19,062,368 |
| Improvements other than buildings | | 2,822,338 |
| Machinery and equipment | | 18,237,786 |
| Jointly owned assets | | 31,567,480 |
| Construction in progress | | 119,493 |
| Total governmental funds capital assets | $ | 77,762,358 |
| | | |
| Investments in governmental funds capital assets by source: | | |
| General fund | $ | 8,475,719 |
| Special revenue funds | | 226,014 |
| Capital projects fund | | 37,493,145 |
| Component unit, school fund | | 31,567,480 |
| Total governmental funds capital assets | $ | 77,762,358 |

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2013

| Function and Activity | Land | Buildings | Construction in Progress | Machinery and Equipment | Improvements other than Buildings | Total |
|---|---|---|---|---|---|---|
| General government administration: | | | | | | |
| Board of supervisors | $ 5,683,593 | $ 2,079,302 | $ - | $ - | $ 58,605 | $ 7,821,500 |
| Commissioner of revenue | - | - | - | 29,765 | - | 29,765 |
| County assessor | - | - | - | 247,164 | - | 247,164 |
| Treasurer | - | - | - | 18,488 | - | 18,488 |
| Finance | - | - | - | 38,516 | - | 38,516 |
| Department of information technology | - | 326,600 | - | 924,090 | 25,000 | 1,275,690 |
| GIS | - | - | - | 43,332 | - | 43,332 |
| Purchasing | - | - | - | 34,653 | - | 34,653 |
| Registrar | - | - | - | 9,000 | - | 9,000 |
| Total general government administration | $ 5,683,593 | $ 2,405,902 | $ - | $ 1,345,008 | $ 83,605 | $ 9,518,108 |
| Judicial administration: | | | | | | |
| Circuit court | $ - | $ 7,237,000 | $ - | $ 11,134 | $ - | $ 7,248,134 |
| General district court | - | - | - | 14,617 | - | 14,617 |
| Probation and pre-trial | - | - | - | 5,220 | - | 5,220 |
| Juvenile and domestic relations district court | - | - | - | 25,337 | - | 25,337 |
| Clerk of circuit court | - | - | - | 151,894 | - | 151,894 |
| Commonwealth's attorney | - | - | - | 17,498 | - | 17,498 |
| Total judicial administration | $ - | $ 7,237,000 | $ - | $ 225,700 | $ - | $ 7,462,700 |
| Public safety: | | | | | | |
| Sheriff | $ - | $ 2,138,675 | $ 5,959 | $ 2,730,221 | $ - | $ 4,874,855 |
| Emergency 911 system | - | - | - | 5,764 | - | 5,764 |
| Communication system | - | 2,597,817 | 66,236 | 11,631,926 | 1,895,000 | 16,190,979 |
| Emergency services | - | 752,679 | - | 193,002 | - | 945,681 |
| Jail | - | - | 21,534 | 192,498 | - | 214,032 |
| Codes compliance | - | - | - | 189,239 | - | 189,239 |
| Animal control | - | 363,900 | - | 141,352 | - | 505,252 |
| Total public safety | $ - | $ 5,853,071 | $ 93,729 | $ 15,084,002 | $ 1,895,000 | $ 22,925,802 |
| Public works: | | | | | | |
| Engineering | $ - | $ 12,230 | $ - | $ 24,108 | $ - | $ 36,338 |
| Building and grounds | - | 166,991 | - | 610,425 | 6,700 | 784,116 |
| Total public works | $ - | $ 179,221 | $ - | $ 634,533 | $ 6,700 | $ 820,454 |
| Education: | | | | | | |
| Schools | $ - | $ 31,567,480 | $ - | $ - | $ - | $ 31,567,480 |
| Community education | - | 1,556,351 | - | 123,169 | - | 1,679,520 |
| Total education | $ - | $ 33,123,831 | $ - | $ 123,169 | $ - | $ 33,247,000 |
| Health and welfare: | | | | | | |
| Mosquito control | $ - | $ - | $ - | $ 54,279 | $ - | $ 54,279 |
| Health department | - | 317,143 | - | - | - | 317,143 |
| Social services | - | 758,240 | - | 178,871 | - | 937,111 |
| Total health and welfare | $ - | $ 1,075,383 | $ - | $ 233,150 | $ - | $ 1,308,533 |
| Parks, recreation, and cultural: | | | | | | |
| Recreation | $ 269,300 | $ 364,760 | $ 25,764 | $ 295,951 | $ 646,057 | $ 1,601,832 |
| Beaverdam | - | 181,397 | - | 62,797 | 111,042 | 355,236 |
| Historical committee | - | 157,783 | - | - | 79,934 | 237,717 |
| Public library | - | - | - | 199,538 | - | 199,538 |
| Total parks, recreation, and cultural | $ 269,300 | $ 703,940 | $ 25,764 | $ 558,286 | $ 837,033 | $ 2,394,323 |
| Community development: | | | | | | |
| Planning | $ - | $ - | $ - | $ 24,656 | $ - | $ 24,656 |
| Economic development | - | - | - | 9,282 | - | 9,282 |
| VPI extension program | - | 51,500 | - | - | - | 51,500 |
| Total community development | $ - | $ 51,500 | $ - | $ 33,938 | $ - | $ 85,438 |
| Total governmental funds capital assets | $ 5,952,893 | $ 50,629,848 | $ 119,493 | $ 18,237,786 | $ 2,822,338 | $ 77,762,358 |

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2013

| Function and Activity | Governmental Funds Capital Assets July 1, 2012 | Additions | Deductions | Governmental Funds Capital Assets June 30, 2013 |
|---|---|---|---|---|
| General government administration: | | | | |
| Board of supervisors | $ 7,029,470 | $ 946,449 | $ 154,419 | $ 7,821,500 |
| Commissioner of revenue | 23,835 | 5,930 | - | 29,765 |
| County assessor | 244,556 | 8,538 | 5,930 | 247,164 |
| Treasurer | 18,488 | - | - | 18,488 |
| Finance | 32,106 | 6,410 | - | 38,516 |
| Department of information technology | 1,037,103 | 238,587 | - | 1,275,690 |
| GIS | 37,307 | 6,025 | - | 43,332 |
| Purchasing | 15,465 | 19,188 | - | 34,653 |
| Registrar | 9,000 | - | - | 9,000 |
| Total general government administration | $ 8,447,330 | $ 1,231,127 | $ 160,349 | $ 9,518,108 |
| Judicial administration: | | | | |
| Circuit court | $ 7,248,134 | $ - | $ - | $ 7,248,134 |
| General district court | 14,617 | - | - | 14,617 |
| Probation and pre-trial | 5,220 | - | - | 5,220 |
| Juvenile and domestic relations district court | 9,496 | 25,337 | 9,496 | 25,337 |
| Clerk of the circuit court | 151,894 | - | - | 151,894 |
| Commonwealth's attorney | 17,498 | - | - | 17,498 |
| Total judicial administration | $ 7,446,859 | $ 25,337 | $ 9,496 | $ 7,462,700 |
| Public safety: | | | | |
| Sheriff | $ 4,702,407 | $ 304,843 | $ 132,395 | $ 4,874,855 |
| 911 system | 5,764 | - | - | 5,764 |
| Communication systems | 15,690,937 | 500,042 | - | 16,190,979 |
| Emergency services | 905,899 | 46,193 | 6,411 | 945,681 |
| Jail | 176,063 | 37,969 | - | 214,032 |
| Building inspections | 274,100 | 18,165 | 103,026 | 189,239 |
| Animal control | 450,499 | 54,753 | - | 505,252 |
| Total public safety | $ 22,205,669 | $ 961,965 | $ 241,832 | $ 22,925,802 |
| Public works: | | | | |
| Engineering | $ 36,338 | $ - | $ - | $ 36,338 |
| Buildings and grounds | 761,277 | 67,772 | 44,933 | 784,116 |
| Total public works | $ 797,615 | $ 67,772 | $ 44,933 | $ 820,454 |
| Education: | | | | |
| Schools | $ 30,898,017 | $ 2,328,217 | $ 1,658,754 | $ 31,567,480 |
| Community education | 1,679,520 | - | - | 1,679,520 |
| Total education | $ 32,577,537 | $ 2,328,217 | $ 1,658,754 | $ 33,247,000 |
| Health and welfare: | | | | |
| Mosquito control | $ 54,279 | $ - | $ - | $ 54,279 |
| Health department | 317,143 | - | - | 317,143 |
| Social services | 934,836 | 26,263 | 23,988 | 937,111 |
| Total health and welfare | $ 1,306,258 | $ 26,263 | $ 23,988 | $ 1,308,533 |
| Parks, recreation, and cultural: | | | | |
| Recreation | $ 1,576,068 | $ 25,764 | $ - | $ 1,601,832 |
| Beaverdam | 339,309 | 15,927 | - | 355,236 |
| Historical committee | 216,368 | 30,937 | 9,588 | 237,717 |
| Public library | 199,538 | - | - | 199,538 |
| Total parks, recreation, and cultural | $ 2,331,283 | $ 72,628 | $ 9,588 | $ 2,394,323 |
| Community development: | | | | |
| Community development | $ 106,211 | $ - | $ 81,555 | $ 24,656 |
| Economic development | 9,282 | - | - | 9,282 |
| VPI extension program | 51,500 | - | - | 51,500 |
| Total community development | $ 166,993 | $ - | $ 81,555 | $ 85,438 |
| Total governmental funds capital assets | $ 75,279,544 | $ 4,713,309 | $ 2,230,495 | $ 77,762,358 |

## Discretely Presented Component Unit-School Board

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 50 | $ 859,459 | $ 859,509 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 344,749 | 1,262 | 346,011 |
| Due from other governmental units | 5,114,478 | 1,287 | 5,115,765 |
| Inventories | - | 29,478 | 29,478 |
| Prepaid items | 5,051 | - | 5,051 |
| Total assets | $ 5,464,328 | $ 891,486 | $ 6,355,814 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 555,597 | $ 74,335 | $ 629,932 |
| Accrued liabilities | 4,908,731 | 142,973 | 5,051,704 |
| Due to other governmental units | - | 150,000 | 150,000 |
| Total liabilities | $ 5,464,328 | $ 367,308 | $ 5,831,636 |
| Fund balances: | | | |
| Nonspendable | $ 5,051 | $ 29,478 | $ 34,529 |
| Assigned | - | 494,700 | 494,700 |
| Unassigned | (5,051) | - | (5,051) |
| Total fund balances | $ - | $ 524,178 | $ 524,178 |
| Total liabilities and fund balances | $ 5,464,328 | $ 891,486 | $ 6,355,814 |

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

| | |
|---|---|
| Total fund balances per above | $ 524,178 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 24,670,911 |
| 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. | 950,808 |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (3,171,656) |
| Net position of governmental activities | $ 22,974,241 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Revenue from the use of money and property | $ 2,500 | $ 1,400 | $ 3,900 |
| Charges for services | 30,569 | 1,122,103 | 1,152,672 |
| Miscellaneous | 73,430 | 24,004 | 97,434 |
| Recovered costs | 425,582 | - | 425,582 |
| Intergovernmental revenues: | | | |
| Local government | 22,258,365 | - | 22,258,365 |
| Commonwealth | 26,130,633 | 36,018 | 26,166,651 |
| Federal | 3,158,351 | 1,177,869 | 4,336,220 |
| Total revenues | $ 52,079,430 | $ 2,361,394 | $ 54,440,824 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Education | $ - | $ 2,301,105 | $ 2,301,105 |
| Instruction | 37,521,900 | - | 37,521,900 |
| Administration, Attendance, Health | 2,276,182 | - | 2,276,182 |
| Pupil Transportation | 4,035,748 | - | 4,035,748 |
| Operations & Maintenance | 5,749,978 | - | 5,749,978 |
| Technology | 2,495,622 | - | 2,495,622 |
| Total expenditures | $ 52,079,430 | $ 2,301,105 | $ 54,380,535 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ 60,289 | $ 60,289 |
| Net change in fund balances | $ - | $ 60,289 | $ 60,289 |
| Fund balances - beginning | - | 463,889 | 463,889 |
| Fund balances - ending | $ - | $ 524,178 | $ 524,178 |

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 | | $ 60,289 |
| 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. | | 55,427 |
| 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 | $ 67,482 | |
| (Increase) decrease in net OPEB obligation | (427,906) | (360,424) |
| 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. | | 675,791 |
| Change in net position of governmental activities | | $ 431,083 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

| | School Operating Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 3,000 | $ 3,000 | $ 2,500 | $ (500) |
| Charges for services | 45,488 | 45,488 | 30,569 | (14,919) |
| Miscellaneous | 55,118 | 55,118 | 73,430 | 18,312 |
| Recovered costs | 340,000 | 340,000 | 425,582 | 85,582 |
| Intergovernmental revenues: | | | | |
| Local government | 22,264,105 | 22,373,163 | 22,258,365 | (114,798) |
| Commonwealth | 26,751,612 | 26,751,612 | 26,130,633 | (620,979) |
| Federal | 2,969,166 | 2,969,166 | 3,158,351 | 189,185 |
| Total revenues | $ 52,428,489 | $ 52,537,547 | $ 52,079,430 | $ (458,117) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | $ 37,599,165 | $ 37,604,549 | $ 37,521,900 | $ 82,649 |
| Administration, Attendance, Health | 2,369,425 | 2,369,425 | 2,276,182 | 93,243 |
| Pupil Transportation | 4,035,961 | 4,035,962 | 4,035,748 | 214 |
| Operations & Maintenance | 5,856,500 | 5,960,173 | 5,749,978 | 210,195 |
| Technology | 2,567,438 | 2,567,438 | 2,495,622 | 71,816 |
| Total expenditures | $ 52,428,489 | $ 52,537,547 | $ 52,079,430 | $ 458,117 |
| Net change in fund balances | $ - | $ - | $ - | $ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ - | $ - | $ - | $ - |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Cafeteria Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

| | School Cafeteria Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 4,000 | $ 4,000 | $ 1,400 | $ (2,600) |
| Charges for services | 1,293,703 | 1,293,703 | 1,122,103 | (171,600) |
| Miscellaneous | 9,000 | 9,000 | 24,004 | 15,004 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 41,874 | 41,874 | 36,018 | (5,856) |
| Federal | 936,041 | 936,041 | 1,177,869 | 241,828 |
| Total revenues | $ 2,284,618 | $ 2,284,618 | $ 2,361,394 | $ 76,776 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 2,324,618 | $ 2,324,618 | $ 2,301,105 | $ 23,513 |
| Total expenditures | $ 2,324,618 | $ 2,324,618 | $ 2,301,105 | $ 23,513 |
| Excess (deficiency) of revenues over (under) expenditures | $ (40,000) | $ (40,000) | $ 60,289 | $ 100,289 |
| Net change in fund balances | $ (40,000) | $ (40,000) | $ 60,289 | $ 100,289 |
| Fund balances - beginning | 40,000 | 40,000 | 463,889 | 423,889 |
| Fund balances - ending | $ - | $ - | $ 524,178 | $ 524,178 |

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2013

| | Scholarship Private-Purpose Trust |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 294,432 |
| Total assets | $ 294,432 |
| **NET POSITION** | |
| Held in trust for scholarships | $ 294,432 |

Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2013

| | | Scholarship Private-Purpose Trust |
|---|---|---|
| **ADDITIONS** | | |
| Contributions: | | |
| Private donations | $ | 20,445 |
| Total contributions | $ | 20,445 |
| Investment earnings: | | |
| Interest | $ | 2,877 |
| Total investment earnings | $ | 2,877 |
| Total additions | $ | 23,322 |
| **DEDUCTIONS** | | |
| Scholarships | $ | 17,800 |
| Total deductions | $ | 17,800 |
| Change in net position | $ | 5,522 |
| Net position - beginning | | 288,910 |
| Net position - ending | $ | 294,432 |

Statement of Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
June 30, 2013

| | Self-Insurance Fund |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Accounts receivable, net of allowances for uncollectibles | $ 1,553,613 |
| Total assets | $ 1,553,613 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | $ 602,805 |
| Total liabilities | $ 602,805 |
| **NET POSITION** | |
| Unrestricted | $ 950,808 |
| Total net position | $ 950,808 |

Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

| | | Self-Insurance Fund |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services: | | |
| Insurance premiums | $ | 6,447,681 |
| Miscellaneous | | 141,941 |
| Total operating revenues | $ | 6,589,622 |
| **OPERATING EXPENSES** | | |
| Insurance claims and expenses | $ | 5,913,831 |
| Total operating expenses | $ | 5,913,831 |
| Operating income (loss) | $ | 675,791 |
| Total net position - beginning | $ | 275,017 |
| Total net position - ending | $ | 950,808 |

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

| | | Self-Insurance Fund |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts for insurance premiums | $ | 5,955,630 |
| Payments for premiums | | (5,955,630) |
| Net cash provided by (used for) operating activities | $ | - |
| Cash and cash equivalents - beginning | $ | - |
| Cash and cash equivalents - ending | $ | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | |
| Operating income (loss) | $ | 675,791 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| (Increase) decrease in accounts receivable | $ | (633,992) |
| Increase (decrease) in accounts payable | | (41,799) |
| Total adjustments | $ | (675,791) |
| Net cash provided by (used for) operating activities | $ | - |

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Capital Assets by Source
June 30, 2013

| | | |
|---|---|---|
| Governmental funds capital assets: | | |
| Land | $ | 1,476,061 |
| Buildings | | 80,000 |
| Jointly owned assets | | 33,908,105 |
| Machinery and equipment | | 11,079,125 |
| Total governmental funds capital assets | $ | 46,543,291 |
| | | |
| Investments in governmental funds capital assets by source: | | |
| Component unit, school fund | $ | 46,543,291 |
| Total governmental funds capital assets | $ | 46,543,291 |

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule by Function and Activity
June 30, 2013

| Function and Activity | Land | Jointly Owned Assets | Buildings | Machinery and Equipment | Total |
|---|---|---|---|---|---|
| Education: | | | | | |
| Schools | $ 1,476,061 | $ 33,908,105 | $ 80,000 | $ 11,079,125 | $ 46,543,291 |
| Total governmental funds capital assets | $ 1,476,061 | $ 33,908,105 | $ 80,000 | $ 11,079,125 | $ 46,543,291 |

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2013

| Function and Activity | Governmental Funds Capital Assets July 1, 2012 | Additions | Deductions | Governmental Funds Capital Assets June 30, 2013 |
|---|---|---|---|---|
| Education: | | | | |
| Schools | $ 44,771,414 | $ 2,191,097 | $ (419,220) | $ 46,543,291 |
| Total governmental funds capital assets | $ 44,771,414 | $ 2,191,097 | $ (419,220) | $ 46,543,291 |

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

## Discretely Presented Component Unit-Economic Development Authority

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Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2013

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 201,634 |
| Investments | | 913,947 |
| Inventories | | 1,083,044 |
| Total current assets | $ | 2,198,625 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | $ | 813,267 |
| Buildings | | 18,403,393 |
| Machinery and equipment | | 7,234 |
| Less accumulated depreciation | | (5,201,389) |
| Total capital assets | $ | 14,022,505 |
| Total noncurrent assets | $ | 14,022,505 |
| Total assets | $ | 16,221,130 |
| **DEFERRED OUTFLOWS** | | |
| Accumulated decrease in fair value of hedging derivatives | $ | 2,363,123 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 81,482 |
| Due to other governmental units | | 323,000 |
| Bonds payable - current portion | | 645,639 |
| Total current liabilities | $ | 1,050,121 |
| Noncurrent liabilities: | | |
| Bonds payable - net of current portion | $ | 15,148,226 |
| Derivative instrument - rate swap | | 2,363,123 |
| Total noncurrent liabilities | $ | 17,511,349 |
| Total liabilities | $ | 18,561,470 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | (1,771,360) |
| Unrestricted | | 1,794,143 |
| Total net position | $ | 22,783 |

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2013

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services: | | |
| Rents | $ | 1,544,112 |
| Contributions from local governments | | 135,909 |
| Other revenues | | 24,089 |
| Total operating revenues | $ | 1,704,110 |
| **OPERATING EXPENSES** | | |
| Contractual services | $ | 24,991 |
| Other charges | | 60,484 |
| Automobile and travel expense | | 15,820 |
| Depreciation | | 735,472 |
| Total operating expenses | $ | 836,767 |
| Operating income (loss) | $ | 867,343 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | $ | 1,386 |
| Interest expense | | (973,868) |
| Total nonoperating revenues (expenses) | $ | (972,482) |
| Change in net position | $ | (105,139) |
| Total net position - beginning, as restated | | 127,922 |
| Total net position - ending | $ | 22,783 |

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2013

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers and users | $ | 1,544,112 |
| Receipts for miscellaneous items | | 24,089 |
| Payments for operating activities | | (102,094) |
| Net cash provided by (used for) operating activities | $ | 1,466,107 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal payments on bonds | $ | (608,094) |
| Proceeds from indebtedness | | 210,000 |
| Purchase of capital assets | | (209,140) |
| Contract deposits | | 8,313 |
| Interest payments | | (967,319) |
| Net cash provided by (used for) capital and related financing activities | $ | (1,566,240) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Sale (purchase) of investments | $ | (518,585) |
| Interest income | | 1,386 |
| Net cash provided by (used for) investing activities | $ | (517,199) |
| Net increase (decrease) in cash and cash equivalents | $ | (617,332) |
| Cash and cash equivalents - beginning | | 818,966 |
| Cash and cash equivalents - ending | $ | 201,634 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | |
| Operating income (loss) | $ | 867,343 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | $ | 735,472 |
| Increase (decrease) in accounts payable | | (799) |
| Increase (decrease) in amounts due to other governmental units | | (135,909) |
| Total adjustments | $ | 598,764 |
| Net cash provided by (used for) operating activities | $ | 1,466,107 |

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# Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

| 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 | $ 27,022,439 | $ 27,022,439 | $ 26,983,446 | $ (38,993) |
| Real and personal public service corporation taxes | 510,086 | 510,086 | 752,728 | 242,642 |
| Personal property taxes | 8,461,985 | 8,461,985 | 9,149,679 | 687,694 |
| Mobile home taxes | 36,000 | 36,000 | 45,791 | 9,791 |
| Penalties | 325,346 | 325,346 | 394,381 | 69,035 |
| Interest | 169,251 | 169,251 | 208,484 | 39,233 |
| Total general property taxes | $ 36,525,107 | $ 36,525,107 | $ 37,534,509 | $ 1,009,402 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 3,763,114 | $ 3,763,114 | $ 3,777,448 | $ 14,334 |
| Consumers' utility taxes | 701,000 | 701,000 | 702,582 | 1,582 |
| Electric consumption taxes | 133,112 | 133,112 | 130,943 | (2,169) |
| Business license taxes | 1,446,819 | 1,446,819 | 1,504,047 | 57,228 |
| Bank stock taxes | 170,000 | 170,000 | 222,162 | 52,162 |
| Taxes on recordation and wills | 335,500 | 335,500 | 451,144 | 115,644 |
| Hotel and motel room taxes | 109,528 | 109,528 | 143,402 | 33,874 |
| Restaurant food taxes | 1,770,000 | 1,770,000 | 1,857,427 | 87,427 |
| Total other local taxes | $ 8,429,073 | $ 8,429,073 | $ 8,789,155 | $ 360,082 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | $ 18,200 | $ 18,200 | $ 32,960 | $ 14,760 |
| Permits and other licenses | 256,400 | 256,400 | 274,787 | 18,387 |
| Total permits, privilege fees, and regulatory licenses | $ 274,600 | $ 274,600 | $ 307,747 | $ 33,147 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 132,000 | $ 132,000 | $ 108,297 | $ (23,703) |
| Parking fines | 500 | 500 | 210 | (290) |
| Total fines and forfeitures | $ 132,500 | $ 132,500 | $ 108,507 | $ (23,993) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 46,250 | $ 46,250 | $ 41,744 | $ (4,506) |
| Revenue from use of property | 99,106 | 99,106 | 112,287 | 13,181 |
| Total revenue from use of money and property | $ 145,356 | $ 145,356 | $ 154,031 | $ 8,675 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (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 | $ 40,000 | $ 40,000 | $ 4,707 | $ (35,293) |
| Charges for law enforcement and traffic control | 25,110 | 25,110 | 45,990 | 20,880 |
| Charges for courthouse maintenance | 17,700 | 17,700 | 14,859 | (2,841) |
| Circuit court judge fees | 34,970 | 34,970 | 38,512 | 3,542 |
| Charges for courthouse security | 61,430 | 61,430 | 56,314 | (5,116) |
| Charges for probation | 16,000 | 16,000 | 11,907 | (4,093) |
| Charges for Commonwealth's Attorney | 1,300 | 1,300 | 2,936 | 1,636 |
| Miscellaneous dog fees | 7,000 | 7,000 | 11,086 | 4,086 |
| Charges for library | 48,000 | 48,000 | 41,148 | (6,852) |
| Charges for sanitation and waste removal | 101,369 | 101,369 | 197,204 | 95,835 |
| Charges for parks and recreation | 272,250 | 272,250 | 252,648 | (19,602) |
| Charges for sale of publications and commemorative material | 12,700 | 12,700 | 8,548 | (4,152) |
| Charges for daffodil festival | 51,535 | 51,535 | 50,853 | (682) |
| Charges for sale of historical material | 500 | 500 | 254 | (246) |
| Total charges for services | $ 689,864 | $ 689,864 | $ 736,966 | $ 47,102 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | $ 254,693 | $ 307,935 | $ 269,971 | $ (37,964) |
| Total miscellaneous revenue | $ 254,693 | $ 307,935 | $ 269,971 | $ (37,964) |
| Recovered costs: | | | | |
| Recovered costs sheriff | $ 247,623 | $ 247,623 | $ 220,392 | $ (27,231) |
| Recovered costs jail | 30,000 | 30,000 | 12,002 | (17,998) |
| Treasurer recovered costs | 36,000 | 76,000 | 89,260 | 13,260 |
| Probation & pretrial recovered costs | 16,250 | 16,250 | 16,250 | - |
| Demolition recovered costs | 8,500 | 8,500 | - | (8,500) |
| Total recovered costs | $ 338,373 | $ 378,373 | $ 337,904 | $ (40,469) |
| Total revenue from local sources | $ 46,789,566 | $ 46,882,808 | $ 48,238,790 | $ 1,355,982 |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | $ 2,000 | $ 2,000 | $ 1,351 | $ (649) |
| Mobile home titling tax | 40,000 | 40,000 | 25,491 | (14,509) |
| Motor vehicle rental tax | 54,000 | 54,000 | 69,385 | 15,385 |
| State recordation tax | 106,000 | 106,000 | 120,318 | 14,318 |
| Communication tax | 1,618,000 | 1,618,000 | 1,563,965 | (54,035) |
| Personal property tax relief funds | 2,778,640 | 2,778,640 | 2,778,640 | - |
| Total noncategorical aid | $ 4,598,640 | $ 4,598,640 | $ 4,559,150 | $ (39,490) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Intergovernmental revenues: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | $ 346,398 | $ 346,398 | $ 344,948 | $ (1,450) |
| Sheriff | 2,442,053 | 2,442,053 | 2,434,094 | (7,959) |
| Asset forfeiture | - | - | 15,246 | 15,246 |
| Commissioner of revenue | 119,614 | 119,614 | 120,694 | 1,080 |
| Treasurer | 123,400 | 123,400 | 121,199 | (2,201) |
| Registrar/electoral board | 34,850 | 39,777 | 42,941 | 3,164 |
| Clerk of the Circuit Court | 255,418 | 255,418 | 271,946 | 16,528 |
| Total shared expenses | $ 3,321,733 | $ 3,326,660 | $ 3,351,068 | $ 24,408 |
| Other categorical aid: | | | | |
| Emergency medical services | $ 41,000 | $ 41,000 | $ 39,973 | $ (1,027) |
| Litter control grant | 7,658 | 7,658 | 11,052 | 3,394 |
| E911 wireless grant | 40,000 | 40,000 | 47,906 | 7,906 |
| Library grant | 135,651 | 135,651 | 137,295 | 1,644 |
| Abandoned auto program | 10,000 | 10,000 | 2,250 | (7,750) |
| Disaster recovery | - | - | 5,360 | 5,360 |
| Probation & pretrial | 350,454 | 352,404 | 336,115 | (16,289) |
| Victim-witness grant | 51,172 | 51,172 | 50,753 | (419) |
| Other state funds | - | 20,604 | 20,586 | (18) |
| Fire programs | 100,000 | 100,000 | 105,121 | 5,121 |
| Total other categorical aid | $ 735,935 | $ 758,489 | $ 756,411 | $ (2,078) |
| Total categorical aid | $ 4,057,668 | $ 4,085,149 | $ 4,107,479 | $ 22,330 |
| Total revenue from the Commonwealth | $ 8,656,308 | $ 8,683,789 | $ 8,666,629 | $ (17,160) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| V-stop prosecutor grant | $ 23,981 | $ 23,981 | $ 24,737 | $ 756 |
| Public assistance and welfare administration | 116,147 | 116,147 | 87,705 | (28,442) |
| Highway safety grant | - | 23,515 | 14,117 | (9,398) |
| State domestic preparedness grant | 13,644 | 13,644 | 13,644 | - |
| Asset forfeiture | - | - | 1,178 | 1,178 |
| Other federal revenue | 20,227 | 42,049 | 59,348 | 17,299 |
| Total categorical aid | $ 173,999 | $ 219,336 | $ 200,729 | $ (18,607) |
| Total revenue from the federal government | $ 173,999 | $ 219,336 | $ 200,729 | $ (18,607) |
| Total General Fund | $ 55,619,873 | $ 55,785,933 | $ 57,106,148 | $ 1,320,215 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | $ - | $ - | $ 675 | $ 675 |
| Total revenue from local sources | $ - | $ - | $ 675 | $ 675 |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 986,287 | $ 986,287 | $ 1,142,859 | $ 156,572 |
| Total categorical aid | $ 986,287 | $ 986,287 | $ 1,142,859 | $ 156,572 |
| Total revenue from the Commonwealth | $ 986,287 | $ 986,287 | $ 1,142,859 | $ 156,572 |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 1,137,773 | $ 1,137,773 | $ 1,166,348 | $ 28,575 |
| Total categorical aid | $ 1,137,773 | $ 1,137,773 | $ 1,166,348 | $ 28,575 |
| Total revenue from the federal government | $ 1,137,773 | $ 1,137,773 | $ 1,166,348 | $ 28,575 |
| Total Virginia Public Assistance Fund | $ 2,124,060 | $ 2,124,060 | $ 2,309,882 | $ 185,822 |
| **Comprehensive Services Act Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | $ 4,030 | $ 4,030 | $ 38,379 | $ 34,349 |
| Total revenue from local sources | $ 4,030 | $ 4,030 | $ 38,379 | $ 34,349 |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Comprehensive services act | $ 831,000 | $ 831,000 | $ 589,971 | $ (241,029) |
| Public assistance and welfare administration | 2,470 | 2,470 | 2,427 | (43) |
| Total categorical aid | $ 833,470 | $ 833,470 | $ 592,398 | $ (241,072) |
| Total revenue from the Commonwealth | $ 833,470 | $ 833,470 | $ 592,398 | $ (241,072) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 19,500 | $ 19,500 | $ 19,160 | $ (340) |
| Other categorical aid | - | - | 54,028 | 54,028 |
| Total categorical aid | $ 19,500 | $ 19,500 | $ 73,188 | $ 53,688 |
| Total revenue from the federal government | $ 19,500 | $ 19,500 | $ 73,188 | $ 53,688 |
| Total Comprehensive Services Act Fund | $ 857,000 | $ 857,000 | $ 703,965 | $ (153,035) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Debt Service Fund:** | | | | |
| Intergovernmental revenues: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Other categorical aid | $ 21,250 | $ 143,608 | $ 142,831 | $ (777) |
| Total Debt Service Fund | $ 21,250 | $ 143,608 | $ 142,831 | $ (777) |
| **Capital Projects Funds:** | | | | |
| **County Capital Improvements Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ - | $ - | $ 198 | $ 198 |
| Total revenue from use of money and property | $ - | $ - | $ 198 | $ 198 |
| Miscellaneous revenue: | | | | |
| National Park Service Grant | $ - | $ 35,000 | $ - | (35,000) |
| Donations or other miscellaneous | 50,000 | 410,465 | 286,439 | $ (124,026) |
| Total miscellaneous revenue | $ 50,000 | $ 445,465 | $ 286,439 | $ (159,026) |
| Total revenue from local sources | $ 50,000 | $ 445,465 | $ 286,637 | $ (158,828) |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Burn building grant | $ - | $ 3,200 | $ 3,200 | $ - |
| Acquisition/elevation grant | 200,000 | 604,085 | 171,835 | (432,250) |
| National Park Service Grant | - | 200,000 | 18,464 | (181,536) |
| Total categorical aid | $ 200,000 | $ 807,285 | $ 193,499 | $ (613,786) |
| Total revenue from the Commonwealth | $ 200,000 | $ 807,285 | $ 193,499 | $ (613,786) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Acquisition/elevation grant | 750,000 | 2,265,319 | 802,830 | (1,462,489) |
| Total categorical aid | $ 750,000 | $ 2,265,319 | $ 802,830 | $ (1,462,489) |
| Total revenue from the federal government | $ 750,000 | $ 2,265,319 | $ 802,830 | $ (1,462,489) |
| Total County Capital Improvements Fund | $ 1,000,000 | $ 3,518,069 | $ 1,282,966 | $ (2,235,103) |
| **School Construction Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ - | $ - | $ 22,981 | $ 22,981 |
| Total revenue from use of money and property | $ - | $ - | $ 22,981 | $ 22,981 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **School Construction Fund: (Continued)** | | | | |
| Miscellaneous revenue: | | | | |
| Donations or other miscellaneous | $ - | $ - | $ 69,235 | $ 69,235 |
| Other miscellaneous | - | - | 50 | 50 |
| Total miscellaneous revenue | $ - | $ - | $ 69,285 | $ 69,285 |
| Total revenue from local sources | $ - | $ - | $ 92,266 | $ 92,266 |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Emergency assistance | $ - | $ - | $ 186,505 | $ 186,505 |
| Total revenue from the Commonwealth | $ - | $ - | $ 186,505 | $ 186,505 |
| Total School Construction Fund | $ - | $ - | $ 278,771 | $ 278,771 |
| Total Primary Government | $ 59,622,183 | $ 62,428,670 | $ 61,824,563 | $ (604,107) |
| **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 | $ 3,000 | $ 3,000 | $ 2,500 | $ (500) |
| Charges for services: | | | | |
| Tuition and payments from other divisions | $ 45,488 | $ 45,488 | $ 30,569 | $ (14,919) |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | $ 55,118 | $ 55,118 | $ 73,430 | $ 18,312 |
| Recovered costs: | | | | |
| Medicaid reimbursements | $ 170,000 | $ 170,000 | $ 232,967 | $ 62,967 |
| Other recovered costs | 170,000 | 170,000 | 192,615 | 22,615 |
| Total recovered costs | $ 340,000 | $ 340,000 | $ 425,582 | $ 85,582 |
| Total revenue from local sources | $ 443,606 | $ 443,606 | $ 532,081 | $ 88,475 |
| Intergovernmental revenues: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Gloucester, Virginia | $ 22,264,105 | $ 22,373,163 | $ 22,258,365 | $ (114,798) |
| Total revenues from local governments | $ 22,264,105 | $ 22,373,163 | $ 22,258,365 | $ (114,798) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | $ 5,683,922 | $ 5,683,922 | $ 5,668,406 | $ (15,516) |
| Basic school aid | 14,875,019 | 14,875,019 | 14,249,982 | (625,037) |
| ISAEP | 15,717 | 15,717 | 15,717 | - |
| Remedial summer education | 5,574 | 5,574 | 6,747 | 1,173 |
| Regular foster care | 9,994 | 9,994 | 3,368 | (6,626) |
| Gifted and talented | 161,190 | 161,190 | 156,016 | (5,174) |
| English as a second language | 7,396 | 7,396 | 8,875 | 1,479 |
| Special education | 1,051,239 | 1,051,239 | 1,017,497 | (33,742) |
| Textbook payment | 314,426 | 314,426 | 304,333 | (10,093) |
| Vocational standards of quality payments | 234,777 | 234,777 | 227,241 | (7,536) |
| Social security fringe benefits | 837,487 | 837,487 | 810,606 | (26,881) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (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 revenues: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Remedial education | $ 315,372 | $ 315,372 | $ 305,249 | $ (10,123) |
| Retirement fringe benefits | 1,398,148 | 1,398,148 | 1,353,271 | (44,877) |
| Group life insurance fringe benefits | 52,562 | 52,562 | 50,875 | (1,687) |
| Early reading intervention | 50,344 | 50,344 | 42,599 | (7,745) |
| Project graduation | - | - | 24,640 | 24,640 |
| Homebound education | 18,693 | 18,693 | 23,778 | 5,085 |
| Regional program tuition | 465,921 | 465,921 | 549,375 | 83,454 |
| Vocational educational equipment | 20,619 | 20,619 | 14,165 | (6,454) |
| VI teacher | 2,058 | 2,058 | 3,625 | 1,567 |
| At risk payments | 233,690 | 233,690 | 226,137 | (7,553) |
| National Board Certification TC | 27,500 | 27,500 | 22,500 | (5,000) |
| Industry credential student | 10,000 | 10,000 | 9,457 | (543) |
| Primary class size | 257,840 | 257,840 | 304,940 | 47,100 |
| VA Preschool | 66,982 | 66,982 | 66,982 | - |
| Technology | 284,000 | 284,000 | 284,000 | - |
| Race to GED | - | - | 4,000 | 4,000 |
| Standards of Learning algebra readiness | 47,577 | 47,577 | 49,513 | 1,936 |
| Governors school | - | - | 11,498 | 11,498 |
| Mentor teacher program | 3,232 | 3,232 | 2,208 | (1,024) |
| Additional Assistance RET, INF, PS | 299,348 | 299,348 | 299,348 | - |
| Gov Health Science | - | - | 10,000 | 10,000 |
| EPI Pen | 985 | 985 | 985 | - |
| Other state funds | - | - | 2,700 | 2,700 |
| Total categorical aid | $ 26,751,612 | $ 26,751,612 | $ 26,130,633 | $ (620,979) |
| | | | | |
| Total revenue from the Commonwealth | $ 26,751,612 | $ 26,751,612 | $ 26,130,633 | $ (620,979) |
| | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | $ 864,933 | $ 864,933 | $ 1,097,819 | $ 232,886 |
| Federal Stimulus | 250,000 | 250,000 | 349,704 | 99,704 |
| Title VI-B, special education | 1,240,614 | 1,240,614 | 1,212,311 | (28,303) |
| Vocational education | 85,881 | 85,881 | 77,543 | (8,338) |
| Title II | 228,901 | 228,901 | 271,514 | 42,613 |
| Impact aid | 80,000 | 80,000 | 62,594 | (17,406) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (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 revenues: (Continued) | | | | |
| Revenue from the federal government: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| ROTC | $ 68,837 | $ 68,837 | $ 86,866 | $ 18,029 |
| Other federal funds | 150,000 | 150,000 | - | (150,000) |
| Total categorical aid | $ 2,969,166 | $ 2,969,166 | $ 3,158,351 | $ 189,185 |
| Total revenue from the federal government | $ 2,969,166 | $ 2,969,166 | $ 3,158,351 | $ 189,185 |
| Total School Operating Fund | $ 52,428,489 | $ 52,537,547 | $ 52,079,430 | $ (458,117) |
| **School Cafeteria Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ 4,000 | $ 4,000 | $ 1,400 | $ (2,600) |
| Total revenue from use of money and property | $ 4,000 | $ 4,000 | $ 1,400 | $ (2,600) |
| Charges for services: | | | | |
| Cafeteria sales | $ 1,244,703 | $ 1,244,703 | $ 1,069,161 | $ (175,542) |
| Other charges for services | 49,000 | 49,000 | 52,942 | 3,942 |
| Total charges for services | $ 1,293,703 | $ 1,293,703 | $ 1,122,103 | $ (171,600) |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | $ 9,000 | $ 9,000 | $ 24,004 | $ 15,004 |
| Total miscellaneous revenue | $ 9,000 | $ 9,000 | $ 24,004 | $ 15,004 |
| Total revenue from local sources | $ 1,306,703 | $ 1,306,703 | $ 1,147,507 | $ (159,196) |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 41,874 | $ 41,874 | $ 36,018 | $ (5,856) |
| Total revenue from the Commonwealth | $ 41,874 | $ 41,874 | $ 36,018 | $ (5,856) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 936,041 | $ 936,041 | $ 1,022,021 | $ 85,980 |
| USDA commodities | - | - | 155,848 | 155,848 |
| Total categorical aid | $ 936,041 | $ 936,041 | $ 1,177,869 | $ 241,828 |
| Total revenue from the federal government | $ 936,041 | $ 936,041 | $ 1,177,869 | $ 241,828 |
| Total School Cafeteria Fund | $ 2,284,618 | $ 2,284,618 | $ 2,361,394 | $ 76,776 |
| Total Discretely Presented Component Unit - School Board | $ 54,713,107 | $ 54,822,165 | $ 54,440,824 | $ (381,341) |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | $ 86,876 | $ 110,786 | $ 104,937 | $ 5,849 |
| General and financial administration: | | | | |
| County administrator | $ 836,871 | $ 472,746 | $ 454,508 | $ 18,238 |
| Human resources | 388,533 | 388,528 | 345,739 | 42,789 |
| County attorney | 261,382 | 265,282 | 260,465 | 4,817 |
| Commissioner of revenue | 444,855 | 444,855 | 416,046 | 28,809 |
| County assessor | 522,847 | 522,847 | 454,824 | 68,023 |
| Treasurer | 628,270 | 668,270 | 616,872 | 51,398 |
| Finance | 421,396 | 421,615 | 400,820 | 20,795 |
| Department of information technology | 986,060 | 1,054,182 | 1,010,482 | 43,700 |
| GIS | 279,884 | 299,448 | 287,325 | 12,123 |
| Purchasing | 264,306 | 264,301 | 231,657 | 32,644 |
| Other general and financial administration | 208,313 | 208,313 | 219,047 | (10,734) |
| Total general and financial administration | $ 5,242,717 | $ 5,010,387 | $ 4,697,785 | $ 312,602 |
| Board of elections: | | | | |
| Electoral board and officials | $ 200,867 | $ 223,191 | $ 224,554 | $ (1,363) |
| Total board of elections | $ 200,867 | $ 223,191 | $ 224,554 | $ (1,363) |
| Total general government administration | $ 5,530,460 | $ 5,344,364 | $ 5,027,276 | $ 317,088 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | $ 74,778 | $ 74,778 | $ 69,538 | $ 5,240 |
| General district court | 31,750 | 31,750 | 15,847 | 15,903 |
| Commissioner of accounts | 500 | 500 | 642 | (142) |
| Magistrate | 1,700 | 1,700 | 1,121 | 579 |
| Juvenile and domestic relations district court | 19,275 | 46,239 | 45,011 | 1,228 |
| Clerk of the circuit court | 425,049 | 425,049 | 436,167 | (11,118) |
| Victim and witness assistance | 76,062 | 95,420 | 67,574 | 27,846 |
| Court services unit | 225,245 | 225,245 | 193,540 | 31,705 |
| Group home commission | 214,494 | 214,494 | 214,772 | (278) |
| Total courts | $ 1,068,853 | $ 1,115,175 | $ 1,044,212 | $ 70,963 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | $ 644,769 | $ 644,769 | $ 590,363 | $ 54,406 |
| Total commonwealth's attorney | $ 644,769 | $ 644,769 | $ 590,363 | $ 54,406 |
| Total judicial administration | $ 1,713,622 | $ 1,759,944 | $ 1,634,575 | $ 125,369 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ 4,507,620 | $ 4,565,239 | $ 4,440,696 | $ 124,543 |
| Emergency operations center | 228,706 | 228,706 | 252,317 | (23,611) |
| Total law enforcement and traffic control | $ 4,736,326 | $ 4,793,945 | $ 4,693,013 | $ 100,932 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Public safety: (Continued) | | | | |
| Fire and rescue services: | | | | |
| Volunteer fire and rescue squads | $ 1,988,902 | $ 1,988,902 | $ 1,992,836 | $ (3,934) |
| Radio system | 504,393 | 509,293 | 490,584 | 18,709 |
| State forestry service | 8,039 | 8,039 | 8,040 | (1) |
| Office of emergency services | 160,668 | 176,380 | 150,203 | 26,177 |
| Total fire and rescue services | $ 2,662,002 | $ 2,682,614 | $ 2,641,663 | $ 40,951 |
| Correction and detention: | | | | |
| County operated institutions | $ 2,515,657 | $ 2,513,657 | $ 2,572,574 | $ (58,917) |
| Probation & pretrial | 411,304 | 413,254 | 406,250 | 7,004 |
| Total correction and detention | $ 2,926,961 | $ 2,926,911 | $ 2,978,824 | $ (51,913) |
| Inspections: | | | | |
| Building | $ 896,071 | $ 896,071 | $ 749,693 | $ 146,378 |
| Total inspections | $ 896,071 | $ 896,071 | $ 749,693 | $ 146,378 |
| Other protection: | | | | |
| Animal control | $ 332,416 | $ 332,416 | $ 325,305 | $ 7,111 |
| Medical examiner | 200 | 200 | 80 | 120 |
| Total other protection | $ 332,616 | $ 332,616 | $ 325,385 | $ 7,231 |
| Total public safety | $ 11,553,976 | $ 11,632,157 | $ 11,388,578 | $ 243,579 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| General engineering | $ 332,601 | $ 332,601 | $ 334,199 | $ (1,598) |
| Total maintenance of highways, streets, bridges & sidewalks | $ 332,601 | $ 332,601 | $ 334,199 | $ (1,598) |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | $ 14,700 | $ 16,900 | $ 15,814 | $ 1,086 |
| Total sanitation and waste removal | $ 14,700 | $ 16,900 | $ 15,814 | $ 1,086 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | $ 1,867,451 | $ 1,869,246 | $ 1,769,343 | $ 99,903 |
| Total maintenance of general buildings and grounds | $ 1,867,451 | $ 1,869,246 | $ 1,769,343 | $ 99,903 |
| Total public works | $ 2,214,752 | $ 2,218,747 | $ 2,119,356 | $ 99,391 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | $ 482,114 | $ 486,844 | $ 486,844 | $ - |
| Mosquito control | 95,602 | 95,602 | 92,675 | 2,927 |
| Total health | $ 577,716 | $ 582,446 | $ 579,519 | $ 2,927 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Health and welfare: (Continued) | | | | |
| Mental health and mental retardation: | | | | |
| Community services board | $ 113,455 | $ 113,455 | $ 113,455 | $ - |
| Total mental health and mental retardation | $ 113,455 | $ 113,455 | $ 113,455 | $ - |
| Total health and welfare | $ 691,171 | $ 695,901 | $ 692,974 | $ 2,927 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to community colleges | $ 12,648 | $ 12,648 | $ 12,127 | $ 521 |
| Contribution to community education | 519,209 | 519,209 | 491,272 | 27,937 |
| Cable services | 41,660 | 41,660 | 15,313 | 26,347 |
| Contribution to County School Board | 22,264,105 | 22,373,163 | 22,258,365 | 114,798 |
| Total education | $ 22,837,622 | $ 22,946,680 | $ 22,777,077 | $ 169,603 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation centers and playgrounds | $ 813,602 | $ 819,584 | $ 788,884 | $ 30,700 |
| Beaverdam reservoir park | 198,250 | 213,400 | 208,008 | 5,392 |
| Total parks and recreation | $ 1,011,852 | $ 1,032,984 | $ 996,892 | $ 36,092 |
| Cultural enrichment: | | | | |
| Daffodil festival | $ 51,515 | $ 51,515 | $ 39,487 | $ 12,028 |
| Historical committee | 55,574 | 55,574 | 51,558 | 4,016 |
| Total cultural enrichment | $ 107,089 | $ 107,089 | $ 91,045 | $ 16,044 |
| Library: | | | | |
| Contribution to county library | $ 996,860 | $ 996,860 | $ 979,515 | $ 17,345 |
| Total library | $ 996,860 | $ 996,860 | $ 979,515 | $ 17,345 |
| Total parks, recreation, and cultural | $ 2,115,801 | $ 2,136,933 | $ 2,067,452 | $ 69,481 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | $ 409,578 | $ 410,928 | $ 362,430 | $ 48,498 |
| Tourism | 117,092 | 117,084 | 84,522 | 32,562 |
| Economic development | 213,251 | 349,160 | 350,379 | (1,219) |
| Total planning and community development | $ 739,921 | $ 877,172 | $ 797,331 | $ 79,841 |
| Environmental management: | | | | |
| Clean community program | $ 28,012 | $ 28,412 | $ 19,744 | $ 8,668 |
| Total environmental management | $ 28,012 | $ 28,412 | $ 19,744 | $ 8,668 |
| Cooperative extension program: | | | | |
| Extension office | $ 88,656 | $ 88,656 | $ 84,369 | $ 4,287 |
| Total cooperative extension program | $ 88,656 | $ 88,656 | $ 84,369 | $ 4,287 |
| Total community development | $ 856,589 | $ 994,240 | $ 901,444 | $ 92,796 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Nondepartmental: | | | | |
| Contributions to civic organizations | $ 325,995 | $ 325,995 | $ 312,185 | $ 13,810 |
| Total General Fund | $ 47,839,988 | $ 48,054,961 | $ 46,920,917 | $ 1,134,044 |
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Welfare administration | $ 2,279,382 | $ 2,077,712 | $ 2,037,824 | $ 39,888 |
| Public assistance | 753,000 | 976,000 | 959,778 | 16,222 |
| Purchased services | 62,000 | 39,000 | 34,833 | 4,167 |
| Grants | 5,650 | 7,320 | 5,908 | 1,412 |
| Board of public welfare | 4,612 | 4,612 | 4,606 | 6 |
| Total welfare and social services | $ 3,104,644 | $ 3,104,644 | $ 3,042,949 | $ 61,695 |
| Total health and welfare | $ 3,104,644 | $ 3,104,644 | $ 3,042,949 | $ 61,695 |
| Total Virginia Public Assistance Fund | $ 3,104,644 | $ 3,104,644 | $ 3,042,949 | $ 61,695 |
| **Comprehensive Services Act Fund:** | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Comprehensive services act | $ 1,503,000 | $ 1,503,000 | $ 1,264,121 | $ 238,879 |
| Total Comprehensive Services Act Fund | $ 1,503,000 | $ 1,503,000 | $ 1,264,121 | $ 238,879 |
| **Debt Service Fund:** | | | | |
| Debt service: | | | | |
| Principal retirement | $ 3,141,033 | $ 3,141,033 | $ 3,141,033 | $ - |
| Interest and other fiscal charges | 1,569,669 | 1,704,702 | 1,695,351 | 9,351 |
| Principal retirement-School Leases | 65,736 | 65,736 | 65,736 | - |
| Interest and other fiscal charges-Schools Leases | 12,048 | 12,048 | 12,048 | - |
| Total Debt Service Fund | $ 4,788,486 | $ 4,923,519 | $ 4,914,168 | $ 9,351 |
| **Capital Projects Funds:** | | | | |
| **County Capital Improvements Fund:** | | | | |
| Capital projects expenditures: | | | | |
| County capital assets | $ 1,571,515 | $ 4,695,523 | $ 2,002,112 | $ 2,693,411 |
| Equipment and vehicles | 483,600 | 485,250 | 479,290 | 5,960 |
| School capital assets | 422,400 | 3,279,225 | 1,015,654 | 2,263,571 |
| Total capital projects | $ 2,477,515 | $ 8,459,998 | $ 3,497,056 | $ 4,962,942 |
| Total County Capital Improvements Fund | $ 2,477,515 | $ 8,459,998 | $ 3,497,056 | $ 4,962,942 |
| **School Construction Fund:** | | | | |
| Capital projects expenditures: | | | | |
| Page Middle School | $ 9,500,000 | $ 9,500,000 | $ 2,328,623 | $ 7,171,377 |
| Total School Construction Fund | $ 9,500,000 | $ 9,500,000 | $ 2,328,623 | $ 7,171,377 |
| Total Primary Government | $ 69,213,633 | $ 75,546,122 | $ 61,967,834 | $ 13,578,288 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2013 (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 | $ 37,599,165 | $ 37,604,549 | $ 37,521,900 | $ 82,649 |
| Total instruction costs | 37,599,165 | 37,604,549 | 37,521,900 | 82,649 |
| Administration, and Attendance and Health: | | | | |
| School board | $ 151,723 | $ 151,723 | $ 139,559 | $ 12,164 |
| Other administration | 2,217,702 | 2,217,702 | 2,136,623 | 81,079 |
| Total administration of schools | $ 2,369,425 | $ 2,369,425 | $ 2,276,182 | $ 93,243 |
| Pupil transportation: | | | | |
| Pupil transportation | $ 4,035,961 | $ 4,035,962 | $ 4,035,748 | $ 214 |
| Total pupil transportation | $ 4,035,961 | $ 4,035,962 | $ 4,035,748 | $ 214 |
| Operating and maintenance costs: | | | | |
| Operation and maintenance | $ 5,856,500 | $ 5,960,173 | $ 5,749,978 | $ 210,195 |
| Total operating costs | $ 5,856,500 | $ 5,960,173 | $ 5,749,978 | $ 210,195 |
| Technology: | | | | |
| Technology | $ 2,567,438 | $ 2,567,438 | $ 2,495,622 | $ 71,816 |
| Total technology | $ 2,567,438 | $ 2,567,438 | $ 2,495,622 | $ 71,816 |
| Total education | $ 52,428,489 | $ 52,537,547 | $ 52,079,430 | $ 458,117 |
| Total School Operating Fund | $ 52,428,489 | $ 52,537,547 | $ 52,079,430 | $ 458,117 |
| **School Cafeteria Fund:** | | | | |
| Education: | | | | |
| School food services: | | | | |
| Administration of school food program | $ 2,324,618 | $ 2,324,618 | $ 2,145,257 | $ 179,361 |
| USDA commodities | - | - | 155,848 | (155,848) |
| Total school food services | $ 2,324,618 | $ 2,324,618 | $ 2,301,105 | $ 23,513 |
| Total education | $ 2,324,618 | $ 2,324,618 | $ 2,301,105 | $ 23,513 |
| Total School Cafeteria Fund | $ 2,324,618 | $ 2,324,618 | $ 2,301,105 | $ 23,513 |
| Total Discretely Presented Component Unit - School Board | $ 54,753,107 | $ 54,862,165 | $ 54,380,535 | $ 481,630 |

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## Statistical Section

| Contents | Tables |
|---|---|
| Financial Trends<br>These tables contain trend information to help the reader understand how the County's financial performance and well being have changed over time. | 1-4 |
| Revenue Capacity<br>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<br>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<br>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<br>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)*

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Net investment in capital assets | $ 13,292,660 | $ 15,463,123 | $ 13,656,652 | $ 12,177,861 | $ 9,990,778 |
| Restricted | - | - | - | - | - |
| Unrestricted | 31,083,034 | 26,438,615 | 20,720,020 | 16,694,480 | 15,820,860 |
| Total governmental activities net postion | $ 44,375,694 | $ 41,901,738 | $ 34,376,672 | $ 28,872,341 | $ 25,811,638 |
| | | | | | |
| Business-type activities | | | | | |
| Net investment in capital assets | $ 4,461,919 | $ 6,470,887 | $ 9,328,625 | $ 7,299,353 | $ 6,653,014 |
| Restricted | 4,720,154 | 2,036,544 | 2,031,743 | 2,025,385 | 2,015,652 |
| Unrestricted | 4,956,253 | 4,654,757 | 1,733,605 | 2,177,368 | 2,575,848 |
| Total business-type activities net position | $ 14,138,326 | $ 13,162,188 | $ 13,093,973 | $ 11,502,106 | $ 11,244,514 |
| | | | | | |
| Primary government | | | | | |
| Net investment in capital assets | $ 17,754,579 | $ 21,934,010 | $ 22,985,277 | $ 19,477,214 | $ 16,643,792 |
| Restricted | 4,720,154 | 2,036,544 | 2,031,743 | 2,025,385 | 2,015,652 |
| Unrestricted | 36,039,287 | 31,093,372 | 22,453,625 | 18,871,848 | 18,396,708 |
| Total primary government net position | $ 58,514,020 | $ 55,063,926 | $ 47,470,645 | $ 40,374,447 | $ 37,056,152 |

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**

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | $ 6,263,692 | $ 8,637,111 | $ 6,392,933 | $ 7,027,169 | $ 5,429,820 |
| | - | - | 367,597 | 398,179 | 510,268 |
| | 21,316,656 | 19,609,128 | 21,155,013 | 22,429,995 | 20,952,949 |
| | $ 27,580,348 | $ 28,246,239 | $ 27,915,543 | $ 29,855,343 | $ 26,893,037 |
| | | | | | |
| | $ 6,500,868 | $ 6,421,570 | $ 3,676,016 | $ 2,018,698 | $ 492,739 |
| | - | - | - | - | - |
| | 3,192,808 | 2,047,347 | 756,386 | 1,584,243 | 3,028,317 |
| | $ 9,693,676 | $ 8,468,917 | $ 4,432,402 | $ 3,602,941 | $ 3,521,056 |
| | | | | | |
| | $ 12,764,560 | $ 15,058,681 | $ 10,068,949 | $ 9,045,867 | $ 5,922,559 |
| | - | - | 367,597 | 398,179 | 510,268 |
| | 24,509,464 | 21,656,475 | 21,911,399 | 24,014,238 | 23,981,266 |
| | $ 37,274,024 | $ 36,715,156 | $ 32,347,945 | $ 33,458,284 | $ 30,414,093 |

Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government administration | $ 5,465,093 | $ 4,420,563 | $ 4,526,232 | $ 4,654,227 | $ 4,868,825 |
| Judicial administration | 1,802,483 | 1,784,911 | 1,685,971 | 1,629,116 | 1,784,423 |
| Public safety | 12,943,310 | 12,376,310 | 10,660,881 | 10,652,290 | 10,900,401 |
| Public works | 2,218,227 | 2,496,814 | 2,097,050 | 1,929,966 | 1,955,625 |
| Health and welfare | 5,052,386 | 4,446,775 | 4,531,487 | 4,533,563 | 4,429,077 |
| Education | 25,586,345 | 24,339,028 | 24,091,981 | 22,357,066 | 27,072,029 |
| Parks, recreation, culture | 2,166,475 | 2,111,087 | 1,922,593 | 1,824,076 | 2,170,357 |
| Community development | 1,254,998 | 1,170,407 | 1,599,847 | 2,299,482 | 2,255,957 |
| Interest on long-term debt | 1,598,864 | 1,624,212 | 1,751,068 | 2,057,826 | 2,726,734 |
| Total governmental activities expenses | 58,088,181 | 54,770,107 | 52,867,110 | 51,937,612 | 58,163,428 |
| Business-type activities: | | | | | |
| Public utilities | 4,561,013 | 4,765,426 | 4,264,717 | 4,572,653 | 4,459,194 |
| Total business-type activities expenses | 4,561,013 | 4,765,426 | 4,264,717 | 4,572,653 | 4,459,194 |
| Total Primary government expenses | $ 62,649,194 | $ 59,535,533 | $ 57,131,827 | $ 56,510,265 | $ 62,622,622 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services | | | | | |
| General government administration | $ - | $ - | $ - | $ - | $ - |
| Judicial administration | 237,742 | 239,615 | 248,950 | 257,806 | 246,684 |
| Public safety | 364,823 | 356,342 | 297,524 | 332,743 | 476,364 |
| Public works | 197,204 | 134,654 | 149,214 | 256,838 | 387,726 |
| Education | - | 290 | 311 | 555 | 152 |
| Parks, recreation, culture | 293,796 | 310,646 | 351,840 | 341,498 | 355,746 |
| Community development | 59,655 | 57,913 | 18,895 | 33,309 | 28,013 |
| Operating grants and contributions | 7,634,001 | 7,417,709 | 7,130,907 | 7,275,332 | 8,963,448 |
| Capital grants and contributions | 1,108,506 | 5,391,436 | 4,703,030 | 1,382,366 | 978,111 |
| Total governmental activities program revenues | $ 9,895,727 | $ 13,908,605 | $ 12,900,671 | $ 9,880,447 | $ 11,436,244 |
| Business-type activities: | | | | | |
| Charges for services | $ 4,375,188 | $ 4,216,540 | $ 4,212,115 | $ 3,984,395 | $ 3,155,016 |
| Operating grants and contributions | - | - | - | 188,300 | 407,040 |
| Capital grants and contributions | 537,710 | - | 1,007,300 | - | 1,548,183 |
| Total business-type activities program revenues | 4,912,898 | 4,216,540 | 5,219,415 | 4,172,695 | 5,110,239 |
| Total primary government program revenue | $ 14,808,625 | $ 18,125,145 | $ 18,120,086 | $ 14,053,142 | $ 16,546,483 |
| Net(Expense)/Revenue | | | | | |
| Governmental activities | $ (48,192,454) | $ (40,861,502) | $ (39,966,439) | $ (42,057,165) | $ (46,727,184) |
| Business-type activities | 351,885 | (548,886) | 954,698 | (399,958) | 651,045 |
| Total primary government net expense | $ (47,840,569) | $ (41,410,388) | $ (39,011,741) | $ (42,457,123) | $ (46,076,139) |

| 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| $ 5,059,027 | $ 4,385,731 | $ 4,361,409 | $ 3,847,340 | $ 3,514,851 |
| 1,789,176 | 1,498,764 | 1,437,573 | 1,394,318 | 1,354,943 |
| 11,897,730 | 10,480,141 | 9,293,694 | 8,505,036 | 8,842,271 |
| 1,991,262 | 2,032,499 | 1,676,331 | 1,469,138 | 1,453,010 |
| 4,065,857 | 3,953,184 | 3,728,909 | 3,800,505 | 3,411,223 |
| 24,969,859 | 23,035,692 | 24,779,632 | 20,447,731 | 19,006,986 |
| 2,015,572 | 1,898,798 | 1,883,177 | 1,508,612 | 2,719,637 |
| 2,780,816 | 1,534,243 | 1,027,936 | 1,129,146 | 1,245,316 |
| 1,754,490 | 1,559,087 | 1,611,850 | 1,694,134 | 1,986,667 |
| 56,323,789 | 50,378,139 | 49,800,511 | 43,795,960 | 43,534,904 |
| 4,223,756 | 3,963,709 | 3,864,376 | 3,775,728 | 3,781,079 |
| 4,223,756 | 3,963,709 | 3,864,376 | 3,775,728 | 3,781,079 |
| $ 60,547,545 | $ 54,341,848 | $ 53,664,887 | $ 47,571,688 | $ 47,315,983 |
| $ - | $ - | $ 19,708 | $ 14,787 | $ - |
| 336,565 | 317,029 | 310,705 | 300,909 | 104,569 |
| 544,106 | 51,673 | 43,548 | 381,615 | 506,593 |
| 390,002 | 378,457 | 372,641 | 485,569 | 453,178 |
| 1,676 | 1,584 | 1,967 | - | - |
| 362,618 | 321,156 | 356,987 | 308,486 | 289,514 |
| 27,180 | 579,845 | 439,566 | 17,169 | 27,464 |
| 7,595,236 | 7,314,692 | 6,825,175 | 6,905,210 | 6,892,182 |
| 1,948,761 | 1,069,233 | 1,086,133 | 208,270 | 657,824 |
| $ 11,206,144 | $ 10,033,669 | $ 9,456,430 | $ 8,622,015 | $ 8,931,324 |
| $ 3,332,589 | $ 3,072,172 | $ 3,312,253 | $ 2,800,738 | $ 2,776,662 |
| 1,058,499 | 705,200 | 26,943 | - | - |
| - | 3,036,901 | 214,190 | - | - |
| 4,391,088 | 6,814,273 | 3,553,386 | 2,800,738 | 2,776,662 |
| $ 15,597,232 | $ 16,847,942 | $ 13,009,816 | $ 11,422,753 | $ 11,707,986 |
| $ (45,117,645) | $ (40,344,470) | $ (40,344,081) | $ (35,173,945) | $ (34,603,580) |
| 167,332 | 2,850,564 | (310,990) | (974,990) | (1,004,417) |
| $ (44,950,313) | $ (37,493,906) | $ (40,655,071) | $ (36,148,935) | $ (35,607,997) |

Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| General property taxes | $ 37,352,864 | $ 34,983,672 | $ 32,588,654 | $ 32,195,182 | $ 31,934,077 |
| Local sales and use tax | 3,777,448 | 3,729,207 | 3,537,751 | 3,547,316 | 3,622,137 |
| Communication sales tax (1) | - | - | - | 1,258,546 | 1,267,909 |
| Consumer utility tax | 702,582 | 699,428 | 700,959 | 698,238 | 695,930 |
| Business license taxes | 1,504,047 | 1,516,103 | 1,446,819 | 1,384,024 | 1,436,852 |
| Restaurant food taxes | 1,857,427 | 1,789,149 | 1,669,468 | 1,632,857 | 1,616,050 |
| Other local taxes | 947,651 | 779,100 | 833,117 | 1,206,722 | 1,229,135 |
| Unrestricted revenues from use of money and property | 177,210 | 154,387 | 159,151 | 203,980 | 273,362 |
| Miscellaneous | 664,749 | 672,476 | 516,200 | 477,007 | 543,271 |
| Grants and contributions not restricted to specific programs | 4,559,150 | 4,543,046 | 4,518,651 | 3,013,996 | 3,019,751 |
| Loss on disposal of capital assets | - | | | | |
| Transfers | (673,758) | (480,000) | (500,000) | (500,000) | (680,000) |
| Total governmental activities | $ 50,869,370 | $ 48,386,568 | $ 45,470,770 | $ 45,117,868 | $ 44,958,474 |
| Business-type activities: | | | | | |
| General property taxes | $ 39,313 | $ 38,705 | $ 38,638 | $ 37,470 | $ 36,179 |
| Unrestricted revenues from use of money and property | 112,266 | 98,396 | 98,531 | 120,080 | 183,614 |
| Transfers | 673,758 | 480,000 | 500,000 | 500,000 | 680,000 |
| Total business-type activities | $ 825,337 | $ 617,101 | $ 637,169 | $ 657,550 | $ 899,793 |
| Total primary government | $ 51,694,707 | $ 49,003,669 | $ 46,107,939 | $ 45,775,418 | $ 45,858,267 |
| Change in Net Position | | | | | |
| Governmental activities | $ 2,676,916 | $ 7,525,066 | $ 5,504,331 | $ 3,060,703 | $ (1,768,710) |
| Business-type activities | 1,177,222 | 68,215 | 1,591,867 | 257,592 | 1,550,838 |
| Total primary government | $ 3,854,138 | $ 7,593,281 | $ 7,096,198 | $ 3,318,295 | $ (217,872) |

(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.

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | $ 30,064,891 | $ 27,475,955 | $ 23,039,459 | $ 25,460,056 | $ 26,844,694 |
| | 3,944,337 | 3,913,265 | 3,774,673 | 3,556,343 | - |
| | 1,453,787 | 607,676 | - | - | - |
| | 686,877 | 1,217,097 | 1,744,135 | 1,790,229 | - |
| | 1,569,709 | 1,518,015 | 1,403,834 | - | - |
| | 1,660,639 | 1,576,236 | 1,310,000 | - | - |
| | 1,322,440 | 1,523,777 | 2,001,784 | 4,804,057 | 9,429,641 |
| | 951,284 | 1,318,342 | 668,054 | 440,890 | 221,448 |
| | 583,074 | 719,956 | 853,784 | 213,490 | 1,375,249 |
| | 3,014,716 | 1,727,129 | 4,508,558 | 2,769,484 | 2,906,969 |
| | - | (22,282) | - | - | - |
| | (800,000) | (900,000) | (900,000) | (897,298) | (700,000) |
| | $ 44,451,754 | $ 40,675,166 | $ 38,404,281 | $ 38,137,251 | $ 40,078,001 |
| | $ 36,222 | $ 36,441 | $ 37,861 | $ 41,988 | $ 43,111 |
| | 221,205 | 249,510 | 202,590 | 117,589 | 36,393 |
| | 800,000 | 900,000 | 900,000 | 897,298 | 700,000 |
| | $ 1,057,427 | $ 1,185,951 | $ 1,140,451 | $ 1,056,875 | $ 779,504 |
| | $ 45,509,181 | $ 41,861,117 | $ 39,544,732 | $ 39,194,126 | $ 40,857,505 |
| | $ (665,891) | $ 330,696 | $ (1,939,800) | $ 2,963,306 | $ 5,474,421 |
| | 1,224,759 | 4,036,515 | 829,461 | 81,885 | (224,913) |
| | $ 558,868 | $ 4,367,211 | $ (1,110,339) | $ 3,045,191 | $ 5,249,508 |

**COUNTY OF GLOUCESTER, VIRGINIA**

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Reserved | $ - | $ - | $ - | $ 149,442 | $ 238,285 |
| Unreserved | - | - | - | 14,334,402 | 12,622,904 |
| Nonspendable | 51,122 | 52,204 | 50,598 | - | - |
| Restricted | 141,989 | 128,885 | 132,450 | - | - |
| Committed | 1,024,155 | 921,746 | 799,389 | - | - |
| Unassigned | 16,960,462 | 15,321,565 | 14,967,748 | - | - |
| Total General Fund | $ 18,177,728 | $ 16,424,400 | $ 15,950,185 | $ 14,483,844 | $ 12,861,189 |
| | | | | | |
| All Other Governmental Funds | | | | | |
| Reserved | $ - | $ - | $ - | $ 19,000 | $ 19,000 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | - | - | - | - | - |
| Debt service funds | - | - | - | - | 808 |
| Capital projects funds | - | - | - | 2,810,371 | 3,678,708 |
| Restricted | 19,000 | 19,000 | 19,000 | - | - |
| Committed | 13,398,162 | 9,840,182 | 5,225,558 | - | - |
| Assigned | 244,485 | 239,297 | - | - | - |
| Total all other governmental funds | $ 13,661,647 | $ 10,098,479 | $ 5,244,558 | $ 2,829,371 | $ 3,698,516 |

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**

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | $ 495,576 | $ 500,502 | $ 556,862 | $ 398,179 | $ 510,268 |
| | 13,140,232 | 12,994,355 | 15,953,192 | 15,503,657 | 17,620,647 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | $ 13,635,808 | $ 13,494,857 | $ 16,510,054 | $ 15,901,836 | $ 18,130,915 |
| | | | | | |
| | $ 2,389,898 | $ 6,150,997 | $ - | $ - | $ - |
| | - | - | 63,974 | 63,974 | 169,644 |
| | 649 | 801 | 75,116 | 24,165 | 488 |
| | 5,466,719 | 6,585,325 | 3,847,743 | 4,032,730 | 8,167,302 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | $ 7,857,266 | $ 12,737,123 | $ 3,986,833 | $ 4,120,869 | $ 8,337,434 |

**COUNTY OF GLOUCESTER, VIRGINIA**

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

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| General property taxes | $ 37,534,509 | $ 34,600,348 | $ 32,277,667 | $ 31,916,749 |
| Other local taxes | 8,789,155 | 8,512,987 | 8,188,114 | 9,727,703 |
| Permits, privilege fees, and regulatory licenses | 307,747 | 318,074 | 262,490 | 285,060 |
| Fines and forfeitures | 108,507 | 114,403 | 87,571 | 120,804 |
| Revenue from the use of money and property | 177,210 | 154,387 | 159,151 | 203,980 |
| Charges for services | 736,966 | 666,983 | 716,673 | 816,885 |
| Miscellaneous | 664,749 | 672,476 | 516,200 | 477,007 |
| Recovered costs | 337,904 | 312,995 | 306,934 | 360,700 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 10,781,890 | 10,422,899 | 10,517,539 | 9,033,241 |
| Federal | 2,385,926 | 2,242,337 | 2,041,209 | 2,638,453 |
| Total revenues | $ 61,824,563 | $ 58,017,889 | $ 55,073,548 | $ 55,580,582 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 5,027,276 | $ 4,580,732 | $ 4,391,984 | $ 4,796,836 |
| Judicial administration | 1,634,575 | 1,644,976 | 1,511,513 | 1,473,565 |
| Public safety | 11,388,578 | 10,548,498 | 10,237,522 | 10,430,536 |
| Public works | 2,119,356 | 2,021,420 | 1,879,012 | 1,866,165 |
| Health and welfare | 5,000,044 | 4,424,273 | 4,487,974 | 4,482,064 |
| Education | 22,777,077 | 20,419,880 | 20,969,964 | 20,323,168 |
| Parks, recreation, and cultural | 2,067,452 | 1,959,087 | 1,834,819 | 1,857,339 |
| Community development | 901,444 | 746,246 | 731,327 | 728,581 |
| Nondepartmental | 312,185 | 325,145 | 263,170 | 272,035 |
| Capital projects | 5,825,679 | 5,540,772 | 2,925,484 | 2,698,567 |
| Debt service: | | | | |
| Principal retirement | 3,141,033 | 3,201,337 | 3,394,093 | 3,385,644 |
| Interest and other fiscal charges | 1,695,351 | 1,702,835 | 1,858,998 | 2,012,572 |
| Principal retirement-School leases | 65,736 | 263,189 | - | - |
| Interest and other fiscal charges-School | 12,048 | 18,318 | - | - |
| Total expenditures | $ 61,967,834 | $ 57,396,708 | $ 54,485,860 | $ 54,327,072 |
| Excess (deficiency) of revenues over (under) expenditures | $ (143,271) | $ 621,181 | $ 587,688 | $ 1,253,510 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 7,758,145 | $ 10,042,633 | $ 6,671,343 | $ 6,578,300 |
| Transfers out | (8,431,903) | (10,522,633) | (7,171,343) | (7,078,300) |
| Issuance of general obligation bonds | 5,999,684 | 500,000 | - | - |
| Proceeds from bond issuance premium | - | - | - | - |
| Issuance of capital leases | - | - | - | - |
| Insurance recovery | 133,841 | 4,686,955 | 3,793,840 | - |
| Advance refunding of bonds | - | - | - | - |
| Refunding of capital lease | - | - | - | - |
| Total other financing sources (uses) | $ 5,459,767 | $ 4,706,955 | $ 3,293,840 | $ (500,000) |
| Net change in fund balances | $ 5,316,496 | $ 5,328,136 | $ 3,881,528 | $ 753,510 |
| Fund balances - beginning | 26,522,879 | 21,194,743 | 17,313,215 | 16,559,705 |
| Fund balances - ending | $ 31,839,375 | $ 26,522,879 | $ 21,194,743 | $ 17,313,215 |
| Debt Service as a percentage of noncapital expenditures | 8.57% | 9.53% | 9.84% | 10.26% |

N/A - This information was unavailable.

**Table 4**

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 32,090,454 | $ 29,677,158 | $ 27,371,520 | $ 26,432,859 | $ 25,361,237 | $ 24,578,024 |
| 9,868,013 | 10,637,789 | 10,356,066 | 10,234,426 | 10,150,629 | 9,429,641 |
| 421,907 | 505,444 | 561,291 | 442,365 | 358,550 | 325,348 |
| 94,148 | 111,970 | 90,068 | 99,699 | 124,446 | 94,788 |
| 273,362 | 909,595 | 1,296,199 | 645,911 | 418,748 | 206,686 |
| 978,630 | 1,044,733 | 998,385 | 1,003,058 | 1,025,539 | 961,182 |
| 543,271 | 583,074 | 719,956 | 853,784 | 213,490 | 1,375,249 |
| 413,418 | 300,414 | 242,889 | 224,721 | 187,266 | 235,694 |
| | | | | | |
| 9,927,995 | 9,467,389 | 8,822,084 | 8,287,161 | 7,513,836 | 7,561,900 |
| 2,940,280 | 3,091,324 | 2,678,290 | 2,743,385 | 2,368,128 | 2,895,075 |
| $ 57,551,478 | $ 56,328,890 | $ 53,136,748 | $ 50,967,369 | $ 47,721,869 | $ 47,663,587 |
| | | | | | |
| $ 4,766,294 | $ 4,744,278 | $ 4,292,566 | $ 4,114,209 | $ 3,716,011 | $ 3,252,076 |
| 1,619,429 | 1,616,046 | 1,311,561 | 1,256,090 | 1,188,720 | 1,134,736 |
| 10,622,469 | 10,657,869 | 10,124,699 | 8,832,107 | 8,495,083 | 8,652,538 |
| 1,873,556 | 1,820,371 | 1,717,936 | 1,606,088 | 1,485,546 | 1,453,195 |
| 4,348,208 | 4,001,667 | 3,920,276 | 3,685,808 | 3,744,821 | 3,386,685 |
| 21,703,289 | 21,561,837 | 20,123,728 | 18,415,298 | 17,195,819 | 16,080,604 |
| 1,970,594 | 2,040,444 | 1,879,698 | 1,708,483 | 1,486,361 | 1,242,768 |
| 776,991 | 828,242 | 908,769 | 803,212 | 735,022 | 726,647 |
| 272,035 | 271,250 | 242,300 | 199,126 | 165,327 | 1,362,005 |
| 19,493,940 | 15,512,754 | 5,091,488 | 5,173,233 | 10,227,835 | 2,541,164 |
| | | | | | |
| 3,055,466 | 2,317,442 | 2,125,399 | 2,237,523 | 3,041,103 | 2,186,094 |
| 2,547,578 | 1,603,656 | 1,430,257 | 2,202,010 | 1,788,567 | 1,682,544 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| $ 73,049,849 | $ 66,975,856 | $ 53,168,677 | $ 50,233,187 | $ 53,270,215 | $ 43,701,056 |
| | | | | | |
| $ (15,498,371) | $ (10,646,966) | $ (31,929) | $ 734,182 | $ (5,548,346) | $ 3,962,531 |
| | | | | | |
| $ 7,891,873 | $ 6,288,819 | $ 10,171,364 | $ 8,122,258 | $ 11,187,176 | $ 4,629,367 |
| (8,571,873) | (7,088,819) | (11,071,364) | (9,022,258) | (12,084,474) | (5,329,367) |
| - | 6,364,713 | 6,505,000 | - | - | 7,525,000 |
| - | 343,349 | 162,022 | - | - | 442,852 |
| 11,245,000 | - | - | 8,205,000 | - | 1,589,921 |
| - | - | - | - | - | - |
| - | - | - | (7,565,000) | - | - |
| - | - | - | - | - | (1,589,921) |
| $ 10,565,000 | $ 5,908,062 | $ 5,767,022 | $ (260,000) | $ (897,298) | $ 7,267,852 |
| | | | | | |
| $ (4,933,371) | $ (4,738,904) | $ 5,735,093 | $ 474,182 | $ (6,445,644) | $ 11,230,383 |
| 21,493,076 | 26,231,980 | 20,496,887 | 20,022,705 | 26,468,349 | 15,237,966 |
| $ 16,559,705 | $ 21,493,076 | $ 26,231,980 | $ 20,496,887 | $ 20,022,705 | $ 26,468,349 |
| | | | | | |
| 9.88% | 6.76% | 6.90% | n/a | n/a | n/a |

Principal Property Tax Payers
Current Year and Nine Years Ago

| Taxpayer | 2013 Taxable Assessed Value | 2013 Percentage of Total County Taxable Assessed Value | 2004 Taxable Assessed Value | 2004 Percentage of Total County Taxable Assessed Value |
|---|---|---|---|---|
| Evergreen Development Co. LLC | $ 25,674,400 | 0.61 % | $ 12,343,200 | 0.59 % |
| Wal-Mart Real Estate Business Trust | 13,599,900 | 0.32 | 11,454,800 | 0.55 |
| York River Crossing Assoc., LLC | 12,444,900 | 0.30 | 8,169,600 | 0.39 |
| Lowe's Home Center, Inc. | 8,446,000 | 0.20 | 6,853,600 | 0.33 |
| Gloucester Medical Arts I, LLC | 8,181,200 | 0.20 | | |
| Horn Harbor Nursing Home Inc. | 7,188,600 | 0.17 | 4,998,800 | 0.24 |
| Nam Duc Vu & Hoa Anh Tran | 6,323,900 | 0.15 | | |
| Thousand Trail, Inc. | 5,522,100 | 0.13 | | |
| GH2, LLC | 5,493,500 | 0.13 | | |
| E. Clairborne Robins, Jr. | 5,415,400 | 0.13 | 4,634,100 | 0.22 |
| Waste Management Disposal Services | | | 5,752,300 | 0.27 |
| Butler Inv I, II, III | | | 5,028,200 | 0.24 |
| Retail Trust III | | | 4,459,600 | 0.21 |
| Newport News General & Non-Sectarian Hospital | | | 4,321,100 | 0.21 |
| | $ 98,289,900 | 2.34 % | $ 68,015,300 | 3.25 % |

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) | Adjust- ments | 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 |
| 2004 | $ 19,067,303 | $ (7,440) | $ 19,059,863 | $ 18,502,834 | 97.04% | $ 555,489 | $ 19,058,323 | 99.99% |
| 2005 | 19,480,506 | (1,926) | 19,478,580 | 18,931,208 | 97.18% | 545,746 | 19,476,954 | 99.99% |
| 2006 | 20,261,412 | 1,497 | 20,262,909 | 19,792,078 | 97.68% | 468,620 | 20,260,698 | 99.99% |
| 2007 | 21,213,981 | 51,640 | 21,265,621 | 20,665,168 | 97.41% | 596,510 | 21,261,678 | 99.98% |
| 2008 | 22,593,114 | 32,495 | 22,625,609 | 21,946,260 | 97.14% | 673,498 | 22,619,758 | 99.97% |
| 2009 | 23,972,690 | 29,686 | 24,002,376 | 23,326,961 | 97.31% | 662,826 | 23,989,787 | 99.95% |
| 2010 | 24,014,793 | 13,346 | 24,028,139 | 23,210,366 | 96.65% | 783,526 | 23,993,892 | 99.86% |
| 2011 | 23,809,339 | 12,137 | 23,821,476 | 23,017,397 | 96.67% | 719,814 | 23,737,211 | 99.65% |
| 2012 | 25,336,144 | 16,015 | 25,352,159 | 24,405,721 | 96.33% | 672,752 | 25,078,473 | 98.92% |
| 2013 | 26,903,346 | - | 26,903,346 | 26,076,913 | 96.93% | - | 26,076,913 | 96.93% |

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 |
|---|---|---|---|---|---|---|
| 2004 | $ 1,642,818 | $ 240,989 | $ 208,335 | $ 1,883,807 | $ 0.95 | $ 2,143,254 |
| 2005 | 1,675,829 | 251,481 | 208,729 | 1,927,310 | 0.95 | 2,972,313 |
| 2006 | 3,169,771 | 376,354 | 261,229 | 3,546,125 | 0.57 | 3,546,125 |
| 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 |

Source: Commissioner of Revenue Department

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

| Calendar Year Ended | Personal Property (1) | Machinery & Tools (1) | Boats (1) | Public Service (2) | Total |
|---|---|---|---|---|---|
| 2007 | $ 364,005,822 | $ 4,332,843 | $ 40,172,800 | $ 73,661,901 | $ 482,173,366 |
| 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 |

(1) Source: Commissioner of Revenue
(2) Property assessments performed by the State Corporation Commission and includes real estate
(3) Only seven years of information are available.

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

| | Governmental Activities | | | Business Type Activities | | | | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **General Obligation Bonds** | **State Literary Funds Loans** | **Capital Lease and Notes Payable** | **General Obligation Bonds** | **Revenue Bonds** | **Total Primary Government** | **Percentage of Personal Income** | **Per Capita** |
| 2004 | $ 14,683,090 | $ 6,703,520 | $ 11,689,935 | $ 222,838 | $ 29,696,963 | $ 62,996,346 | 5.96% | $ 1,770.26 |
| 2005 | 13,290,948 | 6,063,520 | 10,658,832 | 191,707 | 28,727,760 | 58,932,767 | 5.40% | 1,648.05 |
| 2006 | 12,068,805 | 5,423,520 | 10,600,324 | 158,983 | 26,252,784 | 54,504,416 | 4.60% | 1,498.98 |
| 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 | N/A | 1,559.52 |
| 2013 | 22,804,937 | 1,470,324 | 13,988,122 | - | 21,553,897 | 59,817,280 | N/A | N/A |

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

N/A - The information was unavailable.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

| | General Bonded Debt Outstanding General Obligation Bonds | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Governmental Activities | Business-type Activities | Total | Per Capita(a) | Percentage of Actual Taxable Value of Property (b) |
| 2004 | $ 14,683,090 | $ 222,838 | $ 14,905,928 | $ 422.49 | 0.70% |
| 2005 | 13,290,948 | 191,707 | 13,482,655 | 378.88 | 0.45% |
| 2006 | 12,068,805 | 158,983 | 12,227,788 | 341.95 | 0.34% |
| 2007 | 17,663,684 | 124,585 | 17,788,269 | 489.21 | 0.42% |
| 2008 | 23,125,057 | 91,502 | 23,216,559 | 641.29 | 0.54% |
| 2009 | 21,742,912 | 53,636 | 21,796,548 | 598.18 | 0.47% |
| 2010 | 20,343,490 | 10,465 | 20,353,955 | 553.46 | 0.49% |
| 2011 | 18,965,853 | - | 18,965,853 | 514.57 | 0.46% |
| 2012 | 18,089,833 | - | 18,089,833 | 489.09 | 0.43% |
| 2013 | 22,804,937 | - | 22,804,937 | 616.75 | 0.54% |

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

Pledged Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year | Utilities Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage |
|---|---|---|---|---|---|---|
| 2004 | $ 2,776,662 | $ 1,384,083 | $ 1,392,579 | $ 939,334 | $ 1,605,947 | 0.55 |
| 2005 | 2,800,738 | 1,450,247 | 1,350,491 | 1,000,334 | 1,548,278 | 0.53 |
| 2006 | 3,339,196 | 1,589,324 | 1,749,872 | 747,709 | 1,486,498 | 0.78 |
| 2007 | 3,072,172 | 1,710,994 | 1,361,178 | 633,749 | 1,384,845 | 0.67 |
| 2008 | 3,332,589 | 2,031,348 | 1,301,241 | 746,086 | 1,283,177 | 0.64 |
| 2009 | 3,155,016 | 2,334,014 | 821,002 | 1,508,273 | 1,199,560 | 0.30 |
| 2010 | 3,983,717 | 2,512,351 | 1,471,366 | 1,549,417 | 1,116,472 | 0.55 |
| 2011 | 3,992,815 | 2,262,613 | 1,730,202 | 1,553,840 | 1,045,582 | 0.67 |
| 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 |

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

Demographic and Economic Statistics
Last Ten Calendar Years

| Year | Population (1) | Personal Income (in thousands) (2) | Per Capita Personal Income | Unemployment Rate (3) | School Enrollment (4) |
|---|---|---|---|---|---|
| 2003 | 35,281 | $ 986,458 | $ 27,960 | 3.2 | 6,309 |
| 2004 | 35,586 | 1,057,181 | 29,708 | 3.0 | 6,147 |
| 2005 | 35,759 | 1,090,866 | 30,506 | 3.1 | 6,078 |
| 2006 | 36,361 | 1,185,316 | 32,599 | 2.6 | 6,000 |
| 2007 | 36,203 | 1,250,578 | 34,543 | 2.5 | 5,949 |
| 2008 | 36,438 | 1,364,129 | 37,437 | 3.5 | 5,910 |
| 2009 | 36,776 | 1,360,621 | 36,998 | 6.1 | 5,925 |
| 2010 | 36,858 | 1,379,324 | 37,423 | 6.4 | 5,860 |
| 2011 | 36,987 | 1,434,937 | 38,796 | 5.2 | 5,925 |
| 2012 | 36,976 | N/A | N/A | 5.5 | 5,650 |

Sources:
(1) Weldon Cooper Center for Public Service at the University of Virginia
(2) Bureau of Economic Analysis
(3) Virgninia Employment Commission
(4) Gloucester County Schools (Budget Document)
N/A - This information was unavailable.

Principal Employers
Current Year and Nine Years Ago

| Employer | 2013 Employees | 2013 Percentage of Total County Employment | 2004 Employees | 2004 Percentage of Total County Employment |
|---|---|---|---|---|
| Gloucester County Schools | 1,000+ | 10+ | 500 - 999 | 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 | 2.5 - 4.9 |
| Rappanannock Commuity College | 250 - 499 | 2.5 - 4.9 | | |
| York Convalescent Center | 100 - 249 | 1 - 2.4 | | |
| Lowes | 100 - 249 | 1 - 2.4 | 100 - 249 | 1 - 2.4 |
| Food Lion | 100 - 249 | 1 - 2.4 | | |
| The Home Depot | 100 - 249 | 1 - 2.4 | 100 - 249 | 1 - 2.4 |
| Industrial Resources Technologies | | | 100 - 249 | 1 - 2.4 |
| Dominion Virginia Power | | | 50 - 99 | Less than 1 |
| York River Yacht Haven | | | 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** | **2005** | **2004** |
| **General Government Administration** | | | | | | | | | | |
| Board of Supervisors | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Administration | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| County Attorney | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 1.5 | 1.5 | 3 |
| Human Resources | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 |
| Commission of Revenue | 7.5 | 7.5 | 7.5 | 8.5 | 9.5 | 9.5 | 9.5 | 9 | 10 | 9 |
| County Assessor | 6.5 | 6.5 | 6.5 | 6 | 6 | 6 | 4 | 4 | 2 | 2 |
| Treasurer | 9 | 9 | 9 | 10 | 10.5 | 10.5 | 10.5 | 10.5 | 10 | 9.5 |
| Finance | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Information Technology | 9 | 9 | 12.5 | 13 | 13 | 13 | 13 | 11.5 | 11.5 | 11.5 |
| GIS (included with IT until 2012) | 3.5 | 3.5 | | | | | | | | |
| Purchasing | 3 | 3 | 3 | 4 | 4 | 3.5 | 3.5 | 3 | 3 | 3 |
| VA Housing Dev. Authority | 0 | 0 | 0 | 2 | 2 | 2.5 | 2.5 | 2 | 2 | 2 |
| Registrar | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2 | 1.5 | 1.5 |
| **Judicial Administration** | | | | | | | | | | |
| Circuit Court Judge | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Clerk of Circuit Court | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6.5 | 6.5 | 6.5 |
| Victim Witness | 1.5 | 1.5 | 1.5 | 1.5 | 1 | 1 | 1 | 1 | 1 | 1 |
| Commonwealth Attorney | 7.5 | 7.5 | 8 | 8.5 | 8.5 | 8.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| **Public Safety** | | | | | | | | | | |
| Sheriff | 50 | 50 | 48 | 49 | 53 | 53 | 53.5 | 53.5 | 89 | 85 |
| E-911 | 11.5 | 11.5 | 11.5 | 11.5 | 12 | 12 | 12 | 12 | 11 | 11 |
| Jail (included w/Sheriff until 2006) | 37 | 35 | 35.5 | 38 | 38 | 38 | 38.5 | 38.5 | 0 | 0 |
| Probation/Pretrial | 7 | 7 | 7.5 | 7.5 | 7.5 | 8 | 0 | 0 | 0 | 0 |
| Codes | 14 | 13 | 13 | 14 | 16 | 16 | 16 | 14 | 13.5 | 13.5 |
| Animal Control | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 |
| Emergency Services | 1.5 | 1.5 | 1.5 | 1.5 | 2.5 | 2.5 | 2.5 | 2 | 2 | 0 |
| **Public Works** | | | | | | | | | | |
| Engineering | 4 | 4 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| Buildings & Grounds | 28.5 | 28.5 | 28 | 28 | 29 | 28 | 28 | 28.5 | 27.5 | 27.5 |
| **Education** | | | | | | | | | | |
| Community Education | 7.5 | 7.5 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Cable Services | 0.5 | 0.5 | 0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0 | 0 |
| **Parks, Recreation & Cultural** | | | | | | | | | | |
| Parks & Recreation | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 7 | 6 | 6 |
| Beaverdam | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Historical | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Library | 12.5 | 12.5 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 |
| **Community Development** | | | | | | | | | | |
| Planning | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 4 |
| Economic Development | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Clean Community | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Tourism | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| VA Cooperative Extension | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3.5 |
| **Utilities** | 26 | 26 | 25 | 25.5 | 27.5 | 24 | 21.5 | 20.5 | 20.5 | 20.5 |
| **TOTAL** | 305.5 | 302.5 | 299 | 312 | 324.5 | 319.5 | 306 | 573.5 | 551.5 | 542.5 |

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Sheriff's Department (1) | | | | | |
| Reports taken | N/A | 38,414 | 37,076 | 36,219 | 31,434 |
| Civil processed record workload | N/A | 35,242 | 38,266 | 30,255 | 25,923 |
| Circuit court days | N/A | 164 | 168 | 180 | 213 |
| General district court days | N/A | 114 | 115 | 113 | 110 |
| Juvenile and domestic court days | N/A | 208 | 145 | 162 | 180 |
| Inmate average daily population | N/A | 84 | 74 | 77 | 82 |
| Parks, Recreation & Tourism (2) | | | | | |
| Number of Participants | 3,920 | 4,019 | 4,170 | 4,393 | 4,670 |
| Library (3) | | | | | |
| Material circulated | 179,320 | 216,787 | 229,986 | 241,379 | 227,053 |
| Library patrons | 29,295 | 31,769 | 32,786 | 36,284 | 33,132 |
| Water system (4) | | | | | |
| Number of customers | 4,588 | 4,565 | 4,523 | 4,499 | 4,470 |
| Average daily consumption | 888,090 | 927,970 | 898,890 | 886,783 | 987,400 |
| Annual consumption in gallons | 324,153,000 | 338,710,000 | 328,093,098 | 323,676,000 | 360,401,000 |

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

| 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| 35,954 | 3,166 | 3,229 | 3,045 | 3,045 |
| 23,771 | 21,907 | 11,257 | 7,887 | 9,457 |
| 215 | 140 | 145 | 156 | 174 |
| 114 | 110 | 116 | 106 | 113 |
| 188 | 153 | 156 | 149 | 166 |
| 84 | 89 | 79 | 82 | 86 |
| | | | | |
| 4,455 | 4,437 | 4,301 | 3,858 | 3,104 |
| | | | | |
| 210,797 | 196,633 | 186,519 | 178,469 | 121,688 |
| 31,444 | 29,133 | 19,584 | 18,089 | 15,019 |
| | | | | |
| 4,399 | 4,276 | 4,187 | 4,099 | 4,064 |
| 942,101 | 900,460 | 874,616 | 833,394 | 874,504 |
| 343,867,000 | 328,668,000 | 319,235,000 | 304,189,000 | 319,194,000 |

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

| | 2013 | | 2004 | |
|---|---|---|---|---|
| **Customer name** | **Monthly Average Water Usage (1)** | **Daily (1)** | **Monthly Average Water Usage (1)** | **Daily (1)** |
| V.I.M.S.-MRL | 413,000 | 13,767 | - | - |
| Riverside Walter Reed Hospital | 412,000 | 13,733 | 395,000 | 13,167 |
| Walter Reed Convalescent Center | 294,000 | 9,800 | 511,000 | 17,033 |
| Thalhimer | 293,000 | 9,767 | - | - |
| V.I.M.S.-Chesapeake Bay Hall | 287,000 | 9,567 | 410,000 | 13,667 |
| Riverside Wellness Center | 228,000 | 7,600 | 215,000 | 7,167 |
| Colonial Point Apartments | 215,000 | 7,167 | - | - |
| York River Yacht Haven | 196,000 | 6,533 | 433,000 | 14,433 |
| York River MHP | 186,000 | 6,200 | - | - |
| Gloucester County Jail | 182,000 | 6,067 | 277,000 | 9,233 |
| V.I.M.S.-Franklin Hall | - | - | 138,000 | 4,600 |
| U-Do-It Laundry | - | - | 194,000 | 6,467 |
| Wal-Mart | - | - | 313,000 | 10,433 |
| Sanders Nursing Home | - | - | 146,000 | 4,867 |

(1) Source - Gloucester County Utility Department

**COUNTY OF GLOUCESTER, VIRGINIA**

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Sheriff's Department (1) | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 33 | 33 | 34 | 27 | 27 |
| Jail | 1 | 1 | 1 | 1 | 1 |
| Mobil Command Center | 1 | 1 | 1 | 1 | 1 |
| Volunteer Fire and Rescue (2) | | | | | |
| Stations | 6 | 6 | 6 | 6 | 6 |
| Parks and recreation (3) | | | | | |
| Number of parks maintained | 8 | 8 | 8 | 8 | 8 |
| Park acreage owned by the County | 221 | 221 | 185 | 185 | 185 |
| Park acreage leased | 44 | 44 | 40 | 40 | 40 |
| Library (4) | | | | | |
| Number of libraries | 2 | 2 | 2 | 2 | 2 |
| Number of bookmobiles | 1 | 1 | 1 | 1 | 1 |
| Water system (5) | | | | | |
| Treatment capacity per day in gallons | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |

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

**Table 17**

| 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| 1 | 1 | 1 | 1 | 1 |
| 27 | 27 | 27 | 27 | 27 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | - |
| 6 | 6 | 6 | 6 | 6 |
| 8 | 8 | 8 | 8 | 8 |
| 185 | 185 | 185 | 185 | 185 |
| 40 | 40 | 40 | 40 | 40 |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |

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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*

**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, 2013, 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 November 15, 2013.

### 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
November 15, 2013

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

**To The Honorable Members of the Board of Supervisors**
**County of 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of 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, 2013.

## 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 15, 2013

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

| 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 | $ 19,160 |
| Temporary Assistance for Needy Families | 93.558 | 0400109/0400110 | 244,928 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500109/0500110 | 976 |
| Low-Income Home Energy Assistance | 93.568 | 0600409/0600410 | 21,248 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760109/0760110 | 36,570 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900109/0900110 | 1,408 |
| Foster Care - Title IV-E | 93.658 | 1100109/1100110 | 214,262 |
| Adoption Assistance | 93.659 | 1120109/1120110 | 83,629 |
| Social Services Block Grant | 93.667 | 1000109/1000110 | 209,660 |
| Chafee Foster Care Independence Program | 93.674 | 9150108-9150110 | 4,192 |
| Children's Health Insurance Program | 93.767 | 0540109/0540110 | 6,859 |
| Medical Assistance Program | 93.778 | 1200109/1200110 | 182,204 |
| Total Department of Health and Human Services-pass through | | | $ 1,025,096 |
| Total Department of Health and Human Services | | | $ 1,025,096 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Child Nutrition Cluster: | | | |
| Department of Education: | | | |
| School Breakfast Program | 10.553 | 1790100-40591 | $ 204,094 |
| Department of Agriculture: | | | |
| Food Distribution--School | 10.555 | N/A | 155,848 |
| Department of Education: | | | |
| National School Lunch Program | 10.555 | 1790100-40623 | 817,927 |
| | | | $ 973,775 |
| Department of Education: | | | |
| Department of Social Services: | | | |
| SNAP Cluster: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0040109/0040110<br>0010109/0010110 | 302,143 |
| Total Department of Agriculture | | | $ 1,480,012 |
| Department of Justice: | | | |
| Direct payments: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | $ 2,762 |
| Forfeited Assets | 16.xxx | N/A | 1,178 |
| | | | $ 3,940 |
| Pass Through Payments: | | | |
| Department of Criminal Justice Service: | | | |
| Violence Against Women Formula Grants | 16.588 | 3900100-46500 | $ 40,846 |
| Total Department of Justice | | | $ 44,786 |

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013 (Continued)

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | | Federal Expenditures |
|---|---|---|---|---|
| Department of Homeland Security: | | | | |
| Pass Through Payments: | | | | |
| Department of Emergency Management: | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 7760200-159 | $ | 23,648 |
| Emergency Management Performance Grants | 97.042 | 7750100-52749 | | 13,644 |
| Repetitive Flood Claims | 97.092 | RFC-2010-073-001 | | 158,447 |
| State Homeland Security Program | 97.073 | 7750100-52749 | | 16,829 |
| Hazard Mitigation Grant | 97.039 | 7760200-111,132 | | 644,384 |
| Total Department of Homeland Security | | | $ | 856,952 |
| Department of Transportation: | | | | |
| Pass Through Payments: | | | | |
| Department of Motor Vehicles: | | | | |
| State and Community Highway Safety | 20.600 | 6050700-53454 | $ | 2,121 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 6050700-53351 | | 3,002 |
| Alcohol Open Container Requirements | 20.607 | 6050700-50182,59195 | | 8,994 |
| Total Department of Transportation | | | $ | 14,117 |
| Department of the Navy: | | | | |
| Direct Payments: | | | | |
| ROTC | 12.xxx | N/A | $ | 86,866 |
| Department of Education: | | | | |
| Direct Payments: | | | | |
| Impact Aid | 84.041 | N/A | $ | 62,594 |
| Pass Through Payments: | | | | |
| Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1790100-42901-42999 | | 1,097,819 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | 1790100-43071-61234 | | 1,178,408 |
| Special Education - Preschool Grants | 84.173 | 1790100-82521 | | 33,904 |
| Career and Technical Education - Basic Grants to States | 84.048 | 1790100-61095 | | 77,543 |
| Improving Teacher Quality State Grants | 84.367 | 1790100-61480 | | 271,514 |
| ARRA - Education jobs fund | 84.410 | 1790100-62700 | | 349,704 |
| Total Department of Education | | | $ | 3,071,486 |
| Total Expenditures of Federal Awards | | | $ | 6,579,315 |

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, 2013

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, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

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 | $ | 200,729 |
| Debt Service Fund | | 142,831 |
| Special Revenue Funds: | | |
| Virginia Public Assistance Fund | | 1,166,348 |
| CSA Fund | | 73,188 |
| Capital Projects Funds: | | |
| County Capital Projects Fund | | 802,830 |
| Total primary government | $ | 2,385,926 |
| Component Unit School Board: | | |
| School Operating Fund | $ | 3,158,351 |
| School Cafeteria Fund | | 1,177,869 |
| Total component unit School Board | $ | 4,336,220 |
| Less: BABs federal interest rate subsidy | $ | (142,831) |
| Total federal expenditures per basic financial statements | $ | 6,579,315 |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | $ | 6,579,315 |

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

**Section I–Summary of Auditors' Results**

Financial Statements

| | |
|---|---|
| Type of auditors' report issued | unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____ yes X no |
| Significant deficiency(ies) identified? | ____ yes X no |
| Noncompliance material to financial statements noted? | ____ yes X no |

Federal Awards

| | |
|---|---|
| Internal control over major programs | |
| Material weakness(es) identified? | ____ yes X no |
| Significant deficiency(ies) identified? | ____ yes X no |
| Type of auditors' report issued on compliance for major programs. | unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | ____ yes X no |

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 97.039 | Hazard Mitigation Grant |
| 84.027/84.173 | Special Education Cluster |
| 84.410 | ARRA - Education Jobs Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $300,000 |
| Auditee qualified as low-risk auditee? | X yes ____ no |

**Section II–Financial Statement Findings**

None

**Section III–Federal Award Findings and Questioned Costs**

None

**Section IV - Status of Prior Audit Findings and Questioned Costs**

There were no prior year Federal award findings.