

COUNTY OF GLOUCESTER VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ending June 30, 2012



Cover photo and design by Leslie Sherwood Krom

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

Prepared By:

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Director of Financial Services

Andy Scales, CPA
Accounting Manager

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Carter M. Borden, Chairperson
Louise D. Theberge, Vice-Chairperson

John H. Northstein
Christopher A. Hutson

Ashley C. Chriscoe

Andrew James, Jr.
Robert J. Orth

County School Board

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

Carla B. Hook
Ann F. Burruss

Kimberly E. Hensley

Jean E. Pugh
Kevin M. Smith

Board of Social Services

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

Carlton N. Hogge
David A. Conner
Jane Smith

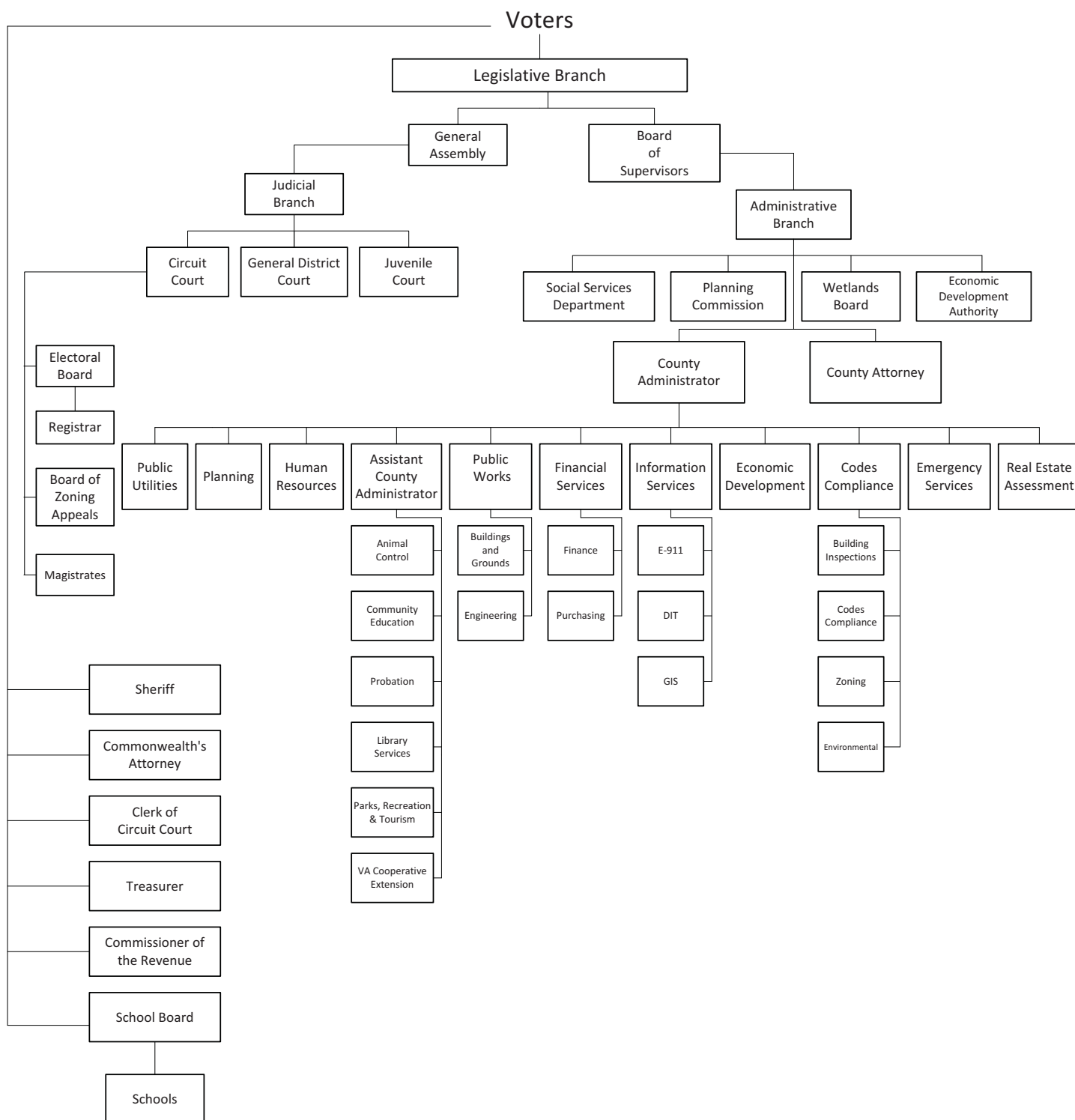
Jane S. Sterling
Ashley C. Chriscoe
George T. Webster, III

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 Cressondra B. Conyers
Judge of the General District Court.....	Honorable Jeffrey W. Shaw
Sheriff	Darrell 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 Organizational Chart



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Gloucester
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

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County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804)693-4042

November 16, 2012

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, 2012.

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, 2012. 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.



Gloucester Museum of History
formerly the Botetourt Hotel

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

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

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

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

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

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 2012. The Gloucester Point/Hayes Village Plan was 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.

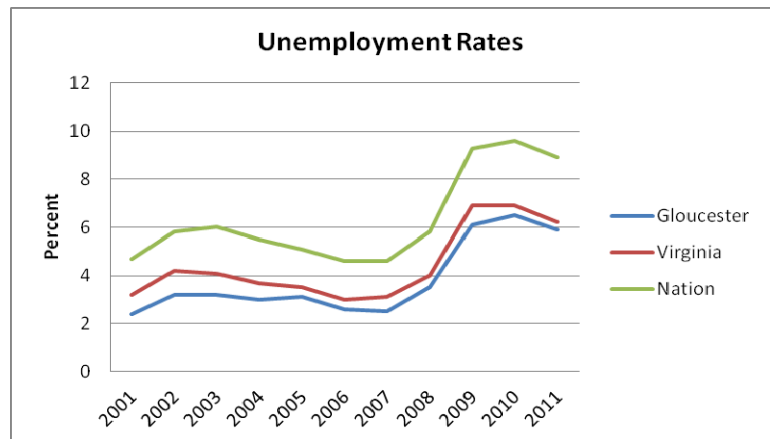
These new methods to encourage new development should improve real estate sales and its associated tax base, increase building permits, and begin to show market gains that should grow both jobs and commercial development.

In 2012, Gloucester's existing businesses and major employers continue to invest in Gloucester County. The Riverside/Sanders assisted living project broke ground and should be completed in November. This project, along with growth at Riverside/Walter Reed Hospital is encouraging new medical service delivery. Tidewater Physical Therapy opened a new facility on U. S. Business 17 in the Courthouse Village and the Main Street Façade improvement program encouraged over \$40,000 in Main Street façade improvements. This concept for development meets with the above discussion outlook for higher density, mix-use development that will encourage more business growth on Main Street and in the Courthouse.



Finally, Page Middle School, the closing and re-purposing of T.C. Walker Elementary School, 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 2012, and have continued during the first months of fiscal year 2013. While many of the budget decisions have been made to include, demolition of the old Page Middle School, design and site work on the new Page Middle School and the cost of re-purposing T.C. Walker, the final long-term debt figure and budget impacts have yet to be finalized. 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 2013 and into the fiscal year 2014 budget deliberations.

As stated in previous years, Gloucester's civilian labor force has remained relatively stable over the past twelve months; however, if the forecasted loss of defense and military related expenditures comes to fruition, the overall regional economy and job impacts would affect the job safety net provided by the defense/military economy. As of August 2012, the Gloucester unemployment rate was 5.2%, which compared favorably with August 2011 at 5.4%.



Long term financial planning

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

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

budget. Additionally, the Board agreed to increase the personal property tax rate in 2012 and set aside thirty cents for County and School capital replacement in the fiscal year 2013 County budget. This plan was designed to accumulate County savings for capital improvement projects that may have otherwise been debt financed.

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 meeting, 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.

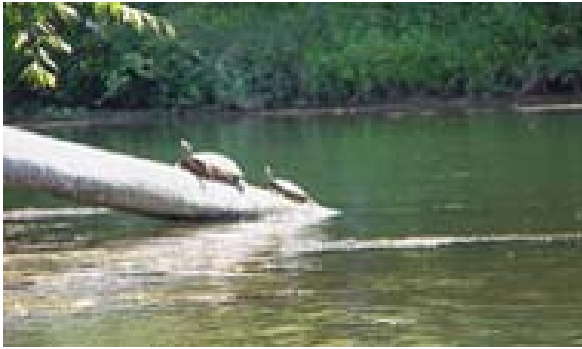
Major Initiatives

Insecurity in the national and state economies continues to affect our citizens' confidence. Through careful monitoring of revenues and expenditures, adjustments in County spending were implemented, including holding vacant positions open and delaying capital projects, to ensure the County would end the fiscal year in sound financial condition. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning, and financial prudence when allocating public resources. Recognizing that these same principles were building the unassigned fund balance in excess of fund balance policy guidelines, the Board of Supervisors agreed in June 2012 to sweep \$3.0 million from the General Fund to the Capital Fund and commit that amount for future capital projects.

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

The Emergency Communication System, which is a major capital project under construction, has brought Gloucester County into the existing York-James City Regional Communications System. The project is expected to be completed in fiscal year 2013 with the construction of an Emergency Communications Center facility.

The Federal Emergency Management Agency has awarded a series of grants totaling \$11.1 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.

The Economic Development Authority is working with Gloucester's small business community to foster better business practices 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. This program will begin in October, 2012 and run for at least twelve months.

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, 2011. This was the sixteenth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Brenda G. Garton
County Administrator


Nickie C. Champion
Director of Financial Services

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012, on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Gloucester, Virginia's financial statements as a whole. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Rofarian, Fann, Cox Associates

Richmond, Virginia
November 12, 2012

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, 2012. 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 \$55.1 million (*net position*). Of this amount, \$31.1 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position, excluding component units, increased by \$7.6 million, of which the governmental activities increased by \$7.5 million and business-type activities increased by \$68,215.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26.5 million, an increase of \$5.3 million in comparison with the prior year. Approximately 57.8% of this total amount, \$15.3 million, is *available for spending* at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15.3 million, or 16.9% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt decreased by \$1.0 million during the current fiscal year. The decrease was a combination of pay down of principal during the year and the issuance of new debt for business-type activities.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 19-21 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 25-28 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 29-31 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 32 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 33-73 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 77-79 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 85 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets exceeded liabilities by \$55.1 million at the close of the most recent fiscal year. A large portion of the County's net position (\$21.9 million, 39.8% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of \$2.0 million is restricted for business-type activities by bond covenants and cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$31.1 million or 56.5% 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, 2012 and 2011								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 53,605,198	\$ 44,800,982	\$ 7,419,620	\$ 4,378,334	\$ 61,024,818	\$ 49,179,316	\$ 9,491,990	\$ 9,367,127
Capital assets	50,746,556	51,934,598	28,852,360	29,742,970	79,598,916	81,677,568	39,164,321	39,383,230
Total assets	<u>\$ 104,351,754</u>	<u>\$ 96,735,580</u>	<u>\$ 36,271,980</u>	<u>\$ 34,121,304</u>	<u>\$ 140,623,734</u>	<u>\$ 130,856,884</u>	<u>\$ 48,656,311</u>	<u>\$ 48,750,357</u>
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,313,813	\$ 2,220,148
Total deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,313,813</u>	<u>\$ 2,220,148</u>
Long-term debt outstanding	\$ 34,160,997	\$ 36,826,411	\$ 20,667,877	\$ 18,938,307	\$ 54,828,874	\$ 55,764,718	\$ 18,225,649	\$ 18,700,405
Other liabilities	28,289,019	25,532,497	2,441,915	2,089,024	30,730,934	27,621,521	11,024,418	10,080,461
Total liabilities	<u>\$ 62,450,016</u>	<u>\$ 62,358,908</u>	<u>\$ 23,109,792</u>	<u>\$ 21,027,331</u>	<u>\$ 85,559,808</u>	<u>\$ 83,386,239</u>	<u>\$ 29,250,067</u>	<u>\$ 28,780,866</u>
Net position								
Invested in capital asset, net of related debt	\$ 15,463,123	\$ 13,656,652	\$ 6,470,887	\$ 9,328,625	\$ 21,934,010	\$ 22,985,277	\$ 22,972,362	\$ 22,624,418
Restricted	-	-	2,036,544	2,031,743	2,036,544	2,031,743	-	-
Unrestricted	26,438,615	20,720,020	4,654,757	1,733,605	31,093,372	22,453,625	(252,305)	(434,779)
Total net position	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 22,720,057</u>	<u>\$ 22,189,639</u>

The County's combined net assets, which is the County's bottom line, increased by \$7.6 million or 16.0% from the prior year. The change in the County's combined net assets is a combination of an increase of \$7.5 million from the efforts of governmental activities and an increase of \$68,215 from the efforts of business-type activities. The increase from the efforts of governmental activities can be attributed to a partial insurance recovery for tornado damage to Page Middle School, 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 very modest increase in the net assets from business-type activities was the result of operating activities; although, the receipt of bond proceeds increased current assets while increasing liabilities by a like amount.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$22.7 million at the close of fiscal year 2012. The capital assets of the Gloucester Economic Development Authority (net of depreciation) decreased by \$735,448 due to depreciation of assets. Market affects increased the derivative instrument liability by \$1.1 million. The capital assets of the Public Schools (net of depreciation) increased by \$516,539. 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, 2012 and 2011								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program revenue:								
Charges for services	\$ 1,099,460	\$ 1,066,734	\$ 4,216,540	\$ 4,212,115	\$ 5,316,000	\$ 5,278,849	\$ 2,727,587	\$ 2,718,580
Operating grants and contributions	7,417,709	7,130,907	-	-	7,417,709	7,130,907	31,063,943	31,269,921
Capital grants and contributions	5,391,436	4,703,030	-	1,007,300	5,391,436	5,710,330	-	80,000
General revenues:								
Property taxes	34,983,672	32,588,654	38,705	38,638	35,022,377	32,627,292	-	-
Other taxes	8,512,987	8,188,114	-	-	8,512,987	8,188,114	-	-
Unrestricted revenues	154,387	159,151	98,396	98,531	252,783	257,682	20,747	14,491
Miscellaneous	672,476	516,200	-	-	672,476	516,200	160,179	68,746
Grants and contributions	4,543,046	4,518,651	-	-	4,543,046	4,518,651	-	-
Payment from County	-	-	-	-	-	-	20,983,064	21,494,717
Total revenue	\$ 62,775,173	\$ 58,871,441	\$ 4,353,641	\$ 5,356,584	\$ 67,128,814	\$ 64,228,025	\$ 54,955,520	\$ 55,646,455
Expenses:								
General government	\$ 4,420,563	\$ 4,526,232	\$ -	\$ -	\$ 4,420,563	\$ 4,526,232	\$ -	\$ -
Judicial administration	1,784,911	1,685,971	-	-	1,784,911	1,685,971	-	-
Public safety	12,376,310	10,660,881	-	-	12,376,310	10,660,881	-	-
Public works	2,496,814	2,097,050	-	-	2,496,814	2,097,050	-	-
Health and welfare	4,446,775	4,531,487	-	-	4,446,775	4,531,487	-	-
Parks, recreation, and cultural	2,111,087	1,922,593	-	-	2,111,087	1,922,593	-	-
Community development	1,170,407	1,599,847	-	-	1,170,407	1,599,847	1,807,677	1,878,148
Interest on long-term debt	1,624,212	1,751,068	-	-	1,624,212	1,751,068	-	-
Education	24,339,028	24,091,981	-	-	24,339,028	24,091,981	52,617,425	54,199,894
Public Utilities	-	-	4,765,426	4,264,717	4,765,426	4,264,717	-	-
Total expenses	\$ 54,770,107	\$ 52,867,110	\$ 4,765,426	\$ 4,264,717	\$ 59,535,533	\$ 57,131,827	\$ 54,425,102	\$ 56,078,042
Change in net position, before transfers	\$ 8,005,066	\$ 6,004,331	\$ (411,785)	\$ 1,091,867	\$ 7,593,281	\$ 7,096,198	\$ 530,418	\$ (431,587)
Transfers	(480,000)	(500,000)	480,000	500,000	-	-	-	-
Change in net position	7,525,066	5,504,331	68,215	1,591,867	7,593,281	7,096,198	530,418	(431,587)
Net position, beginning	34,376,672	28,872,341	13,093,973	11,502,106	47,470,645	40,374,447	22,189,639	22,621,226
Net position, ending	\$ 41,901,738	\$ 34,376,672	\$ 13,162,188	\$ 13,093,973	\$ 55,063,926	\$ 47,470,645	\$ 22,720,057	\$ 22,189,639

Governmental activities – For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$62.8 million, which was an increase of \$3.9 million or 6.6%. Real estate tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2011 and the first half of calendar year 2012 real property tax billing, were \$25.3 million. While the County's assessed real property tax base for calendar year 2012 saw a very slight increase of \$31.9 million largely due to new construction, the collections for real estate taxes rose by 6.6% 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 \$11.0 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 \$620,333 or 6.0% largely due to an increase in the 2012 personal property tax rate from \$2.60 to \$2.95.

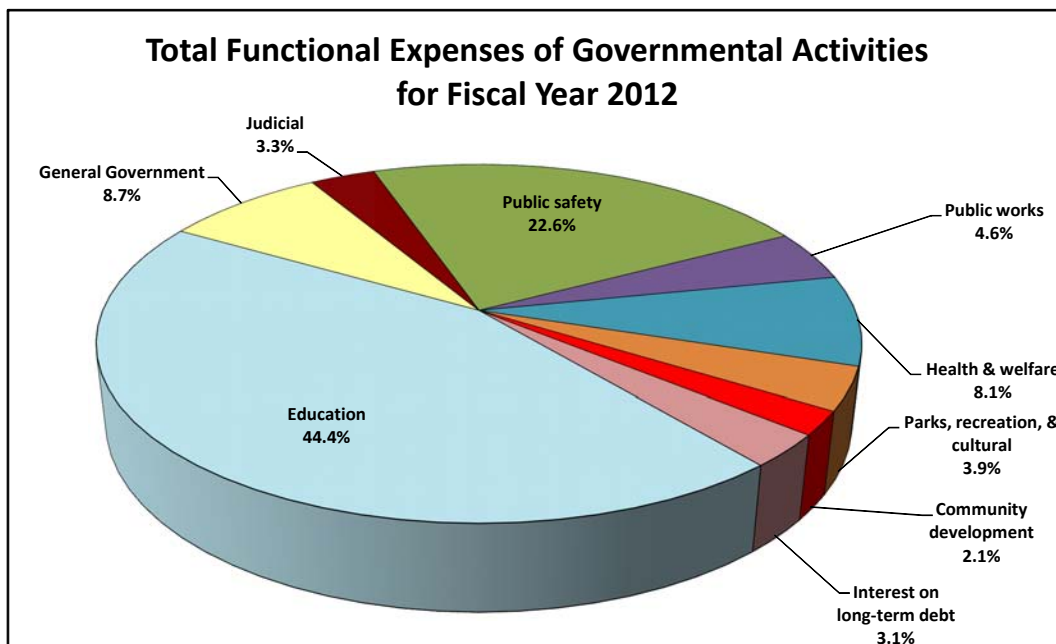
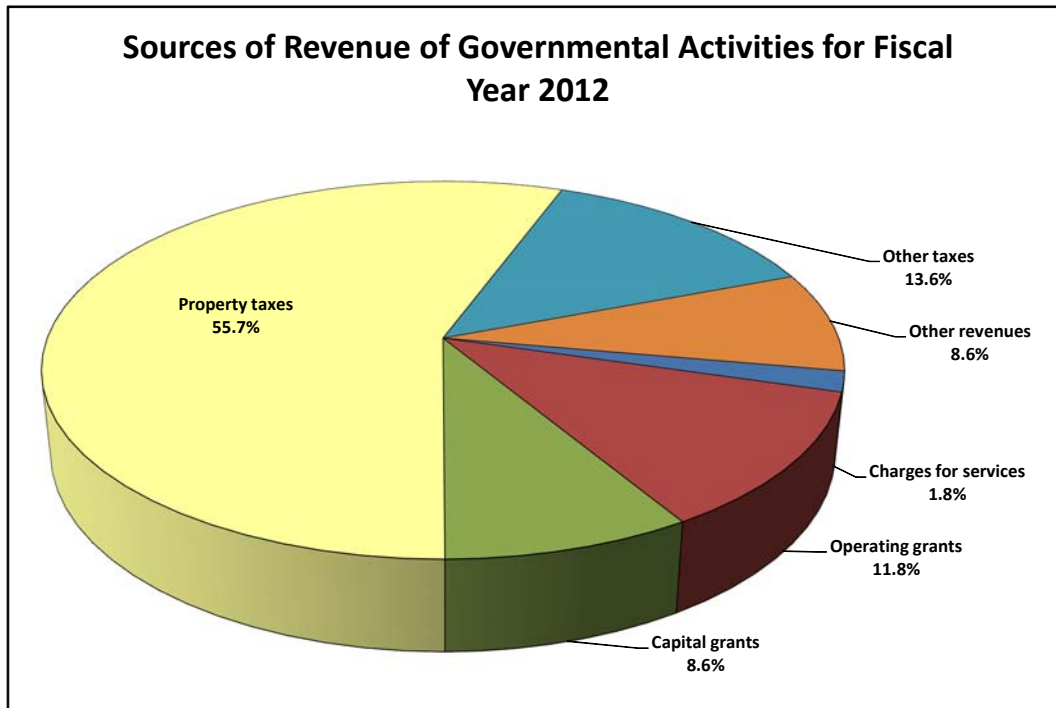
The increase of \$324,873 in other taxes, which includes local sales taxes, local meals taxes, and local business license taxes, is evidence that the local economy has begun to show signs of modest recovery from the economic downturn. Included in capital grants and contributions are additional insurance recoveries of \$4.7 million, which are related to the April 16, 2011 tornado that severely damaged Page Middle School. At the time of this report, decisions have been made to rebuild Page Middle School at a new location with engineering plans currently being developed.

Government-Wide Financial Analysis: (Continued)

For the fiscal year ended June 30, 2012, expenses relating to governmental activities (not including Capital Projects) were \$2.5 million less than planned. As in the previous fiscal years, state and national economic conditions continued to negatively impact local budgets, various strategies were enacted in order to reduce expenses. These strategies included position freezes, delaying capital, and examining program efficiencies.

Public education continues to be one of the County's highest priorities and commitments, but the same economic conditions mentioned in other areas of this document have restricted efforts. The County contributed \$19.9 million to public school operations and \$3.1 million toward debt payments relating to school projects for a total contribution of \$23.0 million. This resulted in a decrease of \$902,877 in the total contribution.

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 \$68,215 for fiscal year 2012. Similar to the changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,565 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 \$1.2 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 the requirement 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 will be provided by the General Fund as a transfer.
- Efforts to make the fund self-supporting have been unsuccessful. The County recognizes the need to continue support of the fund through annual General Fund transfers. This transfer was \$480,000 in fiscal year 2012.

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 \$26.5 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 worsening economic conditions, which resulted in expenditures (not including the Capital Fund) being \$2.5 million less than expected.
- The receipt of an additional \$4.7 million in insurance proceeds due to an April 16, 2011 tornado, which severely damaged Page Middle School.
- The 2012 calendar year increases in real estate and personal property tax rates.
- The use of \$2.8 million 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 \$15.3 million, while total fund balance reached \$16.4 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 16.9% 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. Late in fiscal year 2012, the Board of Supervisors agreed to sweep \$3.0 million in fund balance from the General Fund to the Capital Fund. The County Capital Improvements Fund has a committed fund balance of \$3.6 million, which will be used for future capital projects. Accepting a recommendation of the County Administrator's CIP Advisory Committee, a capital replacement fund was started with an initial amount of \$152,813, which appears as an assignment in the Capital Fund.

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 and additional payments totaling \$4.7 million in fiscal year 2012. The School Construction Fund has a fund balance of \$6.1 million, which has been committed for 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 \$4.7 million, which is an increase of \$2.9 million. The majority of this increase can be attributed to proceeds from a revenue bond, which was not spent at fiscal year end. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

As with most of the nation, Gloucester County has felt the impact of national and state economic downturns. Corrective actions such as delaying capital needs, freezing positions, and enacting program efficiencies were begun as early as September 2008, and continued into fiscal year 2010, 2011 and 2012. Total General Fund expenditures in fiscal year 2012 came in \$1.4 million or 3.2% below the final amended budget. Local expenditures for Education were under budget by \$392,902.

There was an increase of \$4.4 million between the original General Fund budget and the final amended General Fund budget, and these differences can be summarized as follows:

- An increase of \$381,036 can be associated with the appropriation of fund balances for designated carryovers for projects that were continued from the prior year into the current fiscal year.
- An increase of \$3.0 million can be attributed to sweeping excess fund balance from the General Fund to the Capital Fund.
- An increase of \$125,500 can be attributed to an appropriation of fund balance to address unanticipated expenses relating to juvenile detention.
- An increase of \$500,000 can be associated with the appropriation of fund balance for a General Fund transfer to the Capital Fund for building repairs.
- An increase of \$193,620 can be attributed to the anticipated receipt of various grants and other miscellaneous activities and donations.
- An increase of \$174,461 can be attributed to an appropriation of fund balance to offset unanticipated expenditures relating to the Main Street road project.

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, 2012, amounts to \$79.6 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 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.
- 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. Engineering plans are developing, which will build a new school on property near the old site, with a total budget of \$26.0 million.

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, 2012 and 2011									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2012	2011	2012	2011	2012	2011	2012	2011	
Land	\$ 5,174,685	\$ 5,136,763	\$ 3,599,146	\$ 3,599,146	\$ 8,773,831	\$ 8,735,909	\$ 2,080,926	\$ 2,080,926	
Construction in progress	2,673,268	652,956	34,856	33,168	2,708,124	686,124	-	-	
Buildings	9,746,698	10,280,872	24,067,726	24,974,133	33,814,424	35,255,005	14,021,972	14,758,420	
Improvements other than buildings	2,624,087	2,663,952	-	-	2,624,087	2,663,952	-	-	
Equipment	11,590,166	12,364,906	1,150,632	1,136,523	12,740,798	13,501,429	3,092,374	2,878,545	
Jointly owned assets	18,937,652	20,835,149	-	-	18,937,652	20,835,149	19,969,049	19,665,339	
Total	\$ 50,746,556	\$ 51,934,598	\$ 28,852,360	\$ 29,742,970	\$ 79,598,916	\$ 81,677,568	\$ 39,164,321	\$ 39,383,230	

Additional information on the County's capital assets can be found in Note 6 on pages 47-50 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 \$60.1 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2012 and 2011								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Bonds Payable:								
General obligation bonds	\$ 18,089,833	\$ 18,965,853	\$ -	\$ -	\$ 18,089,833	\$ 18,965,853	\$ -	\$ -
Revenue bonds	-	-	22,381,473	20,414,345	22,381,473	20,414,345	16,191,958	16,758,812
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	1,983,520	2,523,520	-	-	1,983,520	2,523,520	-	-
Capital leases	15,210,080	16,788,573	-	-	15,210,080	16,788,573	-	-
Derivative instrument liability	-	-	-	-	-	-	3,313,813	2,220,148
OPEB liability	735,027	558,678	63,642	48,406	798,669	607,084	1,052,190	866,333
Compensated absences	1,499,229	1,615,759	120,847	112,779	1,620,076	1,728,538	1,759,042	1,824,571
Total	\$ 37,517,689	\$ 40,452,383	\$ 22,565,962	\$ 20,575,530	\$ 60,083,651	\$ 61,027,913	\$ 22,317,003	\$ 21,669,864

Debt associated with governmental activities decreased by \$2.9 million, which can be attributed to pay down of principal during the year. The debt associated with business-type activities increased by \$2.0 million, which was the result of an issuance of a \$3.8 million revenue bond.

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, 2012, the County's net debt as a percentage of assessed value was 0.8%, the net debt per capita ratio was \$954, and the debt payments percentage was 7.3%.

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 increased because of an interest rate swap, which is further discussed in Note 8 on page 60.

Additional information on the County's long-term debt can be found in Note 8 on pages 51-60.

Economic Factors and Next Year's Budgets and Rates

The Board of Supervisors considered many factors when developing the fiscal year 2013 General Fund budget - particularly the impacts of state and national economic conditions. While national indicators said the recession ended in 2009, this was not what the local economy experienced. 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 2013 General Fund approved budget is \$55.9 million, which is an increase of \$4.7 million from adopted fiscal year 2012 budget. The approved budget included an 8.7% increase in local funding for the school system, a general salary increase of 2% for all County and school system employees, the cost shifting from employer paid retirement contributions to employee paid contributions, and provided funding to address deferred capital needs. In order to provide funding for this list of initiatives, the real estate tax rate was increased from \$.58 to \$.65 and the personal property tax rate was increased from \$2.60 to \$2.95.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2013 School Operating Budget was approved at \$52.5 million, which is a \$464,928 increase over the adopted fiscal year 2012 budget. Included in this budget was \$22.3 million in local funding, which was a \$1.8 million or 8.7% 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, and citizen demands for maintaining service levels, funding for capital maintenance and improvements, and replacing state educational funding. Of particular interest is the unprecedented uncertainty in Washington and the so-called fiscal cliff.

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, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 22,050,531	\$ 4,597,747	\$ 26,648,278	\$ 787,872	\$ 818,966
Cash in custody of others	388,516	-	388,516	-	8,313
Investments	-	-	-	-	401,911
Receivables (net of allowance for uncollectibles):					
Taxes receivable	26,239,941	6,102	26,246,043	-	-
Accounts receivable	377,617	529,716	907,333	1,127,227	-
Due from other governmental units	2,841,371	-	2,841,371	5,188,393	-
Inventories	-	40,962	40,962	22,821	1,083,044
Prepaid expenses	1,504,262	7,465	1,511,727	4,466	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,036,544	2,036,544	-	-
Other assets:					
Unamortized bond issue costs	202,960	201,084	404,044	-	48,977
Capital assets (net of accumulated depreciation):					
Land	5,174,685	3,599,146	8,773,831	1,476,061	604,865
Buildings and system	28,684,350	24,067,726	52,752,076	20,047,049	13,943,972
Improvements other than buildings	2,624,087	-	2,624,087	-	-
Machinery and equipment	11,590,166	1,150,632	12,740,798	3,092,374	-
Construction in progress	2,673,268	34,856	2,708,124	-	-
Total assets	<u>\$ 104,351,754</u>	<u>\$ 36,271,980</u>	<u>\$ 140,623,734</u>	<u>\$ 31,746,263</u>	<u>\$ 16,910,048</u>
DEFERRED OUTFLOWS					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 3,313,813
LIABILITIES					
Accounts payable	\$ 1,232,843	\$ 123,725	\$ 1,356,568	\$ 1,280,004	\$ 82,281
Accrued liabilities	809,357	-	809,357	4,961,869	-
Accrued interest payable	833,601	283,079	1,116,680	-	-
Due to other governmental units	3,627,868	-	3,627,868	150,000	458,909
Unearned revenue	18,428,658	-	18,428,658	-	-
Deposits held in escrow	-	137,026	137,026	-	-
Derivative instrument - rate swap	-	-	-	-	3,313,813
Long-term liabilities:					
Due within one year	3,356,692	1,898,085	5,254,777	175,904	601,638
Due in more than one year	34,160,997	20,667,877	54,828,874	2,635,328	15,590,321
Total liabilities	<u>\$ 62,450,016</u>	<u>\$ 23,109,792</u>	<u>\$ 85,559,808</u>	<u>\$ 9,203,105</u>	<u>\$ 20,046,962</u>
NET POSITION					
Net investment in capital assets	\$ 15,463,123	\$ 6,470,887	\$ 21,934,010	\$ 24,615,484	\$ (1,643,122)
Restricted for:					
Debt service and bond covenants	-	2,036,544	2,036,544	-	-
Unrestricted (deficit)	26,438,615	4,654,757	31,093,372	(2,072,326)	1,820,021
Total net position	<u>\$ 41,901,738</u>	<u>\$ 13,162,188</u>	<u>\$ 55,063,926</u>	<u>\$ 22,543,158</u>	<u>\$ 176,899</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,420,563	\$ -	\$ 298,288	\$ -
Judicial administration	1,784,911	239,615	1,011,182	-
Public safety	12,376,310	356,342	3,024,637	194,920
Public works	2,496,814	134,654	-	-
Health and welfare	4,446,775	-	2,726,843	-
Education	24,339,028	290	92,802	4,686,955
Parks, recreation, and cultural	2,111,087	310,646	135,651	-
Community development	1,170,407	57,913	128,306	509,561
Interest on long-term debt	1,624,212	-	-	-
Total governmental activities	\$ 54,770,107	\$ 1,099,460	\$ 7,417,709	\$ 5,391,436
Business-type activities:				
Public utilities	\$ 4,765,426	\$ 4,216,540	\$ -	\$ -
Total business-type activities	\$ 4,765,426	\$ 4,216,540	\$ -	\$ -
Total primary government	\$ 59,535,533	\$ 5,316,000	\$ 7,417,709	\$ 5,391,436
COMPONENT UNITS:				
School Board	\$ 52,617,425	\$ 1,176,366	\$ 31,061,196	\$ -
Economic Development Authority	1,807,677	1,551,221	-	-
Total component units	\$ 54,425,102	\$ 2,727,587	\$ 31,061,196	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility tax				
Business license taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (4,122,275)	\$ -	\$ (4,122,275)	\$ -	\$ -	
(534,114)	-	(534,114)	-	-	
(8,800,411)	-	(8,800,411)	-	-	
(2,362,160)	-	(2,362,160)	-	-	
(1,719,932)	-	(1,719,932)	-	-	
(19,558,981)	-	(19,558,981)	-	-	
(1,664,790)	-	(1,664,790)	-	-	
(474,627)	-	(474,627)	-	-	
(1,624,212)	-	(1,624,212)	-	-	
<u>\$ (40,861,502)</u>	<u>\$ -</u>	<u>\$ (40,861,502)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (548,886)	\$ (548,886)	\$ -	\$ -	
\$ -	\$ (548,886)	\$ (548,886)	\$ -	\$ -	
<u>\$ (40,861,502)</u>	<u>\$ (548,886)</u>	<u>\$ (41,410,388)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	(20,379,863)	\$ -	
-	-	-	-	(256,456)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(20,379,863)</u>	<u>(256,456)</u>	
\$ 34,983,672	\$ 38,705	\$ 35,022,377	\$ -	\$ -	
3,729,207	-	3,729,207	-	-	
699,428	-	699,428	-	-	
1,516,103	-	1,516,103	-	-	
1,789,149	-	1,789,149	-	-	
779,100	-	779,100	-	-	
154,387	98,396	252,783	5,172	15,575	
672,476	-	672,476	162,926	-	
4,543,046	-	4,543,046	-	-	
-	-	-	20,983,064	-	
(480,000)	480,000	-	-	-	
<u>\$ 48,386,568</u>	<u>\$ 617,101</u>	<u>\$ 49,003,669</u>	<u>\$ 21,151,162</u>	<u>\$ 15,575</u>	
\$ 7,525,066	\$ 68,215	\$ 7,593,281	\$ 771,299	\$ (240,881)	
34,376,672	13,093,973	47,470,645	21,771,859	417,780	
<u>\$ 41,901,738</u>	<u>\$ 13,162,188</u>	<u>\$ 55,063,926</u>	<u>\$ 22,543,158</u>	<u>\$ 176,899</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 21,850,239	\$ -	\$ 121,284	\$ 79,008	\$ -	\$ 22,050,531
Cash in custody of others	-	-	-	388,516	-	388,516
Receivables (net of allowance for uncollectibles):						
Taxes receivable	26,239,941	-	-	-	-	26,239,941
Accounts receivable	372,891	-	-	-	4,726	377,617
Due from other funds	1,695,950	-	3,218,010	6,019,964	-	10,933,924
Due from other governmental units	1,452,521	-	1,088,860	-	299,990	2,841,371
Prepaid items	52,204	1,452,058	-	-	-	1,504,262
Total assets	<u>\$ 51,663,746</u>	<u>\$ 1,452,058</u>	<u>\$ 4,428,154</u>	<u>\$ 6,487,488</u>	<u>\$ 304,716</u>	<u>\$ 64,336,162</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 433,864	\$ -	\$ 419,009	\$ 319,146	\$ 60,824	\$ 1,232,843
Accrued liabilities	809,357	-	-	-	-	809,357
Due to other governmental units	3,548,860	-	-	79,008	-	3,627,868
Due to other funds	9,237,974	1,452,058	-	-	243,892	10,933,924
Deferred revenue	21,209,291	-	-	-	-	21,209,291
Total liabilities	<u>\$ 35,239,346</u>	<u>\$ 1,452,058</u>	<u>\$ 419,009</u>	<u>\$ 398,154</u>	<u>\$ 304,716</u>	<u>\$ 37,813,283</u>
Fund balances:						
Nonspendable	\$ 52,204	\$ -	\$ -	\$ -	\$ -	\$ 52,204
Restricted	128,885	-	19,000	-	-	147,885
Committed	921,746	-	3,750,848	6,089,334	-	10,761,928
Assigned	-	-	239,297	-	-	239,297
Unassigned	15,321,565	-	-	-	-	15,321,565
Total fund balances	<u>\$ 16,424,400</u>	<u>\$ -</u>	<u>\$ 4,009,145</u>	<u>\$ 6,089,334</u>	<u>\$ -</u>	<u>\$ 26,522,879</u>
Total liabilities and fund balances	<u>\$ 51,663,746</u>	<u>\$ 1,452,058</u>	<u>\$ 4,428,154</u>	<u>\$ 6,487,488</u>	<u>\$ 304,716</u>	<u>\$ 64,336,162</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 26,522,879
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 75,279,544	
Less: accumulated depreciation	<u>(24,532,988)</u>	50,746,556

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

Deferred revenue	2,780,633
------------------	-----------

Issuance costs are recorded as other assets and amortized over the life of the debt and, therefore, are not reported in the funds.	202,960
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and loans payable	\$ (20,073,353)	
Interest payable	(833,601)	
Other post employment benefits obligation	(735,027)	
Capital lease and notes payable obligations	(15,210,080)	
Compensated absences	<u>(1,499,229)</u>	<u>(38,351,290)</u>

Net position of governmental activities	\$ <u><u>41,901,738</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 34,600,348	\$ -	\$ -	\$ -	\$ -	\$ 34,600,348
Other local taxes	8,512,987	-	-	-	-	8,512,987
Permits, privilege fees, and regulatory licenses	318,074	-	-	-	-	318,074
Fines and forfeitures	114,403	-	-	-	-	114,403
Revenue from the use of money and property	134,989	-	184	19,214	-	154,387
Charges for services	666,983	-	-	-	-	666,983
Miscellaneous	500,650	-	113,409	15,177	43,240	672,476
Recovered costs	312,995	-	-	-	-	312,995
Intergovernmental revenues:						
Commonwealth	8,619,953	-	281,504	92,802	1,428,640	10,422,899
Federal	178,216	9,799	847,132	-	1,207,190	2,242,337
Total revenues	\$ 53,959,598	\$ 9,799	\$ 1,242,229	\$ 127,193	\$ 2,679,070	\$ 58,017,889
EXPENDITURES						
Current:						
General government administration	\$ 4,580,732	\$ -	\$ -	\$ -	\$ -	\$ 4,580,732
Judicial administration	1,644,976	-	-	-	-	1,644,976
Public safety	10,548,498	-	-	-	-	10,548,498
Public works	2,021,420	-	-	-	-	2,021,420
Health and welfare	716,766	-	-	-	3,707,507	4,424,273
Education	20,419,880	-	-	-	-	20,419,880
Parks, recreation, and cultural	1,959,087	-	-	-	-	1,959,087
Community development	746,246	-	-	-	-	746,246
Nondepartmental	325,145	-	-	-	-	325,145
Capital projects	-	-	3,608,605	1,932,167	-	5,540,772
Debt service:						
Principal retirement	-	3,201,337	-	-	-	3,201,337
Interest and other fiscal charges	-	1,702,835	-	-	-	1,702,835
Principal retirement-School leases	-	263,189	-	-	-	263,189
Interest and other fiscal charges-School	-	18,318	-	-	-	18,318
Total expenditures	\$ 42,962,750	\$ 5,185,679	\$ 3,608,605	\$ 1,932,167	\$ 3,707,507	\$ 57,396,708
Excess (deficiency) of revenues over (under) expenditures	\$ 10,996,848	\$ (5,175,880)	\$ (2,366,376)	\$ (1,804,974)	\$ (1,028,437)	\$ 621,181
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 5,175,880	\$ 3,838,316	\$ -	\$ 1,028,437	\$ 10,042,633
Transfers out	(10,522,633)	-	-	-	-	(10,522,633)
Issuance of debt	-	-	-	500,000	-	500,000
Insurance recovery	-	-	-	4,686,955	-	4,686,955
Total other financing sources (uses)	\$ (10,522,633)	\$ 5,175,880	\$ 3,838,316	\$ 5,186,955	\$ 1,028,437	\$ 4,706,955
Net change in fund balances	\$ 474,215	\$ -	\$ 1,471,940	\$ 3,381,981	\$ -	\$ 5,328,136
Fund balances - beginning	15,950,185	-	2,537,205	2,707,353	-	21,194,743
Fund balances - ending	\$ 16,424,400	\$ -	\$ 4,009,145	\$ 6,089,334	\$ -	\$ 26,522,879

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, 2012

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

Net change in fund balances - total governmental funds	\$ 5,328,136
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 2,954,243	
Depreciation expense	(3,072,813)	
Jointly owned asset allocation of assets	(1,718,489)	
Jointly owned asset depreciation	<u>654,387</u>	(1,182,672)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(5,370)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	383,324
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$ (500,000)	
Principal payments	3,464,526	
Premium amortization	<u>29,988</u>	2,994,514

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$ 116,530	
(Increase) decrease in other post employment benefit payable	(176,349)	
(increase) decrease in interest payable	<u>66,953</u>	<u>7,134</u>

Change in net position of governmental activities	<u>\$ 7,525,066</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2012

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,597,747
Taxes receivable, net of allowance for uncollectibles	6,102
Accounts receivable, net of allowance for uncollectibles	529,716
Inventories	40,962
Prepaid expenses	7,465
Total current assets	\$ 5,181,992
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	\$ 2,036,544
Other assets:	
Unamortized bond issue costs	\$ 201,084
Capital assets:	
Utility plant in service	\$ 34,421,394
Land	3,599,146
Machinery and equipment	1,594,396
Buildings	5,883,705
Construction in progress	34,856
Less accumulated depreciation	(16,681,137)
Total capital assets	\$ 28,852,360
Total noncurrent assets	\$ 31,089,988
Total assets	\$ 36,271,980
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 123,725
Accrued interest payable	283,079
Compensated absences - current portion	12,085
Deposits held in escrow	137,026
Bonds payable - current portion	1,886,000
Total current liabilities	\$ 2,441,915
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 20,495,473
Other post employment benefits	63,642
Compensated absences - net of current portion	108,762
Total noncurrent liabilities	\$ 20,667,877
Total liabilities	\$ 23,109,792
NET POSITION	
Net investment in capital assets	\$ 6,470,887
Restricted for debt service and bond covenants	2,036,544
Unrestricted	4,654,757
Total net position	\$ 13,162,188

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, 2012

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,116,506
Sewer revenues	636,121
Other revenues	141,023
Total operating revenues	<u>\$ 3,893,650</u>
OPERATING EXPENSES	
Personal services	\$ 941,973
Fringe benefits	365,353
Contractual services	637,342
Other charges	835,927
Depreciation	943,966
Total operating expenses	<u>\$ 3,724,561</u>
Operating income (loss)	<u>\$ 169,089</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 322,890
Investment earnings	98,396
Amortization of loan costs	(13,285)
Taxes	38,705
Interest expense	(1,027,580)
Total nonoperating revenues (expenses)	<u>\$ (580,874)</u>
Income before contributions and transfers	<u>\$ (411,785)</u>
Transfers in	480,000
Change in net position	<u>\$ 68,215</u>
Total net position - beginning	<u>13,093,973</u>
Total net position - ending	<u><u>\$ 13,162,188</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2012

	Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,726,407
Receipts for miscellaneous items	141,023
Payments to suppliers	(1,444,367)
Payments to employees	(1,284,022)
Net cash provided (used) by operating activities	<u>\$ 1,139,041</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 480,000
Connection fees	322,890
Tax revenue	35,600
Net cash provided (used) by noncapital financing activities	<u>\$ 838,490</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (53,356)
Principal payments on bonds	(1,790,872)
Proceeds from indebtedness	3,758,000
Interest payments	(1,063,304)
Net cash provided (used) by capital and related financing activities	<u>\$ 850,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 98,396
Net cash provided (used) by investing activities	<u>\$ 98,396</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,926,395
Cash and cash equivalents - beginning - including restricted	3,707,896
Cash and cash equivalents - ending - including restricted	<u><u>\$ 6,634,291</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 169,089
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 943,966
(Increase) decrease in accounts receivable	(36,262)
(Increase) decrease in inventories	(13,864)
(Increase) decrease in prepaid expenses	(1,465)
(Increase) decrease in deferred charges	845
Increase (decrease) in customer deposits	9,197
Increase (decrease) in accounts payable and accrued liabilities	67,535
Total adjustments	<u>\$ 969,952</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,139,041</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 99,101
Other receivables	530
Due from other governmental funds	100
Total assets	\$ <u>99,731</u>
LIABILITIES	
Accounts payable	\$ 1,360
Amounts held for social services clients	19,425
Amounts held for regional program	10,434
Amounts held for others	68,512
Total liabilities	\$ <u>99,731</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Gloucester, Virginia (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, 2012.

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, 2012.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Gloucester County Economic Development Authority (EDA) is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2012. 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, 2012.

C. Other Related Organizations

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

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

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

Included in the County's Financial Report

None

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

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

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

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

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

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

The General Fund is the primary operating fund of the County. This fund is used to account and report for all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. 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 and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Virginia Public Assistance and Comprehensive Services Act.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

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

Enterprise Funds – 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.

3. Fiduciary Funds – (Trust and Agency Funds) – accounts for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients, inmates, regional special education program and the employee flexible benefits program.

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 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 "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$412,804 at June 30, 2012 and is comprised solely of property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Improvements other than buildings	35
Buildings	10-35
Motor vehicles	5-10
Machinery and Equipment	2-15
Infrastructure	25

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Net Position

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

M. Long-term Obligations

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

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

N. Prepaid Items

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

O. Inventory

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

P. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

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

P. Fund Equity (Continued)

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

	<u>General Fund</u>	<u>Major Capital Projects Fund</u>	<u>Major School Construction Fund</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 52,204	\$ -	\$ -	\$ 52,204
Total Nonspendable Fund Balance	<u>\$ 52,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,204</u>
Restricted:				
Sheriff's asset forfeiture, federal	\$ 39,552	\$ -	\$ -	\$ 39,552
Sheriff's asset forfeiture, state	27,771	-	-	27,771
Commonwealth Attorney's asset forfeiture, federal	23,712	-	-	23,712
Commonwealth Attorney's asset forfeiture, state	37,850	-	-	37,850
Proffers	-	19,000	-	19,000
Total Restricted Fund Balance	<u>\$ 128,885</u>	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ 147,885</u>
Committed:				
Mosquito control	\$ 147,990	\$ -	\$ -	\$ 147,990
Tourism projects	202,407	-	-	202,407
Daffodil festival	69,797	-	-	69,797
Program donations	22,940	-	-	22,940
Subsequent expenditures	-	3,629,564	6,089,334	9,718,898
Probation and pretrial	69,048	-	-	69,048
Cable services	409,564	-	-	409,564
Older adult capital projects	-	121,284	-	121,284
Total Committed Fund Balance	<u>\$ 921,746</u>	<u>\$ 3,750,848</u>	<u>\$ 6,089,334</u>	<u>\$ 10,761,928</u>
Assigned:				
Park projects	\$ -	\$ 86,484	\$ -	\$ 86,484
County capital replacement	-	152,813	-	152,813
Total Assigned Fund Balance	<u>\$ -</u>	<u>\$ 239,297</u>	<u>\$ -</u>	<u>\$ 239,297</u>
Unassigned Fund Balance	\$ 15,321,565	\$ -	\$ -	\$ 15,321,565
Total Fund Balances	<u>\$ 16,424,400</u>	<u>\$ 4,009,145</u>	<u>\$ 6,089,334</u>	<u>\$ 26,522,879</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

Q. Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred outflow related to the accumulated decrease in fair value of the hedging derivative debt held by the Component Unit Economic Development Authority reported in the government-wide statement of net position. The deferred amount results from the difference in the carrying value of the bonds payable and the swap agreements notional value and its reacquisition price.

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 within each fund except the school operating fund, which was appropriated by category. 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, 2012.

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)****NOTE 3—DEPOSITS AND INVESTMENTS:****Deposits**

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

Investments

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

Custodial Credit Risk (Investments)

The Treasurer'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, 2012 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, 2012 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 Treasurer'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 Treasurer's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAAm</u>	<u>Not Rated</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>
County:					
Local Government Investment Pool	\$ 553,433	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Pool	3,973,441	-	-	-	-
U.S. Treasury Bill	-	2,036,544	-	-	-
Money Market Funds	532,384	-	-	-	-
Total	<u>\$ 5,059,258</u>	<u>\$ 2,036,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-Economic Development Authority:					
Money Market Funds	\$ 607,502	\$ -	\$ -	\$ -	\$ -
Government Securities	-	-	94,905	-	-
Corporate Bonds	-	-	102,029	102,423	100,057
Total	<u>\$ 607,502</u>	<u>\$ -</u>	<u>\$ 196,934</u>	<u>\$ 102,423</u>	<u>\$ 100,057</u>

COUNTY OF GLOUCESTER, VIRGINIANOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)****Interest Rate Risk**

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

Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
County:				
U.S. Treasury Bill	\$ 2,036,544	\$ 2,036,544	\$ -	\$ -
Total	<u>\$ 2,036,544</u>	<u>\$ 2,036,544</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-Economic Development Authority				
Corporate Bonds	\$ 304,509	\$ 202,480	\$ 102,029	\$ -
Government Securities	<u>94,905</u>	<u>-</u>	<u>-</u>	<u>94,905</u>
Total	<u>\$ 399,414</u>	<u>\$ 202,480</u>	<u>\$ 102,029</u>	<u>\$ 94,905</u>

External Investment Pools

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2012, 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	\$ -	\$ 3,548,860	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	667,920	-	-
Local communication sales tax	199,421	-	-
Local cable television fees	66,973	-	-
Mobile home titling tax	5,456	-	-
CSA funds	153,135	-	-
VPA funds	66,283	-	-
State sales tax	-	951,914	-
Constitutional officer reimbursements	265,666	-	-
Miscellaneous	42,499	-	-
Fire programs	13,923	-	-
Disaster recovery funds	17,403	-	-
Other Grants	260,659	-	-
E-911 funds	3,333	-	-
Federal Government:			
School fund grants	-	687,619	-
Mitigation grant	99,272	-	-
VDOT Grant	33,379	-	-
VPA funds	80,572	-	-
Other federal grants	256,568	-	-
Total due from other governments	\$ <u>2,841,371</u>	\$ <u>5,188,393</u>	\$ <u>-</u>
Amounts due to other governments are as follows:			
Internal Revenue Service	\$ 79,008	\$ -	\$ -
Gloucester County School Board	3,548,860	-	-
Gloucester County	-	150,000	458,909
Total due to other governments	\$ <u>3,627,868</u>	\$ <u>150,000</u>	\$ <u>458,909</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2012, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 1,695,950	\$ 9,237,974
County Capital Improvements	3,218,010	-
School Construction	6,019,964	-
Debt Service	-	1,452,058
Virginia Public Assistance	-	146,045
Comprehensive Services Act	-	97,847
Total Governmental Funds	<u>\$ 10,933,924</u>	<u>\$ 10,933,924</u>

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

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2012:

Primary Government:

Primary Government:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 5,136,763	\$ 43,292	\$ 5,370	\$ 5,174,685
Construction in progress	652,956	2,378,149	357,837	2,673,268
Total capital assets not subject to depreciation	<u>\$ 5,789,719</u>	<u>\$ 2,421,441</u>	<u>\$ 363,207</u>	<u>\$ 7,847,953</u>
Capital assets subject to depreciation:				
Buildings	\$ 16,565,440	-	\$ 147,250	\$ 16,418,190
Improvements other than buildings	2,695,653	95,748	-	2,791,401
Equipment	17,285,268	794,891	441,837	17,638,322
Jointly owned assets - equipment	1,124,500	-	1,124,500	-
Jointly owned assets - buildings	32,645,115	-	2,061,437	30,583,678
Total capital assets being depreciated	<u>\$ 70,315,976</u>	<u>\$ 890,639</u>	<u>\$ 3,775,024</u>	<u>\$ 67,431,591</u>
Less accumulated depreciation for:				
Buildings	\$ (6,284,568)	\$ (534,174)	\$ (147,250)	\$ (6,671,492)
Improvements other than buildings	(31,701)	(135,613)	-	(167,314)
Equipment	(4,920,362)	(1,569,631)	(441,837)	(6,048,156)
Jointly owned assets - equipment	(1,095,612)	(28,888)	(1,124,500)	-
Jointly owned assets - buildings	(11,838,854)	(804,507)	(997,335)	(11,646,026)
Total accumulated depreciation	<u>\$ (24,171,097)</u>	<u>\$ (3,072,813)</u>	<u>\$ (2,710,922)</u>	<u>\$ (24,532,988)</u>
Total capital assets being depreciated, net	<u>\$ 46,144,879</u>	<u>\$ (2,182,174)</u>	<u>\$ 1,064,102</u>	<u>\$ 42,898,603</u>
Governmental capital assets, net	<u>\$ 51,934,598</u>	<u>\$ 239,267</u>	<u>\$ 1,427,309</u>	<u>\$ 50,746,556</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2012:

Component Unit – School Board:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Total capital assets not subject to depreciation	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Capital assets subject to depreciation:				
Buildings	\$ 80,000	\$ -	\$ -	\$ 80,000
Equipment	8,990,188	851,314	(1,124,500)	10,966,002
Jointly owned assets - buildings	30,855,004	-	(1,394,347)	32,249,351
Total capital assets being depreciated	\$ 39,925,192	\$ 851,314	\$ (2,518,847)	\$ 43,295,353
Less accumulated depreciation for:				
Buildings	\$ (1,000)	\$ (1,000)	\$ -	\$ (2,000)
Equipment	(6,111,643)	(637,485)	1,124,500	(7,873,628)
Jointly owned assets - buildings	(11,189,665)	(760,392)	330,245	(12,280,302)
Total accumulated depreciation	\$ (17,302,308)	\$ (1,398,877)	\$ 1,454,745	\$ (20,155,930)
Total capital assets being depreciated, net	\$ 22,622,884	\$ (547,563)	\$ (1,064,102)	\$ 23,139,423
Governmental capital assets, net	\$ 24,098,945	\$ (547,563)	\$ (1,064,102)	\$ 24,615,484

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

Governmental activities:

General government administration	\$ 94,946
Judicial administration	184,176
Public safety	1,603,871
Public works	47,401
Health and welfare	40,307
Education	885,716
Parks, recreation and cultural	213,254
Community development	3,142
Total Governmental activities	\$ 3,072,813
Component Unit School Board	\$ 1,398,877

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2012, is that school financed assets in the amount of \$18,937,652 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2012 follows:

Primary Government:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Enterprise activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,146	\$ -	\$ -	\$ 3,599,146
Construction in progress	33,168	1,688	-	34,856
 Total capital assets not subject to depreciation	 \$ 3,632,314	 \$ 1,688	 \$ -	 \$ 3,634,002
Capital assets subject to depreciation:				
Plant in service	\$ 34,421,394	\$ -	\$ -	\$ 34,421,394
Machinery and equipment	1,542,728	51,668	-	1,594,396
Buildings	5,883,705	-	-	5,883,705
 Total capital assets being depreciated	 \$ 41,847,827	 \$ 51,668	 \$ -	 \$ 41,899,495
Less accumulated depreciation for:				
Plant in service	\$ (12,352,698)	\$ (729,752)	\$ -	\$ (13,082,450)
Machinery and equipment	(406,205)	(37,559)	-	(443,764)
Buildings	(2,978,268)	(176,655)	-	(3,154,923)
 Total accumulated depreciation	 \$ (15,737,171)	 \$ (943,966)	 \$ -	 \$ (16,681,137)
 Total capital assets being depreciated, net	 \$ 26,110,656	 \$ (892,298)	 \$ -	 \$ 25,218,358
 Enterprise capital assets, net	 \$ 29,742,970	 \$ (890,610)	 \$ -	 \$ 28,852,360

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2012 follows:

Component Unit – Economic Development Authority:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Enterprise activities:				
Capital assets not subject to depreciation:				
Land	\$ 604,865	\$ -	\$ -	\$ 604,865
Total capital assets being depreciated	\$ 604,865	\$ -	\$ -	\$ 604,865
Capital assets subject to depreciation:				
Buildings	\$ 18,402,655	\$ -	\$ -	\$ 18,402,655
Equipment	7,234	-	-	7,234
Total capital assets being depreciated	\$ 18,409,889	\$ -	\$ -	\$ 18,409,889
Less accumulated depreciation for:				
Buildings	\$ (3,723,235)	\$ (735,448)	\$ -	\$ (4,458,683)
Equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (3,730,469)	\$ (735,448)	\$ -	\$ (4,465,917)
Total capital assets being depreciated, net	\$ 14,679,420	\$ (735,448)	\$ -	\$ 13,943,972
Enterprise capital assets, net	<u>\$ 15,284,285</u>	<u>\$ (735,448)</u>	<u>\$ -</u>	<u>\$ 14,548,837</u>

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 10,522,633
Debt Service	5,175,880	-
Capital Projects	3,838,316	-
Other Governmental Funds	1,028,437	-
Total Governmental Funds	\$ 10,042,633	\$ 10,522,633
Enterprise Funds:		
Utilities	480,000	-
Total-All Funds	<u>\$ 10,522,633</u>	<u>\$ 10,522,633</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Compensated absences payable	\$ 1,615,759	\$ 1,409,276	\$ 1,525,806	\$ 1,499,229	\$ 149,923
OPEB liability	558,678	238,856	62,507	735,027	-
Capital lease obligations	16,569,674	-	1,332,728	15,236,946	1,390,669
Less deferred amounts:					
On refunding	(251,870)	-	(17,423)	(234,447)	-
Total incurred by County	<u>\$ 18,492,241</u>	<u>\$ 1,648,132</u>	<u>\$ 2,903,618</u>	<u>\$ 17,236,755</u>	<u>\$ 1,540,592</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 2,523,520	\$ -	\$ 540,000	\$ 1,983,520	\$ 513,196
General obligation bonds payable	18,282,741	500,000	1,328,609	17,454,132	1,237,168
Add deferred amounts:					
For issuance premium	683,112	-	47,411	635,701	-
Capital lease and notes payable obligations	470,769	-	263,188	207,581	65,736
Total incurred by School Board	<u>\$ 21,960,142</u>	<u>\$ 500,000</u>	<u>\$ 2,179,208</u>	<u>\$ 20,280,934</u>	<u>\$ 1,816,100</u>
Total Governmental Obligations	<u>\$ 40,452,383</u>	<u>\$ 2,148,132</u>	<u>\$ 5,082,826</u>	<u>\$ 37,517,689</u>	<u>\$ 3,356,692</u>
Enterprise Obligations:					
Compensated absences payable	\$ 112,779	\$ 82,928	\$ 74,860	\$ 120,847	\$ 12,085
OPEB liability	48,406	20,629	5,393	63,642	-
Revenue bonds payable	20,696,413	3,758,000	1,791,413	22,663,000	1,886,000
Add deferred amounts:					
For issuance premium	195,659	-	51,615	144,044	-
Less deferred amounts:					
For issuance discount	(55,386)	-	(2,928)	(52,458)	-
For amount on refunding	(422,341)	-	(49,228)	(373,113)	-
Total Enterprise Obligations	<u>\$ 20,575,530</u>	<u>\$ 3,861,557</u>	<u>\$ 1,871,125</u>	<u>\$ 22,565,962</u>	<u>\$ 1,898,085</u>

COUNTY OF GLOUCESTER, VIRGINIANOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government: (Continued)**

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

Year Ending June 30,	County Obligations	
	Capital Leases	
	Principal	Interest
2013	\$ 1,390,669	\$ 663,658
2014	1,450,763	602,365
2015	1,518,106	538,322
2016	1,577,799	471,529
2017	1,649,947	401,880
2018	1,719,662	329,166
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	\$ <u>15,236,946</u>	\$ <u>4,883,545</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest: (continued)

Year Ending June 30,	School Obligations					
	State Literary Fund Loans		General Obligation Bonds Payable		Capital Leases and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 513,196	\$ 60,650	\$ 1,237,168	\$ 830,860	\$ 65,736	\$ 12,048
2014	250,000	44,110	1,065,914	771,147	69,528	8,255
2015	250,000	36,610	1,099,857	715,502	72,317	5,467
2016	250,000	29,110	1,139,005	657,941	-	-
2017	250,000	21,609	1,178,371	597,866	-	-
2018	250,000	14,109	1,112,965	540,587	-	-
2019	220,324	6,609	1,152,799	487,003	-	-
2020	-	-	1,197,887	432,907	-	-
2021	-	-	1,238,240	376,745	-	-
2022	-	-	1,293,874	316,578	-	-
2023	-	-	1,326,279	255,155	-	-
2024	-	-	1,381,147	191,547	-	-
2025	-	-	822,572	139,487	-	-
2026	-	-	849,333	100,824	-	-
2027	-	-	876,450	60,608	-	-
2028	-	-	398,938	30,715	-	-
2029	-	-	27,778	21,250	-	-
2030	-	-	27,778	21,250	-	-
2031	-	-	27,777	10,625	-	-
Total	\$ <u>1,983,520</u>	\$ <u>212,807</u>	\$ <u>17,454,132</u>	\$ <u>6,558,597</u>	\$ <u>207,581</u>	\$ <u>25,770</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest: (continued)

Year Ending June 30,	Enterprise Obligations	
	Revenue Bonds	
	Payable	
	Principal	Interest
2013	\$ 1,886,000	\$ 1,019,387
2014	1,987,000	917,994
2015	2,068,000	826,273
2016	2,165,000	730,724
2017	2,255,000	630,567
2018	2,363,000	526,154
2019	2,470,000	415,244
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	109,010
2028	545,000	77,166
2029	570,000	52,572
2030	595,000	26,852
Total	\$ <u>22,663,000</u>	\$ <u>6,887,535</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<u>Capital Lease Obligations:</u>	
\$8,205,000 capital lease obligation (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%. Face amount of bonds outstanding, \$7,745,000 less unamortized deferred amount on refunding \$234,447.	\$ 7,510,553
\$11,245,000 capital lease obligation (payable from the General Fund) dated December 28, 2006, secured by communications equipment, due in combined annual installments of principal and interest of \$1,452,058 through July 1, 2017, including interest at 4.49%.	<u>7,491,946</u>
Total Capital Lease Obligations	\$ 15,002,499
Compensated absences (payable from the General Fund)	1,499,229
OPEB liability (payable from the General Fund)	<u>735,027</u>
Total Debt Incurred by County	<u><u>\$ 17,236,755</u></u>
<u>Revenue Bonds:</u>	
\$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%.	\$ 3,758,000
\$16,675,000 current interest bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.5% to 5.0%. Face amount of bonds outstanding, \$11,230,000 plus unamortized issuance premium of \$144,044, less unamortized deferred amount on refunding of \$132,727.	11,241,317
\$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, \$7,675,000 less unamortized issuance discount of \$52,458, less unamortized deferred amount on refunding of \$240,386.	<u>7,382,156</u>
Total revenue bonds	\$ 22,381,473
Compensated absences (payable from the Enterprise Fund)	120,847
OPEB liability (payable from the Enterprise Fund)	<u>63,642</u>
Total enterprise obligations payable	<u><u>\$ 22,565,962</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds Payable:</u>	
\$500,000 General Obligation School Bond, Series 2011, dated December 15, 2011 payable in various annual installments each December 1 through 2030, interest payable semi-annually at 4.25%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	\$ 500,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%.	130,000
\$2,100,000 School Bonds issued April 28, 1993 payable in various annual installments each December 15 through 2013, interest payable semi-annually at 5.33%.	75,000
\$2,800,000 School Bonds issued May 2, 1996 payable in various annual installments each July 15 through 2017, interest payable semi-annually at 5.56%.	700,000
\$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, \$5,395,000 plus unamortized issuance premium of \$250,950.	5,645,950
\$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, \$5,415,000 plus unamortized issuance premium of \$121,517.	5,536,517
\$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Face amount of bonds outstanding, \$5,239,132 plus unamortized issuance premium of \$263,234.	<u>5,502,366</u>
Total school bonds payable	\$ <u>18,089,833</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	\$ 82,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	65,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	114,419
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	<u>1,720,324</u>
Total State Literary Fund Loans	\$ <u>1,983,520</u>
<u>Notes Payable Obligations:</u>	
\$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of \$77,784 through July 15, 2014, interest at 5.77%	<u>207,581</u>
Total Notes Payable Obligations	\$ <u>207,581</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	\$ <u><u>20,280,934</u></u>

Capital Leases

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

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS: (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	<u>(3,259,538)</u>
	<u>\$ 17,491,361</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30,	Governmental Activities
2013	\$ 2,054,327
2014	2,053,127
2015	2,056,428
2016	2,049,328
2017	2,051,828
2018	2,048,828
2019	602,951
2020	598,308
2021	602,997
2022	601,472
2023	598,863
2024	595,597
2025	601,456
2026	601,331
2027	600,025
2028	602,412
2029	598,788
2030	599,150
2031	<u>603,275</u>
Total minimum lease payments	\$ 20,120,491
Less: amount representing interest	<u>(4,883,545)</u>
Present value of minimum lease payments	<u>\$ 15,236,946</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board:

The following is a summary of long-term obligation transactions of the Component Unit—School Board for the year ended June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ 1,824,571	\$ 1,891,704	\$ 1,957,233	\$ 1,759,042	\$ 175,904
OPEB liability debt	<u>866,333</u>	<u>506,457</u>	<u>320,600</u>	<u>1,052,190</u>	<u>-</u>
Total debt incurred by School Board	<u>\$ 2,690,904</u>	<u>\$ 2,398,161</u>	<u>\$ 2,277,833</u>	<u>\$ 2,811,232</u>	<u>\$ 175,904</u>

Component Unit—Economic Development Authority:

The following is a summary of long-term obligation transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 16,758,812	\$ -	\$ 566,853	\$ 16,191,959	\$ 601,638
Derivative instrument liability	<u>2,220,148</u>	<u>1,093,665</u>		<u>3,313,813</u>	<u>-</u>
Total	<u>\$ 18,978,960</u>	<u>\$ 1,093,665</u>	<u>\$ 566,853</u>	<u>\$ 19,505,772</u>	<u>\$ 601,638</u>

**Amount
Outstanding**

Bonds:

\$18,500,000 variable rate taxable Lease Revenue and Refunding Bonds, Series 2008, issued August 1, 2008, due in monthly installments through March 1, 2019, variable interest rate equal to 100% of the Bank's LIBOR rate plus 1.30%, adjusted monthly with an interest rate swap option effectively making this a loan with a fixed rate of 5.96%.

\$ 16,191,959

Total Debt incurred by the Component Unit Economic Development Authority

\$ 16,191,959

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (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 \$19,505,772 is more than the balance outstanding on the bonds payable of \$16,191,959. The difference of \$3,313,813 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

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

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

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 June 30,	Bonds	
	Principal	Interest
2013	\$ 601,637	\$ 948,809
2014	638,554	911,956
2015	677,736	872,841
2016	719,322	831,326
2017	763,460	787,263
2018	810,307	740,497
2019	11,980,943	579,277
Total	\$ 16,191,959	\$ 5,671,969

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS:

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

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

NOTE 10—DEFERRED/UNEARNED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$21,209,291 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$20,984,969 at June 30, 2012 which includes the second half of the current year installment not due until December 2012.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2012, but paid in advance by the tax payers totaled \$224,322 at June 30, 2012.

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

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

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

NOTE 12—LITIGATION:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 13—RISK MANAGEMENT:

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

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

Component Unit School Board—Health Insurance

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

Unpaid claims, June 30, 2009	\$ 588,620
Incurred claims (including IBNR and changes in estimates)	6,155,004
Claim payments	<u>(6,180,835)</u>
Unpaid claims, June 30, 2010	\$ 562,789
Incurred claims (including IBNR and changes in estimates)	6,355,124
Claim payments	<u>(6,287,816)</u>
Unpaid claims, June 30, 2011	\$ 630,097
Incurred claims (including IBNR and changes in estimates)	6,122,878
Claim payments	<u>(6,108,371)</u>
Unpaid claims, June 30, 2012	<u><u>\$ 644,604</u></u>

NOTE 14—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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

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

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)****NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board 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 2012 was 9.32% and 6.87% of annual covered payroll, respectively.

The School Board's professional employees contributed \$1,735,128, \$1,418,658 and \$1,876,622, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively and these contributions represented 6.33%, 3.93% and 8.81%, respectively, of current covered payroll. The School Board's professional employees contribution rate for the fiscal year ended June 30, 2012 was 11.33% of covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$1,138,540 was equal to the County's required and actual contributions.

For fiscal year 2012, the School Board's annual pension cost for the Board's non-professional employees were \$262,433, which was equal to the Board's required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2012	\$ 1,138,540	100%	\$ -
June 30, 2011	1,144,696	100%	-
June 30, 2010	999,864	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 262,433	100%	\$ -
June 30, 2011	266,942	100%	-
June 30, 2010	299,022	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County plan was 80.20% funded. The actuarial accrued liability for benefits was \$47,597,746, and the actuarial value of assets was \$38,175,589, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,422,157. The covered payroll (annual payroll of active employees covered by the plan) was \$12,401,043, and ratio of the UAAL to the covered payroll was 75.98%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board Non-Professional plan was 83.21% funded. The actuarial accrued liability for benefits was \$15,311,033, and the actuarial value of assets was \$12,740,024, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,571,009. The covered payroll (annual payroll of active employees covered by the plan) was \$3,940,206 and ratio of the UAAL to the covered payroll was 65.25%.

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:

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

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

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, 2012. The future minimum lease payments for this lease are as follows:

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

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 \$34,262 for the year ended June 30, 2012. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2013	\$ 42,097
2014	42,886
2015	43,958
2016	45,057
2017	46,184
2018 - 2032	798,395
Total	<u>\$ 1,018,577</u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$57,799 for the year ended June 30, 2012. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2013	\$ 59,533
2014	61,319
2015	63,158
2016	65,053
2017	67,005
2018 - 2019	140,100
Total	<u>\$ 456,168</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

A. Post-retirement Medical Plan for Employee

Plan Description

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

Funding Policy

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

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

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The 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	\$ 260,478	\$ 507,874
Interest on net OPEB obligation	24,283	34,653
Adjustment to annual required contribution	(25,276)	(36,070)
Annual OPEB cost (expense)	\$ 259,485	\$ 506,457
Estimated Contributions made	(67,900)	(320,600)
Increase in net OPEB obligation	191,585	185,857
Net OPEB obligation-beginning of year	607,084	866,333
Net OPEB obligation-end of year	\$ 798,669	\$ 1,052,190

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:			
6/30/2010	\$ 293,626	32.51%	\$ 401,500
6/30/2011	259,740	20.85%	607,084
6/30/2012	259,485	26.17%	798,669
Schools:			
6/30/2010	\$ 732,972	59.89%	\$ 637,000
6/30/2011	506,833	54.75%	866,333
6/30/2012	506,457	63.30%	1,052,190

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (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 \$5,843,050, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57.71 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 \$31,231,166, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.35 percent.

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

Methods and Assumptions

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

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

Methods and Assumptions (Continued)

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years using an open amortization period.

B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

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

Funding Policy

As a participating local political subdivision, the County and the Component Unit School Board are 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 2012 were .10% and .63% of annual covered payroll.

OPEB Cost and Net OPEB Obligation

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

For 2012, the County's contribution of \$12,216 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 2012 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>		<u>Net OPEB Obligation</u>
6/30/2010	\$	22,525	100.00%	\$	-
6/30/2011		12,282	100.00%		-
6/30/2012		12,216	100.00%		-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	248,235
Actuarial value of plan assets	\$	204,974
Unfunded actuarial accrued liability (UAAL)	\$	43,261
Funded ratio (actuarial value of plan assets/AAL)		82.57%
Covered payroll (active plan members)	\$	5,843,050
UAAL as a percentage of covered payroll		0.74%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)

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

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

Funded Status and Funding Progress: (Continued)

For 2012, the School Board's contribution of \$24,066 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 39,583	100.00%	\$ -
6/30/2011	24,479	100.00%	-
6/30/2012	24,066	100.00%	-

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 361,955
Actuarial value of plan assets	\$ 74,576
Unfunded actuarial accrued liability (UAAL)	\$ 287,379
Funded ratio (actuarial value of plan assets/AAL)	20.60%
Covered payroll (active plan members)	\$ 3,940,206
UAAL as a percentage of covered payroll	7.29%

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

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

Actuarial Methods and Assumptions

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS: (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, 2011 was 30 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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$164,467, \$170,239 and \$221,531, respectively and equaled the required contributions for each year.

NOTE 18—SUBSEQUENT EVENTS:

At the September 4, 2012 Board of Supervisors meeting, the County authorized the issuance of up to \$6.0 million in Qualified School Construction Bonds, which were authorized under the American Recovery and Reinvestment Act of 2009. The bonds will be used toward the building of Page Middle School. Closing took place on October 31, 2012.

At June 5, 2012 Board of Supervisors meeting, the Board agreed to purchase property on Main Street in the Court Circle area. The sales price for the property was \$200,000 with a final settlement amount of \$201,497.

At the July 3, 2012 Board of Supervisors meeting, the Board agreed to sell County Office Building #3. The sales price for the property was \$293,600 with a final settlement amount of \$283,354.

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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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 32,103,807	\$ 32,103,807	\$ 34,600,348	\$ 2,496,541
Other local taxes	8,220,667	8,220,667	8,512,987	292,320
Permits, privilege fees, and regulatory licenses	282,075	282,075	318,074	35,999
Fines and forfeitures	132,500	132,500	114,403	(18,097)
Revenue from the use of money and property	144,446	144,446	134,989	(9,457)
Charges for services	746,769	746,769	666,983	(79,786)
Miscellaneous	229,753	262,453	500,650	238,197
Recovered costs	360,223	360,223	312,995	(47,228)
Intergovernmental revenues:				
Commonwealth	8,696,479	8,829,499	8,619,953	(209,546)
Federal	140,469	168,369	178,216	9,847
Total revenues	<u>\$ 51,057,188</u>	<u>\$ 51,250,808</u>	<u>\$ 53,959,598</u>	<u>\$ 2,708,790</u>
EXPENDITURES				
Current:				
General government administration	4,978,972	4,923,377	4,580,732	342,645
Judicial administration	1,554,093	1,679,593	1,644,976	34,617
Public safety	10,652,885	10,914,731	10,548,498	366,233
Public works	2,076,417	2,092,682	2,021,420	71,262
Health and welfare	686,158	720,285	716,766	3,519
Education	20,817,777	20,855,646	20,419,880	435,766
Parks, recreation, and cultural	1,971,632	1,991,832	1,959,087	32,745
Community development	828,737	856,087	746,246	109,841
Nondepartmental	325,995	325,995	325,145	850
Total expenditures	<u>\$ 43,892,666</u>	<u>\$ 44,360,228</u>	<u>\$ 42,962,750</u>	<u>\$ 1,397,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,164,522</u>	<u>\$ 6,890,580</u>	<u>\$ 10,996,848</u>	<u>\$ 4,106,268</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (7,473,323)</u>	<u>\$ (11,470,812)</u>	<u>\$ (10,522,633)</u>	<u>\$ 948,179</u>
Total other financing sources and uses	<u>\$ (7,473,323)</u>	<u>\$ (11,470,812)</u>	<u>\$ (10,522,633)</u>	<u>\$ 948,179</u>
Net change in fund balances	<u>\$ (308,801)</u>	<u>\$ (4,580,232)</u>	<u>\$ 474,215</u>	<u>\$ 5,054,447</u>
Fund balances - beginning	<u>308,801</u>	<u>4,580,232</u>	<u>15,950,185</u>	<u>11,369,953</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,424,400</u></u>	<u><u>\$ 16,424,400</u></u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2012

Primary Government:
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2011	\$ 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%
6/30/2002	21,892,438	20,766,406	(1,126,032)	105.42%	8,859,633	-12.71%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2011	\$ 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%
6/30/2002	7,531,520	7,012,430	(519,090)	107.40%	3,346,995	-15.51%

Schedule of Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2012

Primary Government:

County Retiree Health Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll			
7/1/2012	\$	\$	3,372,078	\$	3,372,078	0.00%	\$	5,843,050	57.71%
7/1/2010	-	2,366,069	2,366,069	0.00%	12,277,374	19.27%			
7/1/2008	-	2,678,945	2,678,945	0.00%	11,995,920	22.33%			

Health Insurance Credit Program Through Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
9/30/2011	\$ 204,974	\$ 248,235	\$ 43,261	82.57%	\$ 5,843,050	0.74%
9/30/2010	171,632	228,694	57,062	75.05%	12,277,374	0.46%
9/30/2009	139,865	216,660	76,795	64.56%	12,748,300	0.60%
9/30/2008	163,197	255,701	92,504	63.82%	11,995,920	0.77%
9/30/2007	127,706	343,764	216,058	37.15%	11,967,890	1.81%

Discretely Presented Component Unit:

School Board Retiree Health Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
7/1/2012	\$ -	\$ 7,292,483	\$ 7,292,483	0.00%	\$ 31,231,166	23.35%
7/1/2010	-	5,868,787	5,868,787	0.00%	32,258,781	18.19%
7/1/2008	-	7,709,733	7,709,733	0.00%	33,962,089	22.70%

Discretely Presented Component Unit:

Health Insurance Credit Program Through Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
9/30/2011	\$ 74,576	\$ 361,955	\$ 287,379	20.60%	\$ 3,940,206	7.29%
9/30/2010	55,923	348,133	292,210	16.06%	4,308,860	6.78%
9/30/2009	26,963	315,031	288,068	8.56%	4,351,373	6.62%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenues:				
Federal	\$ -	\$ 9,799	\$ 9,799	\$ -
Total revenues	\$ -	\$ 9,799	\$ 9,799	\$ -
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,201,337	\$ 3,201,337	\$ 3,201,337	\$ -
Interest and other fiscal charges	1,693,037	1,702,836	1,702,835	1
Principal retirement-School Leases	263,189	263,189	263,189	-
Interest and other fiscal charges-School Leases	18,318	18,318	18,318	-
Total expenditures	\$ 5,175,881	\$ 5,185,680	\$ 5,185,679	\$ 1
Excess (deficiency) of revenues over (under) expenditures	\$ (5,175,881)	\$ (5,175,881)	\$ (5,175,880)	\$ 1
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,175,881	\$ 5,175,881	\$ 5,175,880	\$ (1)
Total other financing sources and uses	\$ 5,175,881	\$ 5,175,881	\$ 5,175,880	\$ (1)
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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 184	\$ 184
Miscellaneous	50,000	50,000	113,409	63,409
Intergovernmental revenues:				
Commonwealth	200,000	700,374	281,504	(418,870)
Federal	1,046,000	1,220,725	847,132	(373,593)
Total revenues	<u>\$ 1,296,000</u>	<u>\$ 1,971,099</u>	<u>\$ 1,242,229</u>	<u>\$ (728,870)</u>
EXPENDITURES				
Capital projects	\$ 13,668,022	\$ 15,519,303	\$ 3,608,605	\$ 11,910,698
Total expenditures	<u>\$ 13,668,022</u>	<u>\$ 15,519,303</u>	<u>\$ 3,608,605</u>	<u>\$ 11,910,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,372,022)</u>	<u>\$ (13,548,204)</u>	<u>\$ (2,366,376)</u>	<u>\$ 11,181,828</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 364,924	\$ 4,362,413	\$ 3,838,316	\$ (524,097)
Issuance of bonds	10,000,000	10,000,000	-	(10,000,000)
Total other financing sources and uses	<u>\$ 10,364,924</u>	<u>\$ 14,362,413</u>	<u>\$ 3,838,316</u>	<u>\$ (10,524,097)</u>
Net change in fund balances	\$ (2,007,098)	\$ 814,209	\$ 1,471,940	\$ 657,731
Fund balances - beginning	2,007,098	2,338,604	2,537,205	198,601
Fund balances - ending	<u>\$ -</u>	<u>\$ 3,152,813</u>	<u>\$ 4,009,145</u>	<u>\$ 856,332</u>

School Construction Fund

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

For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 19,214	\$ 19,214
Miscellaneous	-	-	15,177	15,177
Intergovernmental revenues:				
Commonwealth	-	-	92,802	92,802
Total revenues	\$ -	\$ -	\$ 127,193	\$ 127,193
EXPENDITURES				
Capital projects	\$ -	\$ 1,935,000	\$ 1,932,167	\$ 2,833
Total expenditures	\$ -	\$ 1,935,000	\$ 1,932,167	\$ 2,833
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,935,000)	\$ (1,804,974)	\$ 130,026
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ -	\$ 500,000	\$ 500,000
Insurance recovery	-	1,935,000	4,686,955	2,751,955
Total other financing sources and uses	\$ -	\$ 1,935,000	\$ 5,186,955	\$ 3,251,955
Net change in fund balances	\$ -	\$ -	\$ 3,381,981	\$ 3,381,981
Fund balances - beginning	-	-	2,707,353	2,707,353
Fund balances - ending	\$ -	\$ -	\$ 6,089,334	\$ 6,089,334

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 466	\$ 4,260	\$ 4,726
Due from other governmental units	146,855	153,135	299,990
Total assets	<u>\$ 147,321</u>	<u>\$ 157,395</u>	<u>\$ 304,716</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,276	\$ 59,548	\$ 60,824
Due to other funds	146,045	97,847	243,892
Total liabilities	<u>\$ 147,321</u>	<u>\$ 157,395</u>	<u>\$ 304,716</u>
Total liabilities and fund balances	<u>\$ 147,321</u>	<u>\$ 157,395</u>	<u>\$ 304,716</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 712	\$ 42,528	\$ 43,240
Intergovernmental revenues:			
Commonwealth	906,403	522,237	1,428,640
Federal	1,188,029	19,161	1,207,190
Total revenues	<u>\$ 2,095,144</u>	<u>\$ 583,926</u>	<u>\$ 2,679,070</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 2,722,741	\$ 984,766	\$ 3,707,507
Total expenditures	<u>\$ 2,722,741</u>	<u>\$ 984,766</u>	<u>\$ 3,707,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (627,597)</u>	<u>\$ (400,840)</u>	<u>\$ (1,028,437)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 627,597	\$ 400,840	\$ 1,028,437
Total other financing sources and uses	<u>\$ 627,597</u>	<u>\$ 400,840</u>	<u>\$ 1,028,437</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 712	\$ 712
Intergovernmental revenues:				
Commonwealth	1,010,116	1,010,116	906,403	(103,713)
Federal	1,458,763	1,458,763	1,188,029	(270,734)
Total revenues	<u>\$ 2,468,879</u>	<u>\$ 2,468,879</u>	<u>\$ 2,095,144</u>	<u>\$ (373,735)</u>
EXPENDITURES				
Health and welfare	<u>\$ 3,251,396</u>	<u>\$ 3,251,396</u>	<u>\$ 2,722,741</u>	<u>\$ 528,655</u>
Total expenditures	<u>\$ 3,251,396</u>	<u>\$ 3,251,396</u>	<u>\$ 2,722,741</u>	<u>\$ 528,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (782,517)</u>	<u>\$ (782,517)</u>	<u>\$ (627,597)</u>	<u>\$ 154,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 782,517</u>	<u>\$ 782,517</u>	<u>\$ 627,597</u>	<u>\$ (154,920)</u>
Total other financing sources and uses	<u>\$ 782,517</u>	<u>\$ 782,517</u>	<u>\$ 627,597</u>	<u>\$ (154,920)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 19

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 4,030	\$ 4,030	\$ 42,528	\$ 38,498
859,470	859,470	522,237	(337,233)
19,500	19,500	19,161	(339)
<u>\$ 883,000</u>	<u>\$ 883,000</u>	<u>\$ 583,926</u>	<u>\$ (299,074)</u>
\$ 1,553,000	\$ 1,553,000	\$ 984,766	\$ 568,234
<u>\$ 1,553,000</u>	<u>\$ 1,553,000</u>	<u>\$ 984,766</u>	<u>\$ 568,234</u>
\$ (670,000)	\$ (670,000)	\$ (400,840)	\$ 269,160
\$ 670,000	670,000	\$ 400,840	\$ (269,160)
<u>\$ 670,000</u>	<u>\$ 670,000</u>	<u>\$ 400,840</u>	<u>\$ (269,160)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2012

	Agency Funds				
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Sheriff/ Jail	Total
ASSETS					
Cash and cash equivalents	\$ 19,425	\$ 9,821	\$ 55,294	\$ 14,561	\$ 99,101
Other receivables	-	530	-	-	530
Due from other governmental units	-	100	-	-	100
Total assets	<u>\$ 19,425</u>	<u>\$ 10,451</u>	<u>\$ 55,294</u>	<u>\$ 14,561</u>	<u>\$ 99,731</u>
LIABILITIES					
Accounts payable	\$ -	\$ 17	\$ 1,343	\$ -	\$ 1,360
Amounts held for social services clients	19,425	-	-	-	19,425
Amounts held for regional program	-	10,434	-	-	10,434
Amounts held for others	-	-	53,951	14,561	68,512
Total liabilities	<u>\$ 19,425</u>	<u>\$ 10,451</u>	<u>\$ 55,294</u>	<u>\$ 14,561</u>	<u>\$ 99,731</u>

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 22,935	\$ 45,717	\$ 49,227	\$ 19,425
Liabilities:				
Amounts held for social services clients	\$ 22,935	\$ 45,717	\$ 49,227	\$ 19,425
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 17,006	\$ 698,757	\$ 705,942	\$ 9,821
Other receivables	-	530	-	530
Due from other governmental units	21,258	100	21,258	100
Total assets	\$ 38,264	\$ 699,387	\$ 727,200	\$ 10,451
Liabilities:				
Accounts payable	\$ 21,258	\$ 684,701	\$ 705,942	\$ 17
Amounts held for regional program	17,006	14,686	21,258	10,434
Total liabilities	\$ 38,264	\$ 699,387	\$ 727,200	\$ 10,451
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 59,028	\$ 229,528	\$ 233,262	\$ 55,294
Liabilities:				
Accounts payable	\$ 829	\$ 1,343	\$ 829	\$ 1,343
Amounts held for others	58,199	228,185	232,433	53,951
Total liabilities	\$ 59,028	\$ 229,528	\$ 233,262	\$ 55,294
Sheriff/Jail Funds:				
Assets:				
Cash and cash equivalents	\$ 14,912	\$ 118,648	\$ 118,999	\$ 14,561
Liabilities:				
Amounts held for others	\$ 14,912	\$ 118,648	\$ 118,999	\$ 14,561
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 113,881	\$ 1,092,650	\$ 1,107,430	\$ 99,101
Other receivable	-	530	-	530
Due from other governmental units	21,258	100	21,258	100
Total assets	\$ 135,139	\$ 1,093,280	\$ 1,128,688	\$ 99,731
Liabilities:				
Accounts payable	\$ 22,087	\$ 686,044	\$ 706,771	\$ 1,360
Amounts held for social services clients	22,935	45,717	49,227	19,425
Amounts held for regional program	17,006	14,686	21,258	10,434
Amounts held for others	73,111	346,833	351,432	68,512
Total liabilities	\$ 135,139	\$ 1,093,280	\$ 1,128,688	\$ 99,731

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Capital Assets by Source
 June 30, 2012

Governmental funds capital assets:

Land	\$	5,174,685
Buildings		16,418,190
Improvements other than buildings		2,791,401
Machinery and equipment		17,638,322
Jointly owned assets		30,583,678
Construction in progress		2,673,268
Total governmental funds capital assets	\$	<u>75,279,544</u>

Investments in governmental funds capital assets by source:

General fund	\$	10,805,795
Special revenue funds		199,751
Capital projects fund		33,690,320
Component unit, school fund		30,583,678
Total governmental funds capital assets	\$	<u>75,279,544</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2012

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	\$ 4,905,385	\$ 2,065,480	\$ -	\$ -	\$ 58,605	\$ 7,029,470
Commissioner of revenue	-	-	-	23,835	-	23,835
County assessor	-	-	-	244,556	-	244,556
Treasurer	-	-	-	18,488	-	18,488
Finance	-	-	-	32,106	-	32,106
Department of information technology	-	326,600	-	685,503	25,000	1,037,103
GIS	-	-	-	37,307	-	37,307
Purchasing	-	-	-	15,465	-	15,465
Registrar	-	-	-	9,000	-	9,000
Total general government administration	\$ 4,905,385	\$ 2,392,080	\$ -	\$ 1,066,260	\$ 83,605	\$ 8,447,330
Judicial administration:						
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 11,134	\$ -	\$ 7,248,134
General district court	-	-	-	14,617	-	14,617
Probation and pre-trial	-	-	-	5,220	-	5,220
Juvenile and domestic relations district court	-	-	-	9,496	-	9,496
Clerk of circuit court	-	-	-	151,894	-	151,894
Commonwealth's attorney	-	-	-	17,498	-	17,498
Total judicial administration	\$ -	\$ 7,237,000	\$ -	\$ 209,859	\$ -	\$ 7,446,859
Public safety:						
Sheriff	\$ -	\$ 2,138,675	\$ -	\$ 2,563,732	\$ -	\$ 4,702,407
Emergency 911 system	-	-	-	5,764	-	5,764
Communication system	-	-	2,164,011	11,631,926	1,895,000	15,690,937
Emergency services	-	554,559	194,918	156,422	-	905,899
Jail	-	-	-	176,063	-	176,063
Codes compliance	-	84,026	-	190,074	-	274,100
Animal control	-	363,900	-	86,599	-	450,499
Total public safety	\$ -	\$ 3,141,160	\$ 2,358,929	\$ 14,810,580	\$ 1,895,000	\$ 22,205,669
Public works:						
Engineering	\$ -	\$ 12,230	\$ -	\$ 24,108	\$ -	\$ 36,338
Building and grounds	-	166,991	-	587,586	6,700	761,277
Total public works	\$ -	\$ 179,221	\$ -	\$ 611,694	\$ 6,700	\$ 797,615
Education:						
Schools	\$ -	\$ 30,583,678	\$ 314,339	\$ -	\$ -	\$ 30,898,017
Community education	-	1,556,351	-	123,169	-	1,679,520
Total education	\$ -	\$ 32,140,029	\$ 314,339	\$ 123,169	\$ -	\$ 32,577,537
Health and welfare:						
Mosquito control	\$ -	\$ -	\$ -	\$ 54,279	\$ -	\$ 54,279
Health department	-	317,143	-	-	-	317,143
Social services	-	758,240	-	176,596	-	934,836
Total health and welfare	\$ -	\$ 1,075,383	\$ -	\$ 230,875	\$ -	\$ 1,306,258
Parks, recreation, and cultural:						
Recreation	\$ 269,300	\$ 364,760	\$ -	\$ 295,951	\$ 646,057	\$ 1,576,068
Beaverdam	-	181,397	-	46,870	111,042	339,309
Historical committee	-	157,783	-	9,588	48,997	216,368
Public library	-	-	-	199,538	-	199,538
Total parks, recreation, and cultural	\$ 269,300	\$ 703,940	\$ -	\$ 551,947	\$ 806,096	\$ 2,331,283
Community development:						
Planning	\$ -	\$ 81,555	\$ -	\$ 24,656	\$ -	\$ 106,211
Economic development	-	-	-	9,282	-	9,282
VPI extension program	-	51,500	-	-	-	51,500
Total community development	\$ -	\$ 133,055	\$ -	\$ 33,938	\$ -	\$ 166,993
Total governmental funds capital assets	\$ 5,174,685	\$ 47,001,868	\$ 2,673,268	\$ 17,638,322	\$ 2,791,401	\$ 75,279,544

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2012

Function and Activity	Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
General government administration:				
Board of supervisors	\$ 6,966,643	\$ 68,197	\$ 5,370	\$ 7,029,470
Commissioner of revenue	18,071	5,764	-	23,835
County assessor	51,557	192,999	-	244,556
Treasurer	18,488	-	-	18,488
Finance	32,106	-	-	32,106
Department of information technology	1,013,064	24,039	-	1,037,103
GIS	-	37,307	-	37,307
Purchasing	29,306	-	13,841	15,465
Registrar	-	9,000	-	9,000
Total general government administration	\$ 8,129,235	\$ 337,306	\$ 19,211	\$ 8,447,330
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	-	-	9,496
Clerk of the circuit court	151,894	-	-	151,894
Commonwealth's attorney	17,498	-	-	17,498
Total judicial administration	\$ 7,446,859	\$ -	\$ -	\$ 7,446,859
Public safety:				
Sheriff	\$ 4,849,252	\$ 145,888	\$ 292,733	\$ 4,702,407
911 system	29,636	13,435	37,307	5,764
Communication systems	13,910,367	1,780,570	-	15,690,937
Emergency services	694,130	211,769	-	905,899
Jail	184,349	7,649	15,935	176,063
Building inspections	279,285	27,149	32,334	274,100
Animal control	487,328	-	36,829	450,499
Total public safety	\$ 20,434,347	\$ 2,186,460	\$ 415,138	\$ 22,205,669
Public works:				
Engineering	\$ 36,338	\$ -	\$ -	\$ 36,338
Buildings and grounds	770,717	61,374	70,814	761,277
Total public works	\$ 807,055	\$ 61,374	\$ 70,814	\$ 797,615
Education:				
Schools	\$ 33,769,615	\$ 314,339	\$ 3,185,937	\$ 30,898,017
Community education	1,671,132	8,388	-	1,679,520
Total education	\$ 35,440,747	\$ 322,727	\$ 3,185,937	\$ 32,577,537
Health and welfare:				
Mosquito control	\$ 54,279	\$ -	\$ -	\$ 54,279
Health department	317,143	-	-	317,143
Social services	917,636	17,200	-	934,836
Total health and welfare	\$ 1,289,058	\$ 17,200	\$ -	\$ 1,306,258
Parks, recreation, and cultural:				
Recreation	\$ 1,647,985	\$ 98,259	\$ 170,176	\$ 1,576,068
Beaverdam	342,100	6,290	9,081	339,309
Historical committee	216,368	-	-	216,368
Public library	184,948	14,590	-	199,538
Total parks, recreation, and cultural	\$ 2,391,401	\$ 119,139	\$ 179,257	\$ 2,331,283
Community development:				
Community development	\$ 106,211	\$ -	\$ -	\$ 106,211
Economic development	9,282	-	-	9,282
VPI extension program	51,500	-	-	51,500
Total community development	\$ 166,993	\$ -	\$ -	\$ 166,993
Total governmental funds capital assets	\$ 76,105,695	\$ 3,044,206	\$ 3,870,357	\$ 75,279,544

Discretely Presented Component Unit-School Board

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 787,822	\$ 787,872
Receivables (net of allowance for uncollectibles):			
Accounts receivable	148,724	58,882	207,606
Due from other governmental units	5,188,393	-	5,188,393
Inventories	-	22,821	22,821
Prepaid items	4,466	-	4,466
Total assets	<u>\$ 5,341,633</u>	<u>\$ 869,525</u>	<u>\$ 6,211,158</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 502,401	\$ 132,999	\$ 635,400
Accrued liabilities	4,839,232	122,637	4,961,869
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,341,633</u>	<u>\$ 405,636</u>	<u>\$ 5,747,269</u>
Fund balances:			
Reserved for:			
Nonspendable	\$ 4,466	\$ 22,821	\$ 27,287
Assigned	-	441,068	441,068
Unassigned	(4,466)	-	(4,466)
Total fund balances	<u>\$ -</u>	<u>\$ 463,889</u>	<u>\$ 463,889</u>
Total liabilities and fund balances	<u>\$ 5,341,633</u>	<u>\$ 869,525</u>	<u>\$ 6,211,158</u>

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

Total fund balances per above	\$ 463,889
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,615,484
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.	275,017
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,811,232)</u>
Net position of governmental activities	<u>\$ 22,543,158</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 3,000	\$ 2,172	\$ 5,172
Charges for services	47,492	1,128,874	1,176,366
Miscellaneous	95,536	67,390	162,926
Recovered costs	408,469	-	408,469
Intergovernmental revenues:			
Local government	19,918,962	-	19,918,962
Commonwealth	26,203,969	38,035	26,242,004
Federal	3,728,091	1,091,101	4,819,192
Total revenues	<u>\$ 50,405,519</u>	<u>\$ 2,327,572</u>	<u>\$ 52,733,091</u>
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,264,874	\$ 2,264,874
Instruction	36,188,943	-	36,188,943
Administration, Attendance, Health	2,188,169	-	2,188,169
Pupil Transportation	3,801,364	-	3,801,364
Operations & Maintenance	5,665,464	-	5,665,464
Technology	2,561,579	-	2,561,579
Total expenditures	<u>\$ 50,405,519</u>	<u>\$ 2,264,874</u>	<u>\$ 52,670,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 62,698</u>	<u>\$ 62,698</u>
Net change in fund balances	\$ -	\$ 62,698	\$ 62,698
Fund balances - beginning	-	401,191	401,191
Fund balances - ending	<u>\$ -</u>	<u>\$ 463,889</u>	<u>\$ 463,889</u>

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

Net change in fund balances - total governmental funds - per above \$ 62,698

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. 516,539

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$ 65,529	
(Increase) decrease in other post employment benefit payable	<u>(185,857)</u>	(120,328)

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. 312,390

Change in net position of governmental activities \$ 771,299

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Charges for services	53,300	53,300	47,492	(5,808)
Miscellaneous	59,118	59,118	95,536	36,418
Recovered costs	295,000	295,000	408,469	113,469
Intergovernmental revenues:				
Local government	20,274,575	20,311,844	19,918,962	(392,882)
Commonwealth	27,055,782	27,055,782	26,203,969	(851,813)
Federal	4,019,063	4,019,063	3,728,091	(290,972)
Total revenues	<u>\$ 51,759,838</u>	<u>\$ 51,797,107</u>	<u>\$ 50,405,519</u>	<u>\$ (1,391,588)</u>
EXPENDITURES				
Current:				
Instruction	\$ 37,389,444	\$ 37,396,509	\$ 36,188,943	\$ 1,207,566
Administration, Attendance, Health	2,206,132	2,206,132	2,188,169	17,963
Pupil Transportation	3,804,814	3,804,814	3,801,364	3,450
Operations & Maintenance	5,789,651	5,819,855	5,665,464	154,391
Technology	2,569,797	2,569,797	2,561,579	8,218
Total expenditures	<u>\$ 51,759,838</u>	<u>\$ 51,797,107</u>	<u>\$ 50,405,519</u>	<u>\$ 1,391,588</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Cafeteria Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 12,000	\$ 12,000	\$ 2,172	\$ (9,828)
Charges for services	1,289,000	1,289,000	1,128,874	(160,126)
Miscellaneous	14,000	14,000	67,390	53,390
Intergovernmental revenues:				
Commonwealth	40,000	40,000	38,035	(1,965)
Federal	859,314	859,314	1,091,101	231,787
Total revenues	<u>\$ 2,214,314</u>	<u>\$ 2,214,314</u>	<u>\$ 2,327,572</u>	<u>\$ 113,258</u>
EXPENDITURES				
Current:				
Education	\$ <u>2,239,314</u>	\$ <u>2,239,314</u>	\$ <u>2,264,874</u>	\$ <u>(25,560)</u>
Total expenditures	<u>\$ 2,239,314</u>	<u>\$ 2,239,314</u>	<u>\$ 2,264,874</u>	<u>\$ (25,560)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 62,698</u>	<u>\$ 87,698</u>
Net change in fund balances	\$ (25,000)	\$ (25,000)	\$ 62,698	\$ 87,698
Fund balances - beginning	25,000	25,000	401,191	376,191
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,889</u>	<u>\$ 463,889</u>

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2012

	Scholarship Private-Purpose Trust
ASSETS	
Cash and cash equivalents	\$ 288,910
Total assets	<u>\$ 288,910</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 288,910</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2012

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 29,465
Total contributions	<u>\$ 29,465</u>
Investment earnings:	
Interest	\$ 2,758
Total investment earnings	<u>\$ 2,758</u>
Total additions	<u>\$ 32,223</u>
DEDUCTIONS	
Scholarships	\$ 13,300
Total deductions	<u>\$ 13,300</u>
Change in net position	\$ 18,923
Net position - beginning	<u>269,987</u>
Net position - ending	<u><u>\$ 288,910</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2012

	Self- Insurance Fund
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 919,621
Total assets	<u>\$ 919,621</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 644,604
Total liabilities	<u>\$ 644,604</u>
NET POSITION	
Unrestricted	\$ 275,017
Total net position	<u><u>\$ 275,017</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	Self- Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 6,420,761
Total operating revenues	<u>\$ 6,420,761</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 6,108,371
Total operating expenses	<u>\$ 6,108,371</u>
Operating income (loss)	<u>\$ 312,390</u>
Total net position - beginning	\$ (37,373)
Total net position - ending	<u><u>\$ 275,017</u></u>

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 6,093,864
Payments for premiums	<u>(6,093,864)</u>
Net cash provided (used) by operating activities	<u>\$ -</u>
 Cash and cash equivalents - beginning	 \$ <u>-</u>
Cash and cash equivalents - ending	<u>\$ <u>-</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>312,390</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (326,897)
Increase (decrease) in accounts payable	<u>14,507</u>
Total adjustments	<u>\$ (312,390)</u>
Net cash provided (used) by operating activities	<u>\$ <u>-</u></u>

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Capital Assets by Source
June 30, 2012

Governmental funds capital assets:

Land	\$	1,476,061
Buildings		80,000
Jointly owned assets		32,249,351
Machinery and equipment		10,966,002
Total governmental funds capital assets	\$	<u>44,771,414</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$	<u>44,771,414</u>
Total governmental funds capital assets	\$	<u>44,771,414</u>

(1)

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule by Function and Activity
June 30, 2012

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:					
Schools	\$ 1,476,061	\$ 32,249,351	\$ 80,000	\$ 10,966,002	\$ 44,771,414
Total governmental funds capital assets	\$ 1,476,061	\$ 32,249,351	\$ 80,000	\$ 10,966,002	\$ 44,771,414

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2012

Function and Activity	Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
Education:				
Schools	\$ 41,401,253	\$ 851,314	\$ 2,518,847	\$ 44,771,414
Total governmental funds capital assets	\$ 41,401,253	\$ 851,314	\$ 2,518,847	\$ 44,771,414

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

Discretely Presented Component Unit-Economic Development Authority

Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$	818,966
Cash in custody of others		8,313
Investments		401,911
Inventories		1,083,044
Total current assets	\$	<u>2,312,234</u>

Noncurrent assets:

Other assets:

Unamortized bond issue costs	\$	<u>48,977</u>
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Capital assets:

Land	\$	604,865
Buildings		18,402,655
Machinery and equipment		7,234
Less accumulated depreciation		<u>(4,465,917)</u>
Total capital assets	\$	<u>14,548,837</u>
Total noncurrent assets	\$	<u>14,597,814</u>
Total assets	\$	<u>16,910,048</u>

DEFERRED OUTFLOWS

Accumulated decrease in fair value of hedging derivatives	\$	<u>3,313,813</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	82,281
Due to other governmental units		458,909
Bonds payable - current portion		601,638
Total current liabilities	\$	<u>1,142,828</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	15,590,321
Derivative instrument - rate swap		<u>3,313,813</u>
Total noncurrent liabilities	\$	<u>18,904,134</u>
Total liabilities	\$	<u>20,046,962</u>

NET POSITION

Net investment in capital assets	\$	(1,643,122)
Unrestricted		<u>1,820,021</u>
Total net position	\$	<u><u>176,899</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2012

OPERATING REVENUES

Charges for services:

Rents	\$	1,539,728
Other revenues		<u>11,493</u>
Total operating revenues	\$	<u>1,551,221</u>

OPERATING EXPENSES

Contractual services	\$	21,392
Other charges		26,201
Automobile and travel expense		12,882
Depreciation and amortization		<u>743,499</u>
Total operating expenses	\$	<u>803,974</u>
Operating income (loss)	\$	<u>747,247</u>

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	15,575
Interest expense		<u>(1,003,703)</u>
Total nonoperating revenues (expenses)	\$	<u>(988,128)</u>
Change in net position	\$	(240,881)

Total net position - beginning		<u>417,780</u>
Total net position - ending	\$	<u><u>176,899</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,539,728
Receipts for miscellaneous items	11,493
Payments for operating activities	<u>(64,179.00)</u>
Net cash provided (used) by operating activities	\$ <u>1,487,042</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (566,854)
Contract deposits	(8,313)
Interest payments	<u>(997,207)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,572,374)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	\$ 225,901
Interest and dividends received	<u>15,575</u>
Net cash provided (used) by investing activities	\$ <u>241,476</u>

Net increase (decrease) in cash and cash equivalents	\$ 156,144
Cash and cash equivalents - beginning	<u>662,822</u>
Cash and cash equivalents - ending	\$ <u><u>818,966</u></u>

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

Operating income (loss)	\$ <u>747,247</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	\$ 743,499
Increase (decrease) in accounts payable and accrued liabilities	<u>(3,704)</u>
Total adjustments	\$ <u>739,795</u>
Net cash provided (used) by operating activities	\$ <u><u>1,487,042</u></u>

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,215,676	\$ 24,215,676	\$ 25,258,539	\$ 1,042,863
Real and personal public service corporation taxes	478,114	478,114	565,492	87,378
Personal property taxes	6,909,115	6,909,115	8,193,699	1,284,584
Mobile home taxes	35,000	35,000	44,881	9,881
Penalties	325,520	325,520	342,231	16,711
Interest	140,382	140,382	195,506	55,124
Total general property taxes	<u>\$ 32,103,807</u>	<u>\$ 32,103,807</u>	<u>\$ 34,600,348</u>	<u>\$ 2,496,541</u>
Other local taxes:				
Local sales and use taxes	\$ 3,669,347	\$ 3,669,347	\$ 3,729,207	\$ 59,860
Consumers' utility taxes	697,660	697,660	699,428	1,768
Electric consumption taxes	133,112	133,112	121,644	(11,468)
Business license taxes	1,386,500	1,386,500	1,516,103	129,603
Bank stock taxes	140,000	140,000	191,957	51,957
Taxes on recordation and wills	424,048	424,048	336,853	(87,195)
Hotel and motel room taxes	110,000	110,000	128,646	18,646
Restaurant food taxes	1,660,000	1,660,000	1,789,149	129,149
Total other local taxes	<u>\$ 8,220,667</u>	<u>\$ 8,220,667</u>	<u>\$ 8,512,987</u>	<u>\$ 292,320</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 18,200	\$ 18,200	\$ 35,076	\$ 16,876
Permits and other licenses	263,875	263,875	282,998	19,123
Total permits, privilege fees, and regulatory licenses	<u>\$ 282,075</u>	<u>\$ 282,075</u>	<u>\$ 318,074</u>	<u>\$ 35,999</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 132,000	\$ 132,000	\$ 113,978	\$ (18,022)
Parking fines	500	500	425	(75)
Total fines and forfeitures	<u>\$ 132,500</u>	<u>\$ 132,500</u>	<u>\$ 114,403</u>	<u>\$ (18,097)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 51,250	\$ 51,250	\$ 32,185	\$ (19,065)
Revenue from use of property	93,196	93,196	102,804	9,608
Total revenue from use of money and property	<u>\$ 144,446</u>	<u>\$ 144,446</u>	<u>\$ 134,989</u>	<u>\$ (9,457)</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (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	\$ 30,000	\$ 30,000	\$ 8,047	\$ (21,953)
Charges for law enforcement and traffic control	24,110	24,110	27,835	3,725
Charges for courthouse maintenance	17,700	17,700	14,500	(3,200)
Circuit court judge fees	34,970	34,970	37,107	2,137
Charges for courthouse security	61,430	61,430	49,025	(12,405)
Charges for probation	16,000	16,000	14,119	(1,881)
Charges for Commonwealth's Attorney	1,250	1,250	2,414	1,164
Miscellaneous dog fees	7,000	7,000	10,433	3,433
Charges for library	48,000	48,000	39,351	(8,649)
Charges for sanitation and waste removal	172,328	172,328	134,654	(37,674)
Charges for parks and recreation	270,246	270,246	271,295	1,049
Charges for community education	-	-	290	290
Charges for sale of publications and commemorative material	11,700	11,700	7,067	(4,633)
Charges for daffodil festival	51,535	51,535	50,531	(1,004)
Charges for sale of historical material	500	500	315	(185)
Total charges for services	<u>\$ 746,769</u>	<u>\$ 746,769</u>	<u>\$ 666,983</u>	<u>\$ (79,786)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 229,753</u>	<u>\$ 262,453</u>	<u>\$ 500,650</u>	<u>\$ 238,197</u>
Total miscellaneous revenue	<u>\$ 229,753</u>	<u>\$ 262,453</u>	<u>\$ 500,650</u>	<u>\$ 238,197</u>
Recovered costs:				
Recovered costs sheriff	\$ 247,623	\$ 247,623	\$ 217,774	\$ (29,849)
Recovered costs jail	30,000	30,000	20,861	(9,139)
Treasurer recovered costs	51,000	51,000	51,260	260
Probation & pretrial recovered costs	23,100	23,100	23,100	-
Demolition recovered costs	8,500	8,500	-	(8,500)
Total recovered costs	<u>\$ 360,223</u>	<u>\$ 360,223</u>	<u>\$ 312,995</u>	<u>\$ (47,228)</u>
Total revenue from local sources	<u>\$ 42,220,240</u>	<u>\$ 42,252,940</u>	<u>\$ 45,161,429</u>	<u>\$ 2,908,489</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Mobile home titling tax	40,000	40,000	38,269	(1,731)
Motor vehicle rental tax	36,000	36,000	63,709	27,709
State recordation tax	189,326	189,326	102,601	(86,725)
Communication tax	1,681,800	1,681,800	1,559,827	(121,973)
Personal property tax relief funds	2,778,639	2,778,639	2,778,640	1
Total noncategorical aid	<u>\$ 4,727,265</u>	<u>\$ 4,727,265</u>	<u>\$ 4,543,046</u>	<u>\$ (184,219)</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 344,031	\$ 344,031	\$ 342,298	\$ (1,733)
Sheriff	2,335,126	2,435,282	2,437,990	2,708
Asset forfeiture	-	-	3,722	3,722
Commissioner of revenue	118,012	118,012	118,679	667
Treasurer	121,175	121,175	120,567	(608)
Registrar/electoral board	34,476	34,476	49,243	14,767
Clerk of the Circuit Court	251,851	251,851	267,526	15,675
Total shared expenses	<u>\$ 3,204,671</u>	<u>\$ 3,304,827</u>	<u>\$ 3,340,025</u>	<u>\$ 35,198</u>
Other categorical aid:				
Emergency medical services	\$ 41,000	\$ 41,000	\$ 38,694	\$ (2,306)
Litter control grant	7,752	7,752	7,658	(94)
E911 wireless grant	54,812	54,812	41,206	(13,606)
Library grant	135,796	135,796	135,651	(145)
Abandoned auto program	15,000	15,000	1,200	(13,800)
Disaster recovery	-	32,864	32,864	-
Probation & pretrial	350,454	350,454	330,945	(19,509)
Victim-witness grant	59,729	59,729	50,134	(9,595)
Fire programs	100,000	100,000	98,530	(1,470)
Total other categorical aid	<u>\$ 764,543</u>	<u>\$ 797,407</u>	<u>\$ 736,882</u>	<u>\$ (60,525)</u>
Total categorical aid	<u>\$ 3,969,214</u>	<u>\$ 4,102,234</u>	<u>\$ 4,076,907</u>	<u>\$ (25,327)</u>
Total revenue from the Commonwealth	<u>\$ 8,696,479</u>	<u>\$ 8,829,499</u>	<u>\$ 8,619,953</u>	<u>\$ (209,546)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant				
V-stop prosecutor grant	\$ 17,500	\$ 17,500	\$ 20,279	\$ 2,779
Public assistance and welfare administration	116,147	116,147	91,013	(25,134)
Highway safety grant	-	27,900	31,573	3,673
State domestic preparedness grant	6,822	6,822	13,644	6,822
Asset forfeiture	-	-	621	621
Other federal revenue	-	-	21,086	21,086
Total categorical aid	<u>\$ 140,469</u>	<u>\$ 168,369</u>	<u>\$ 178,216</u>	<u>\$ 9,847</u>
Total revenue from the federal government	<u>\$ 140,469</u>	<u>\$ 168,369</u>	<u>\$ 178,216</u>	<u>\$ 9,847</u>
Total General Fund	<u>\$ 51,057,188</u>	<u>\$ 51,250,808</u>	<u>\$ 53,959,598</u>	<u>\$ 2,708,790</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 712	\$ 712
Total revenue from local sources	\$ -	\$ -	\$ 712	\$ 712
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,010,116	\$ 1,010,116	\$ 906,403	\$ (103,713)
Total categorical aid	\$ 1,010,116	\$ 1,010,116	\$ 906,403	\$ (103,713)
Total revenue from the Commonwealth	\$ 1,010,116	\$ 1,010,116	\$ 906,403	\$ (103,713)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,458,763	\$ 1,458,763	\$ 1,188,029	\$ (270,734)
Total categorical aid	\$ 1,458,763	\$ 1,458,763	\$ 1,188,029	\$ (270,734)
Total revenue from the federal government	\$ 1,458,763	\$ 1,458,763	\$ 1,188,029	\$ (270,734)
Total Virginia Public Assistance Fund	\$ 2,468,879	\$ 2,468,879	\$ 2,095,144	\$ (373,735)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,030	\$ 4,030	\$ 42,528	\$ 38,498
Total revenue from local sources	\$ 4,030	\$ 4,030	\$ 42,528	\$ 38,498
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 857,000	\$ 857,000	\$ 519,810	\$ (337,190)
Public assistance and welfare administration	2,470	2,470	2,427	(43)
Total categorical aid	\$ 859,470	\$ 859,470	\$ 522,237	\$ (337,233)
Total revenue from the Commonwealth	\$ 859,470	\$ 859,470	\$ 522,237	\$ (337,233)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 19,500	\$ 19,500	\$ 19,161	\$ (339)
Total categorical aid	\$ 19,500	\$ 19,500	\$ 19,161	\$ (339)
Total revenue from the federal government	\$ 19,500	\$ 19,500	\$ 19,161	\$ (339)
Total Comprehensive Services Act Fund	\$ 883,000	\$ 883,000	\$ 583,926	\$ (299,074)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ -	\$ 9,799	\$ 9,799	\$ -
Total Debt Service Fund	\$ -	\$ 9,799	\$ 9,799	\$ -
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 184	\$ 184
Total revenue from use of money and property	\$ -	\$ -	\$ 184	\$ 184
Miscellaneous revenue:				
Donations or other miscellaneous	\$ 50,000	\$ 50,000	\$ 113,409	\$ 63,409
Total miscellaneous revenue	\$ 50,000	\$ 50,000	\$ 113,409	\$ 63,409
Total revenue from local sources	\$ 50,000	\$ 50,000	\$ 113,593	\$ 63,593
Revenue from the Commonwealth:				
Categorical aid:				
Burn building grant	\$ -	\$ 200,374	\$ 194,920	\$ (5,454)
Acquisition/elevation grant	200,000	200,000	20,845	(179,155)
EMPG grant (Generator)	-	300,000	65,739	(234,261)
Total categorical aid	\$ 200,000	\$ 700,374	\$ 281,504	\$ (418,870)
Total revenue from the Commonwealth	\$ 200,000	\$ 700,374	\$ 281,504	\$ (418,870)
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 296,000	\$ 470,725	\$ 509,561	\$ 38,836
Acquisition/elevation grant	750,000	750,000	112,571	(637,429)
UASI grant (Generator)	-	-	225,000	225,000
Total categorical aid	\$ 1,046,000	\$ 1,220,725	\$ 847,132	\$ (373,593)
Total revenue from the federal government	\$ 1,046,000	\$ 1,220,725	\$ 847,132	\$ (373,593)
Total County Capital Improvements Fund	\$ 1,296,000	\$ 1,971,099	\$ 1,242,229	\$ (728,870)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 19,214	\$ 19,214
Total revenue from use of money and property	\$ -	\$ -	\$ 19,214	\$ 19,214

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Construction Fund: (Continued)				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 15,177	\$ 15,177
Total revenue from local sources	\$ -	\$ -	\$ 34,391	\$ 34,391
Revenue from the Commonwealth:				
Categorical aid:				
Emergency assistance	\$ -	\$ -	\$ 92,802	\$ 92,802
Total revenue from the Commonwealth	\$ -	\$ -	\$ 92,802	\$ 92,802
Total School Construction Fund	\$ -	\$ -	\$ 127,193	\$ 127,193
Total Primary Government	\$ 55,705,067	\$ 56,583,585	\$ 58,017,889	\$ 1,434,304
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	\$ 3,000	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 53,300	\$ 53,300	\$ 47,492	\$ (5,808)
Miscellaneous revenue:				
Other miscellaneous	\$ 59,118	\$ 59,118	\$ 95,536	\$ 36,418
Recovered costs:				
Medicaid reimbursements	\$ 150,000	\$ 150,000	\$ 236,445	\$ 86,445
Other recovered costs	145,000	145,000	172,024	27,024
Total recovered costs	\$ 295,000	\$ 295,000	\$ 408,469	\$ 113,469
Total revenue from local sources	\$ 410,418	\$ 410,418	\$ 554,497	\$ 144,079
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 20,274,575	\$ 20,311,844	\$ 19,918,962	\$ (392,882)
Total revenues from local governments	\$ 20,274,575	\$ 20,311,844	\$ 19,918,962	\$ (392,882)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,838,570	\$ 5,838,570	\$ 5,833,524	\$ (5,046)
Basic school aid	15,629,960	15,629,960	14,892,687	(737,273)
ISAP	15,717	15,717	15,717	-
Remedial summer education	8,652	8,652	6,922	(1,730)
Regular foster care	7,812	7,812	9,070	1,258
Gifted and talented	165,769	165,769	159,947	(5,822)
English as a second language	9,014	9,014	6,934	(2,080)
Special education	1,167,747	1,167,747	1,126,738	(41,009)
Textbook payment	149,413	149,413	180,197	30,784
Vocational standards of quality payments	342,588	342,588	330,557	(12,031)
Social security fringe benefits	873,048	873,048	842,388	(30,660)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 261,546	\$ 261,546	\$ 252,361	\$ (9,185)
Retirement fringe benefits	792,005	792,005	764,192	(27,813)
Group life insurance fringe benefits	33,154	33,154	31,989	(1,165)
State lottery payments	476,095	476,095	112,908	(363,187)
Early reading intervention	32,526	32,526	45,919	13,393
Project graduation	-	-	10,629	10,629
Homebound education	17,329	17,329	17,737	408
Regional program tuition	505,800	505,800	471,942	(33,858)
Vocational educational equipment	13,504	13,504	22,043	8,539
Special education - foster children	-	-	1,369	1,369
VI teacher	2,007	2,007	2,041	34
At risk payments	168,284	168,284	162,374	(5,910)
National Board Certification TC	32,500	32,500	22,500	(10,000)
Industry credential student	10,000	10,000	7,723	(2,277)
Primary class size	112,206	112,206	107,815	(4,391)
VA Preschool	68,008	68,008	68,008	-
Technology	284,000	284,000	284,000	-
Race to GED	-	-	22,088	22,088
Standards of Learning algebra readiness	35,296	35,296	37,209	1,913
Mentor teacher program	3,232	3,232	6,629	3,397
School construction	-	-	347,812	347,812
Total categorical aid	\$ 27,055,782	\$ 27,055,782	\$ 26,203,969	\$ (851,813)
Total revenue from the Commonwealth	\$ 27,055,782	\$ 27,055,782	\$ 26,203,969	\$ (851,813)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 863,238	\$ 900,853	\$ 756,800	\$ (144,053)
Title I, Federal Stimulus	-	-	37,615	37,615
State fiscal stabilization funds, Federal Stimulus	-	-	244,054	244,054
Federal Stimulus	1,249,251	1,249,251	917,590	(331,661)
Title VI-B, special education	1,258,655	1,258,655	1,258,876	221
Title VI-B, special education, Federal Stimulus	-	10,436	10,436	-
Vocational education	86,312	86,312	82,773	(3,539)
Title IID	7,315	7,315	-	(7,315)
Title II	260,455	260,455	281,390	20,935
Impact aid	75,000	75,000	69,641	(5,359)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 68,837	\$ 68,837	\$ 68,916	\$ 79
Other federal funds	150,000	101,949	-	(101,949)
Total categorical aid	\$ 4,019,063	\$ 4,019,063	\$ 3,728,091	\$ (290,972)
Total revenue from the federal government	\$ 4,019,063	\$ 4,019,063	\$ 3,728,091	\$ (290,972)
Total School Operating Fund	\$ 51,759,838	\$ 51,797,107	\$ 50,405,519	\$ (1,391,588)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 2,172	\$ (9,828)
Total revenue from use of money and property	\$ 12,000	\$ 12,000	\$ 2,172	\$ (9,828)
Charges for services:				
Cafeteria sales	\$ 1,238,500	\$ 1,238,500	\$ 1,082,035	\$ (156,465)
Other charges for services	50,500	50,500	46,839	(3,661)
Total charges for services	\$ 1,289,000	\$ 1,289,000	\$ 1,128,874	\$ (160,126)
Miscellaneous revenue:				
Other miscellaneous	\$ 14,000	\$ 14,000	\$ 67,390	\$ 53,390
Total miscellaneous revenue	\$ 14,000	\$ 14,000	\$ 67,390	\$ 53,390
Total revenue from local sources	\$ 1,315,000	\$ 1,315,000	\$ 1,198,436	\$ (116,564)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,000	\$ 40,000	\$ 38,035	\$ (1,965)
Total revenue from the Commonwealth	\$ 40,000	\$ 40,000	\$ 38,035	\$ (1,965)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 859,314	\$ 859,314	\$ 947,879	\$ 88,565
USDA commodities	-	-	143,222	143,222
Total categorical aid	\$ 859,314	\$ 859,314	\$ 1,091,101	\$ 231,787
Total revenue from the federal government	\$ 859,314	\$ 859,314	\$ 1,091,101	\$ 231,787
Total School Cafeteria Fund	\$ 2,214,314	\$ 2,214,314	\$ 2,327,572	\$ 113,258
Total Discretely Presented Component Unit - School Board	\$ 53,974,152	\$ 54,011,421	\$ 52,733,091	\$ (1,278,330)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 85,858	\$ 85,858	\$ 78,509	\$ 7,349
General and financial administration:				
County administrator	\$ 643,288	\$ 430,406	\$ 425,158	\$ 5,248
Human resources	299,970	299,970	283,360	16,610
County attorney	247,962	247,962	239,153	8,809
Commissioner of revenue	423,018	425,918	409,329	16,589
County assessor	518,714	633,214	431,659	201,555
Treasurer	624,539	624,539	595,263	29,276
Finance	391,761	416,211	412,142	4,069
Department of information technology	885,519	883,693	854,287	29,406
GIS	227,673	232,173	241,606	(9,433)
Purchasing	245,614	245,614	218,689	26,925
Other general and financial administration	187,881	180,344	174,116	6,228
Total general and financial administration	\$ 4,695,939	\$ 4,620,044	\$ 4,284,762	\$ 335,282
Board of elections:				
Electoral board and officials	\$ 197,175	\$ 217,475	\$ 217,461	\$ 14
Total board of elections	\$ 197,175	\$ 217,475	\$ 217,461	\$ 14
Total general government administration	\$ 4,978,972	\$ 4,923,377	\$ 4,580,732	\$ 342,645
Judicial administration:				
Courts:				
Circuit court	\$ 72,256	\$ 72,256	\$ 89,322	\$ (17,066)
General district court	31,750	31,750	17,186	14,564
Commissioner of accounts	500	500	650	(150)
Magistrate	1,700	1,700	104	1,596
Juvenile and domestic relations district court	19,275	19,275	20,144	(869)
Clerk of the circuit court	407,940	407,940	410,160	(2,220)
Victim and witness assistance	59,729	59,729	61,922	(2,193)
Court services unit	165,753	291,253	287,878	3,375
Group home commission	212,944	212,944	213,122	(178)
Total courts	\$ 971,847	\$ 1,097,347	\$ 1,100,488	\$ (3,141)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 582,246	\$ 582,246	\$ 544,488	\$ 37,758
Total commonwealth's attorney	\$ 582,246	\$ 582,246	\$ 544,488	\$ 37,758
Total judicial administration	\$ 1,554,093	\$ 1,679,593	\$ 1,644,976	\$ 34,617
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,276,517	\$ 4,344,536	\$ 4,403,587	\$ (59,051)
Emergency operations center	235,274	235,274	245,298	(10,024)
Total law enforcement and traffic control	\$ 4,511,791	\$ 4,579,810	\$ 4,648,885	\$ (69,075)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (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	\$ 1,787,970	\$ 1,787,970	\$ 1,784,194	\$ 3,776
Radio system	350,909	350,909	320,856	30,053
State forestry service	8,039	8,039	8,040	(1)
Office of emergency services	132,322	223,262	194,789	28,473
Total fire and rescue services	\$ 2,279,240	\$ 2,370,180	\$ 2,307,879	\$ 62,301
Correction and detention:				
County operated institutions	\$ 2,338,816	\$ 2,414,853	\$ 2,157,889	\$ 256,964
Probation & pretrial	409,207	409,207	376,165	33,042
Total correction and detention	\$ 2,748,023	\$ 2,824,060	\$ 2,534,054	\$ 290,006
Inspections:				
Building	\$ 798,988	\$ 825,838	\$ 758,630	\$ 67,208
Total inspections	\$ 798,988	\$ 825,838	\$ 758,630	\$ 67,208
Other protection:				
Animal control	\$ 314,643	\$ 314,643	\$ 298,790	\$ 15,853
Medical examiner	200	200	260	(60)
Total other protection	\$ 314,843	\$ 314,843	\$ 299,050	\$ 15,793
Total public safety	\$ 10,652,885	\$ 10,914,731	\$ 10,548,498	\$ 366,233
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 320,916	\$ 320,916	\$ 305,429	\$ 15,487
Total maintenance of highways, streets, bridges & sidewalks	\$ 320,916	\$ 320,916	\$ 305,429	\$ 15,487
Sanitation and waste removal:				
Refuse collection and disposal	\$ 6,000	\$ 6,000	\$ 6,701	\$ (701)
Total sanitation and waste removal	\$ 6,000	\$ 6,000	\$ 6,701	\$ (701)
Maintenance of general buildings and grounds:				
General properties	\$ 1,749,501	\$ 1,765,766	\$ 1,709,290	\$ 56,476
Total maintenance of general buildings and grounds	\$ 1,749,501	\$ 1,765,766	\$ 1,709,290	\$ 56,476
Total public works	\$ 2,076,417	\$ 2,092,682	\$ 2,021,420	\$ 71,262
Health and welfare:				
Health:				
Supplement of local health department	\$ 479,356	\$ 482,193	\$ 481,111	\$ 1,082
Mosquito control	93,347	124,637	122,200	2,437
Total health	\$ 572,703	\$ 606,830	\$ 603,311	\$ 3,519

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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	\$ 686,158	\$ 720,285	\$ 716,766	\$ 3,519
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 12,127	\$ 12,127	\$ 12,127	\$ -
Contribution to community education	492,257	492,857	483,422	9,435
Cable services	38,818	38,818	5,369	33,449
Contribution to County School Board	20,274,575	20,311,844	19,918,962	392,882
Total education	\$ 20,817,777	\$ 20,855,646	\$ 20,419,880	\$ 435,766
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 749,188	\$ 749,188	\$ 750,356	\$ (1,168)
Beaverdam reservoir park	179,909	184,609	173,112	11,497
Total parks and recreation	\$ 929,097	\$ 933,797	\$ 923,468	\$ 10,329
Cultural enrichment:				
Daffodil festival	\$ 51,535	\$ 51,535	\$ 47,015	\$ 4,520
Historical committee	54,682	54,682	51,169	3,513
Total cultural enrichment	\$ 106,217	\$ 106,217	\$ 98,184	\$ 8,033
Library:				
Contribution to county library	\$ 936,318	\$ 951,818	\$ 937,435	\$ 14,383
Total library	\$ 936,318	\$ 951,818	\$ 937,435	\$ 14,383
Total parks, recreation, and cultural	\$ 1,971,632	\$ 1,991,832	\$ 1,959,087	\$ 32,745
Community development:				
Planning and community development:				
Community development	\$ 381,366	\$ 406,366	\$ 352,495	\$ 53,871
Tourism	118,700	118,700	91,203	27,497
Economic development	210,844	211,394	211,385	9
Total planning and community development	\$ 710,910	\$ 736,460	\$ 655,083	\$ 81,377
Environmental management:				
Clean community program	\$ 31,446	\$ 33,246	\$ 22,699	\$ 10,547
Total environmental management	\$ 31,446	\$ 33,246	\$ 22,699	\$ 10,547
Cooperative extension program:				
Extension office	\$ 86,381	\$ 86,381	\$ 68,464	\$ 17,917
Total cooperative extension program	\$ 86,381	\$ 86,381	\$ 68,464	\$ 17,917
Total community development	\$ 828,737	\$ 856,087	\$ 746,246	\$ 109,841

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (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	\$ 325,145	\$ 850
Total General Fund	\$ 43,892,666	\$ 44,360,228	\$ 42,962,750	\$ 1,397,478
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,055,984	\$ 2,055,984	\$ 1,877,435	\$ 178,549
Public assistance	726,000	778,000	625,130	152,870
Purchased services	458,900	404,700	211,899	192,801
Grants	5,900	8,100	3,672	4,428
Board of public welfare	4,612	4,612	4,605	7
Total welfare and social services	\$ 3,251,396	\$ 3,251,396	\$ 2,722,741	\$ 528,655
Total health and welfare	\$ 3,251,396	\$ 3,251,396	\$ 2,722,741	\$ 528,655
Total Virginia Public Assistance Fund	\$ 3,251,396	\$ 3,251,396	\$ 2,722,741	\$ 528,655
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,553,000	\$ 1,553,000	\$ 984,766	\$ 568,234
Total Comprehensive Services Act Fund	\$ 1,553,000	\$ 1,553,000	\$ 984,766	\$ 568,234
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,201,337	\$ 3,201,337	\$ 3,201,337	\$ -
Interest and other fiscal charges	1,693,037	1,702,836	1,702,835	1
Principal retirement-School Leases	263,189	263,189	263,189	-
Interest and other fiscal charges-Schools Leases	18,318	18,318	18,318	-
Total Debt Service Fund	\$ 5,175,881	\$ 5,185,680	\$ 5,185,679	\$ 1
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 7,015,209	\$ 8,778,473	\$ 3,367,759	\$ 5,410,714
Equipment and vehicles	662,813	750,830	240,846	509,984
School capital assets	5,990,000	5,990,000	-	5,990,000
Total capital projects	\$ 13,668,022	\$ 15,519,303	\$ 3,608,605	\$ 11,910,698
Total County Capital Improvements Fund	\$ 13,668,022	\$ 15,519,303	\$ 3,608,605	\$ 11,910,698
School Construction Fund:				
Capital projects expenditures:				
Page Middle School	\$ -	\$ 1,935,000	\$ 1,932,167	\$ 2,833
Total School Construction Fund	\$ -	\$ 1,935,000	\$ 1,932,167	\$ 2,833
Total Primary Government	\$ 67,540,965	\$ 71,804,607	\$ 57,396,708	\$ 14,407,899

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (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	\$ 37,389,444	\$ 37,396,509	\$ 36,188,943	\$ 1,207,566
Total instruction costs	<u>37,389,444</u>	<u>37,396,509</u>	<u>36,188,943</u>	<u>1,207,566</u>
Administration, and Attendance and Health:				
School board	\$ 146,825	\$ 146,825	\$ 146,603	\$ 222
Other administration	<u>2,059,307</u>	<u>2,059,307</u>	<u>2,041,566</u>	<u>17,741</u>
Total administration of schools	<u>\$ 2,206,132</u>	<u>\$ 2,206,132</u>	<u>\$ 2,188,169</u>	<u>\$ 17,963</u>
Pupil transportation:				
Pupil transportation	\$ 3,804,814	\$ 3,804,814	\$ 3,801,364	\$ 3,450
Total pupil transportation	<u>\$ 3,804,814</u>	<u>\$ 3,804,814</u>	<u>\$ 3,801,364</u>	<u>\$ 3,450</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 5,789,651	\$ 5,819,855	\$ 5,665,464	\$ 154,391
Total operating costs	<u>\$ 5,789,651</u>	<u>\$ 5,819,855</u>	<u>\$ 5,665,464</u>	<u>\$ 154,391</u>
Technology:				
Technology	\$ 2,569,797	\$ 2,569,797	\$ 2,561,579	\$ 8,218
Total technology	<u>\$ 2,569,797</u>	<u>\$ 2,569,797</u>	<u>\$ 2,561,579</u>	<u>\$ 8,218</u>
Total education	<u>\$ 51,759,838</u>	<u>\$ 51,797,107</u>	<u>\$ 50,405,519</u>	<u>\$ 1,391,588</u>
Total School Operating Fund	<u>\$ 51,759,838</u>	<u>\$ 51,797,107</u>	<u>\$ 50,405,519</u>	<u>\$ 1,391,588</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,239,314	\$ 2,239,314	\$ 2,121,652	\$ 117,662
USDA commodities	-	-	143,222	(143,222)
Total school food services	<u>\$ 2,239,314</u>	<u>\$ 2,239,314</u>	<u>\$ 2,264,874</u>	<u>\$ (25,560)</u>
Total education	<u>\$ 2,239,314</u>	<u>\$ 2,239,314</u>	<u>\$ 2,264,874</u>	<u>\$ (25,560)</u>
Total Cafeteria Fund	<u>\$ 2,239,314</u>	<u>\$ 2,239,314</u>	<u>\$ 2,264,874</u>	<u>\$ (25,560)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 53,999,152</u>	<u>\$ 54,036,421</u>	<u>\$ 52,670,393</u>	<u>\$ 1,366,028</u>

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Statistical Section

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

5 - 7

Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 15,463,123	\$ 13,656,652	\$ 12,177,861	\$ 9,990,778
Restricted	-	-	-	-
Unrestricted	<u>26,438,615</u>	<u>20,720,020</u>	<u>16,694,480</u>	<u>15,820,860</u>
Total governmental activities net assets	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 6,470,887	\$ 9,328,625	\$ 7,299,353	\$ 6,653,014
Restricted	2,036,544	2,031,743	2,025,385	2,015,652
Unrestricted	<u>4,654,757</u>	<u>1,733,605</u>	<u>2,177,368</u>	<u>2,575,848</u>
Total business-type activities net assets	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>
Primary government				
Invested in capital assets, net of related debt	\$ 21,934,010	\$ 22,985,277	\$ 19,477,214	\$ 16,643,792
Restricted	2,036,544	2,031,743	2,025,385	2,015,652
Unrestricted	<u>31,093,372</u>	<u>22,453,625</u>	<u>18,871,848</u>	<u>18,396,708</u>
Total primary government net assets	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>

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

Table 1

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 6,263,692	\$ 8,637,111	\$ 6,392,933	\$ 7,027,169	\$ 5,429,820	\$ 6,404,714
-	-	367,597	398,179	510,268	699,863
<u>21,316,656</u>	<u>19,609,128</u>	<u>21,155,013</u>	<u>22,429,995</u>	<u>20,952,949</u>	<u>15,044,364</u>
<u>\$ 27,580,348</u>	<u>\$ 28,246,239</u>	<u>\$ 27,915,543</u>	<u>\$ 29,855,343</u>	<u>\$ 26,893,037</u>	<u>\$ 22,148,941</u>
\$ 6,500,868	\$ 6,421,570	\$ 3,676,016	\$ 2,018,698	\$ 492,739	\$ (1,696,961)
-	-	-	-	-	-
<u>3,192,808</u>	<u>2,047,347</u>	<u>756,386</u>	<u>1,584,243</u>	<u>3,028,317</u>	<u>5,442,930</u>
<u>\$ 9,693,676</u>	<u>\$ 8,468,917</u>	<u>\$ 4,432,402</u>	<u>\$ 3,602,941</u>	<u>\$ 3,521,056</u>	<u>\$ 3,745,969</u>
\$ 12,764,560	\$ 15,058,681	\$ 10,068,949	\$ 9,045,867	\$ 5,922,559	\$ 4,707,753
-	-	367,597	398,179	510,268	699,863
<u>24,509,464</u>	<u>21,656,475</u>	<u>21,911,399</u>	<u>24,014,238</u>	<u>23,981,266</u>	<u>20,487,294</u>
<u>\$ 37,274,024</u>	<u>\$ 36,715,156</u>	<u>\$ 32,347,945</u>	<u>\$ 33,458,284</u>	<u>\$ 30,414,093</u>	<u>\$ 25,894,910</u>

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

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

Table 2
Page 2 of 4

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	5,059,027	\$ 4,385,731	\$ 4,361,409	\$ 3,847,340	\$ 3,514,851	\$ 3,515,036
	1,789,176	1,498,764	1,437,573	1,394,318	1,354,943	1,634,531
	11,897,730	10,480,141	9,293,694	8,505,036	8,842,271	7,242,241
	1,991,262	2,032,499	1,676,331	1,469,138	1,453,010	1,434,062
	4,065,857	3,953,184	3,728,909	3,800,505	3,411,223	3,249,649
	24,969,859	23,035,692	24,779,632	20,447,731	19,006,986	18,371,729
	2,015,572	1,898,798	1,883,177	1,508,612	2,719,637	4,180,678
	2,780,816	1,534,243	1,027,936	1,129,146	1,245,316	1,777,142
	1,754,490	1,559,087	1,611,850	1,694,134	1,986,667	1,944,817
	<u>56,323,789</u>	<u>50,378,139</u>	<u>49,800,511</u>	<u>43,795,960</u>	<u>43,534,904</u>	<u>43,349,885</u>
	<u>4,223,756</u>	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
	<u>4,223,756</u>	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
\$	<u>60,547,545</u>	<u>54,341,848</u>	<u>53,664,887</u>	<u>47,571,688</u>	<u>47,315,983</u>	<u>46,796,557</u>
\$	-	\$ -	\$ 19,708	\$ 14,787	\$ -	\$ -
	336,565	317,029	310,705	300,909	104,569	243,866
	544,106	51,673	43,548	381,615	506,593	3,464
	390,002	378,457	372,641	485,569	453,178	526,524
	1,676	1,584	1,967	-	-	4,588
	362,618	321,156	356,987	308,486	289,514	277,030
	27,180	579,845	439,566	17,169	27,464	10,483
	7,595,236	7,314,692	6,825,175	6,905,210	6,892,182	5,927,266
	1,948,761	1,069,233	1,086,133	208,270	657,824	461,189
\$	<u>11,206,144</u>	<u>10,033,669</u>	<u>9,456,430</u>	<u>8,622,015</u>	<u>8,931,324</u>	<u>7,465,977</u>
\$	3,332,589	\$ 3,072,172	\$ 3,312,253	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
	1,058,499	705,200	26,943	-	-	-
	-	3,036,901	214,190	-	-	-
	<u>4,391,088</u>	<u>6,814,273</u>	<u>3,553,386</u>	<u>2,800,738</u>	<u>2,776,662</u>	<u>2,960,089</u>
\$	<u>15,597,232</u>	<u>16,847,942</u>	<u>13,009,816</u>	<u>11,422,753</u>	<u>11,707,986</u>	<u>10,426,066</u>
\$	(45,117,645)	\$ (40,344,470)	\$ (40,344,081)	\$ (35,173,945)	\$ (34,603,580)	\$ (35,883,908)
	167,332	2,850,564	(310,990)	(974,990)	(1,004,417)	(486,583)
\$	<u>(44,950,313)</u>	<u>(37,493,906)</u>	<u>(40,655,071)</u>	<u>(36,148,935)</u>	<u>(35,607,997)</u>	<u>(36,370,491)</u>

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

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

	2008	2007	2006	2005	2004	2003
\$	30,064,891	\$ 27,475,955	\$ 23,039,459	\$ 25,460,056	\$ 26,844,694	\$ 23,117,558
	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	8,558,339
	951,284	1,318,342	668,054	440,890	221,448	280,952
	583,074	719,956	853,784	213,490	1,375,249	3,539,593
	3,014,716	1,727,129	4,508,558	2,769,484	2,906,969	2,775,813
	-	(22,282)	-	-	-	-
	(800,000)	(900,000)	(900,000)	(897,298)	(700,000)	(694,872)
\$	<u>44,451,754</u>	<u>\$ 40,675,166</u>	<u>\$ 38,404,281</u>	<u>\$ 38,137,251</u>	<u>\$ 40,078,001</u>	<u>\$ 37,577,383</u>
\$	36,222	\$ 36,441	\$ 37,861	\$ 41,988	\$ 43,111	\$ 40,639
	221,205	249,510	202,590	117,589	36,393	94,144
	800,000	900,000	900,000	897,298	700,000	694,872
\$	<u>1,057,427</u>	<u>\$ 1,185,951</u>	<u>\$ 1,140,451</u>	<u>\$ 1,056,875</u>	<u>\$ 779,504</u>	<u>\$ 829,655</u>
\$	<u>45,509,181</u>	<u>\$ 41,861,117</u>	<u>\$ 39,544,732</u>	<u>\$ 39,194,126</u>	<u>\$ 40,857,505</u>	<u>\$ 38,407,038</u>
\$	(665,891)	\$ 330,696	\$ (1,939,800)	\$ 2,963,306	\$ 5,474,421	\$ 1,693,475
	1,224,759	4,036,515	829,461	81,885	(224,913)	343,072
\$	<u>558,868</u>	<u>\$ 4,367,211</u>	<u>\$ (1,110,339)</u>	<u>\$ 3,045,191</u>	<u>\$ 5,249,508</u>	<u>\$ 2,036,547</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund				
Reserved	\$ -	\$ -	\$ 149,442	\$ 238,285
Unreserved	-	-	14,334,402	12,622,904
Nonspendable	52,204	50,598	-	-
Restricted	128,885	132,450	-	-
Committed	921,746	799,389	-	-
Unassigned	15,321,565	14,967,748	-	-
Total General Fund	<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>
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	-	-
Committed	9,840,182	5,225,558	-	-
Assigned	239,297	-	-	-
Total all other governmental funds	<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>

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

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 495,576	\$ 500,502	\$ 556,862	\$ 398,179	\$ 510,268	\$ 731,387
13,140,232	12,994,355	15,953,192	15,503,657	17,620,647	11,933,486
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 13,635,808</u>	<u>\$ 13,494,857</u>	<u>\$ 16,510,054</u>	<u>\$ 15,901,836</u>	<u>\$ 18,130,915</u>	<u>\$ 12,664,873</u>
\$ 2,389,898	\$ 6,150,997	\$ -	\$ -	\$ -	\$ -
-	-	63,974	63,974	169,644	127,218
649	801	75,116	24,165	488	280
5,466,719	6,585,325	3,847,743	4,032,730	8,167,302	2,445,595
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,857,266</u>	<u>\$ 12,737,123</u>	<u>\$ 3,986,833</u>	<u>\$ 4,120,869</u>	<u>\$ 8,337,434</u>	<u>\$ 2,573,093</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2012	2011	2010	2009
REVENUES				
General property taxes	\$ 34,600,348	\$ 32,277,667	\$ 31,916,749	\$ 32,090,454
Other local taxes	8,512,987	8,188,114	9,727,703	9,868,013
Permits, privilege fees, and regulatory licenses	318,074	262,490	285,060	421,907
Fines and forfeitures	114,403	87,571	120,804	94,148
Revenue from the use of money and property	154,387	159,151	203,980	273,362
Charges for services	666,983	716,673	816,885	978,630
Miscellaneous	672,476	516,200	477,007	543,271
Recovered costs	312,995	306,934	360,700	413,418
Intergovernmental revenues:				
Commonwealth	10,422,899	10,517,539	9,033,241	9,927,995
Federal	2,242,337	2,041,209	2,638,453	2,940,280
Total revenues	\$ 58,017,889	\$ 55,073,548	\$ 55,580,582	\$ 57,551,478
EXPENDITURES				
Current:				
General government administration	\$ 4,580,732	\$ 4,391,984	\$ 4,796,836	\$ 4,766,294
Judicial administration	1,644,976	1,511,513	1,473,565	1,619,429
Public safety	10,548,498	10,237,522	10,430,536	10,622,469
Public works	2,021,420	1,879,012	1,866,165	1,873,556
Health and welfare	4,424,273	4,487,974	4,482,064	4,348,208
Education	20,419,880	20,969,964	20,323,168	21,703,289
Parks, recreation, and cultural	1,959,087	1,834,819	1,857,339	1,970,594
Community development	746,246	731,327	728,581	776,991
Nondepartmental	325,145	263,170	272,035	272,035
Capital projects	5,540,772	2,925,484	2,698,567	19,493,940
Debt service:				
Principal retirement	3,201,337	3,394,093	3,385,644	3,055,466
Interest and other fiscal charges	1,702,835	1,858,998	2,012,572	2,547,578
Principal retirement-School leases	263,189	-	-	-
Interest and other fiscal charges-School	18,318	-	-	-
Total expenditures	\$ 57,396,708	\$ 54,485,860	\$ 54,327,072	\$ 73,049,849
Excess (deficiency) of revenues over (under) expenditures	\$ 621,181	\$ 587,688	\$ 1,253,510	\$ (15,498,371)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,042,633	\$ 6,671,343	\$ 6,578,300	\$ 7,891,873
Transfers out	(10,522,633)	(7,171,343)	(7,078,300)	(8,571,873)
Proceeds from general obligation bonds	500,000	-	-	-
Proceeds from bond issuance premium	-	-	-	-
Proceeds of capital leases	-	-	-	11,245,000
Insurance recovery	4,686,955	3,793,840	-	-
Advance refunding of bonds	-	-	-	-
Refunding of capital lease	-	-	-	-
Total other financing sources (uses)	\$ 4,706,955	\$ 3,293,840	\$ (500,000)	\$ 10,565,000
Net change in fund balances	\$ 5,328,136	\$ 3,881,528	\$ 753,510	\$ (4,933,371)
Fund balances - beginning	21,194,743	17,313,215	16,559,705	21,493,076
Fund balances - ending	\$ 26,522,879	\$ 21,194,743	\$ 17,313,215	\$ 16,559,705
Debt Service as a percentage of noncapital expenditures	9.53%	9.84%	10.26%	9.88%

N/A - This information was unavailable.

Table 4

2008	2007	2006	2005	2004	2003
\$ 29,677,158	\$ 27,371,520	\$ 26,432,859	\$ 25,361,237	\$ 24,578,024	\$ 23,089,347
10,637,789	10,356,066	10,234,426	10,150,629	9,429,641	8,190,587
505,444	561,291	442,365	358,550	325,348	367,752
111,970	90,068	99,699	124,446	94,788	69,936
909,595	1,296,199	645,911	418,748	206,686	280,952
1,044,733	998,385	1,003,058	1,025,539	961,182	1,007,586
583,074	719,956	853,784	213,490	1,375,249	3,539,593
300,414	242,889	224,721	187,266	235,694	327,999
9,467,389	8,822,084	8,287,161	7,513,836	7,561,900	7,137,791
3,091,324	2,678,290	2,743,385	2,368,128	2,895,075	2,026,477
\$ 56,328,890	\$ 53,136,748	\$ 50,967,369	\$ 47,721,869	\$ 47,663,587	\$ 46,038,020
\$ 4,744,278	\$ 4,292,566	\$ 4,114,209	\$ 3,716,011	\$ 3,252,076	\$ 3,264,643
1,616,046	1,311,561	1,256,090	1,188,720	1,134,736	1,072,443
10,657,869	10,124,699	8,832,107	8,495,083	8,652,538	7,017,379
1,820,371	1,717,936	1,606,088	1,485,546	1,453,195	1,349,677
4,001,667	3,920,276	3,685,808	3,744,821	3,386,685	3,296,833
21,561,837	20,123,728	18,415,298	17,195,819	16,080,604	15,708,844
2,040,444	1,879,698	1,708,483	1,486,361	1,242,768	1,112,185
828,242	908,769	803,212	735,022	726,647	794,845
271,250	242,300	199,126	165,327	1,362,005	3,673,350
15,512,754	5,091,488	5,173,233	10,227,835	2,541,164	2,880,899
2,317,442	2,125,399	2,237,523	3,041,103	2,186,094	2,288,399
1,603,656	1,430,257	2,202,010	1,788,567	1,682,544	1,972,079
-	-	-	-	-	-
-	-	-	-	-	-
\$ 66,975,856	\$ 53,168,677	\$ 50,233,187	\$ 53,270,215	\$ 43,701,056	\$ 44,431,576
\$ (10,646,966)	\$ (31,929)	\$ 734,182	\$ (5,548,346)	\$ 3,962,531	\$ 1,606,444
\$ 6,288,819	\$ 10,171,364	\$ 8,122,258	\$ 11,187,176	\$ 4,629,367	\$ 6,033,929
(7,088,819)	(11,071,364)	(9,022,258)	(12,084,474)	(5,329,367)	(6,728,801)
6,364,713	6,505,000	-	-	7,525,000	-
343,349	162,022	-	-	442,852	-
-	-	8,205,000	-	1,589,921	-
-	-	-	-	-	-
-	-	(7,565,000)	-	-	-
-	-	-	-	(1,589,921)	-
\$ 5,908,062	\$ 5,767,022	\$ (260,000)	\$ (897,298)	\$ 7,267,852	\$ (694,872)
\$ (4,738,904)	\$ 5,735,093	\$ 474,182	\$ (6,445,644)	\$ 11,230,383	\$ 911,572
26,231,980	20,496,887	20,022,705	26,468,349	15,237,966	14,326,394
\$ 21,493,076	\$ 26,231,980	\$ 20,496,887	\$ 20,022,705	\$ 26,468,349	\$ 15,237,966
6.76%	6.90%	n/a	n/a	n/a	n/a

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 25,674,400	0.61 %	\$ 5,684,200	0.28 %
Wal-Mart Real Estate Business Trust	13,599,900	0.32	11,454,800	0.57
York River Crossing Assoc., LLC	12,562,800	0.30	8,169,600	0.40
Lowe's Home Center, Inc.	8,446,000	0.20		
Gloucester Medical Arts I, LLC	8,181,200	0.20		
Horn Harbor Nursing Home Inc.	7,188,600	0.17	4,998,800	0.25
Timberneck, LLC	5,993,400	0.14		
Thousand Trail, Inc.	5,522,100	0.13	3,743,550	0.19
GH2, LLC	5,493,500	0.13		
E. Clairborne Robins, Jr.	5,415,400	0.13	4,757,600	0.24
Waste Management Disposal Services			5,758,700	0.29
Butler Inv I, II, III			5,028,200	0.25
Retail Trust III			4,459,600	0.22
Newport New General & Non-Sectarian Hospital			4,252,917	0.21
	<u>\$ 98,077,300</u>	<u>2.33 %</u>	<u>\$ 58,307,967</u>	<u>2.90 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)			Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 18,672,765	\$ 5,357	\$ 18,678,122	\$ 18,032,870	96.57%	\$ 643,626	\$ 18,676,496	99.99%
2004	19,067,303	(7,421)	19,059,882	18,502,834	97.04%	555,230	19,058,064	99.99%
2005	19,480,506	(1,907)	19,478,599	18,931,208	97.18%	544,152	19,475,360	99.98%
2006	20,261,412	1,515	20,262,927	19,792,078	97.68%	465,305	20,257,383	99.97%
2007	21,213,981	51,657	21,265,638	20,665,168	97.41%	592,426	21,257,594	99.96%
2008	22,593,114	32,894	22,626,008	21,946,260	97.14%	668,040	22,614,300	99.95%
2009	23,972,690	30,477	24,003,167	23,326,961	97.31%	649,126	23,976,087	99.89%
2010	24,014,793	9,776	24,024,569	23,210,366	96.65%	719,764	23,930,130	99.61%
2011	23,809,339	8,860	23,818,199	23,017,397	96.67%	515,961	23,533,358	98.80%
2012	25,336,144	-	25,336,144	24,405,721	96.33%	-	24,405,721	96.33%

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
2003	\$ 1,823,492	\$ 219,882	\$ 207,375	\$ 1,835,999	\$ 0.95	\$ 2,389,314
2004	1,851,153	240,989	208,335	1,883,807	0.95	2,143,254
2005	1,884,559	251,481	208,729	1,927,310	0.95	2,972,313
2006	3,431,000	376,354	261,229	3,546,125	0.57	3,546,125
2007	3,677,597	370,363	275,987	3,771,973	0.57	4,238,172
2008	3,698,100	379,187	277,551	3,799,736	0.61	4,269,366
2009	3,878,566	388,516	271,530	3,995,552	0.61	4,597,873
2010	4,018,849	443,021	305,263	4,156,607	0.58	4,156,607
2011	4,031,331	438,534	309,207	4,160,658	0.58	4,160,658
2012	4,059,088	439,874	306,387	4,192,575	0.65	4,192,575

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Six 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

(1) Source: Commissioner of Revenue

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

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government		
2003	\$ 7,780,000	\$ 7,343,520	\$ 12,071,108	\$ 252,454	\$ 30,606,681	\$ 58,053,763	5.89%	\$ 1,645.47
2004	14,255,000	6,703,520	11,689,935	222,838	29,696,963	62,568,256	5.92%	1,758.23
2005	12,885,000	6,063,520	10,658,832	191,707	28,727,760	58,526,819	5.37%	1,636.70
2006	11,685,000	5,423,520	10,901,309	158,983	27,572,046	55,740,858	4.70%	1,532.98
2007	17,140,000	4,783,520	10,465,911	124,585	25,970,976	58,484,992	4.68%	1,615.47
2008	22,299,713	4,143,520	9,993,469	91,502	25,244,723	61,772,927	4.53%	1,695.29
2009	20,964,978	3,603,520	20,057,944	53,636	23,760,999	68,441,077	5.03%	1,861.03
2010	19,612,967	3,063,520	18,564,311	10,465	22,250,330	63,501,593	4.60%	1,722.87
2011	16,569,674	2,523,520	18,282,741	-	20,696,418	58,072,353	N/A	1,570.07
2012	15,236,946	1,983,520	17,661,713	-	22,663,000	57,545,179	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

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds			Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total		
2003	\$ 7,780,000	\$ 252,454	\$ 8,032,454	\$ 228.84	0.34%
2004	14,255,000	222,838	14,477,838	410.36	0.68%
2005	12,885,000	191,707	13,076,707	367.47	0.44%
2006	11,685,000	158,983	11,843,983	331.22	0.33%
2007	17,140,000	124,585	17,264,585	474.81	0.41%
2008	22,299,713	91,502	22,391,215	618.49	0.52%
2009	20,964,978	53,636	21,018,614	576.83	0.46%
2010	19,612,967	10,465	19,623,432	533.59	0.47%
2011	16,569,674	-	16,569,674	449.55	0.40%
2012	15,236,946	-	15,236,946	411.95	0.36%

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

(a) See Table 7 for property value data

(b) Population data can be found in Table 12

N/A- The information was unavailable.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage
							Principal	Interest	
2003	\$	2,960,089	\$	1,204,079	\$	1,756,010	\$ 892,350	\$ 1,645,784	0.69
2004		2,776,662		1,384,083		1,392,579	939,334	1,605,947	0.55
2005		2,800,738		1,450,247		1,350,491	1,000,334	1,548,278	0.53
2006		3,339,196		1,589,324		1,749,872	747,709	1,486,498	0.78
2007		3,072,172		1,710,994		1,361,178	633,749	1,384,845	0.67
2008		3,332,589		2,031,348		1,301,241	746,086	1,283,177	0.64
2009		3,155,016		2,334,014		821,002	1,508,273	1,199,560	0.30
2010		3,983,717		2,512,351		1,471,366	1,549,417	1,116,472	0.55
2011		3,992,815		2,262,613		1,730,202	1,553,840	1,045,582	0.67
2012		3,893,650		2,780,595		1,113,055	1,790,872	1,063,304	0.39

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)
2002	35,100	\$ 942,410	\$ 26,849	3.2	6,350
2003	35,281	986,458	27,960	3.2	6,309
2004	35,586	1,057,181	29,708	3.0	6,147
2005	35,759	1,090,866	30,506	3.1	6,078
2006	36,361	1,185,316	32,599	2.6	6,000
2007	36,203	1,250,578	34,543	2.5	5,949
2008	36,438	1,364,129	37,437	3.5	5,910
2009	36,776	1,360,621	36,998	6.1	5,925
2010	36,858	1,379,324	37,423	6.4	5,860
2011	36,987	N/A	N/A	5.2	5,925

Sources:

(1) Weldon Cooper Center for Public Service at the University of Virginia

(2) Bureau of Economic Analysis

(3) Virginia Employment Commission

(4) Gloucester County Schools (Budget Document)

N/A - This information was unavailable.

Principal Employers
Current Year and Nine Years Ago

Employer	2012		2003	
	Employees	Percentage of Total County Employment	Employees	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
Wal-Mart	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
County of Gloucester	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
Rappahannock Community College	250 - 499	2.5 - 4.9		
York Convalescent Center	100 - 249	1 - 2.4		
Lowes	100 - 249	1 - 2.4		
Food Lion	100 - 249	1 - 2.4		
Industrial Resources Technologies	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Dominion Virginia Power			100 - 249	1 - 2.4
Verizon			100 - 249	1 - 2.4
BB&T			100 - 249	1 - 2.4
Gloucester Mathews Gazette Journal			20 - 49	Less than 1
Rappahannock Concrete			20 - 49	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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	2	3	3	2	1.5	1.5	3	3
Human Resources	4	4	4	4	4	4	4	3	3	3
Commission of Revenue	7.5	7.5	8.5	9.5	9.5	9.5	9	10	9	9
County Assessor	6.5	6.5	6	6	6	4	4	2	2	2
Treasurer	9	9	10	10.5	10.5	10.5	10.5	10	9.5	9.5
Finance	5	5	5	5	5	5	5	5	5	5
Information Technology	9	12.5	13	13	13	13	11.5	11.5	11.5	11
GIS	3.5	-	-	-	-	-	-	-	-	-
Purchasing	3	3	4	4	3.5	3.5	3	3	3	3
VA Housing Dev. Authority	-	-	2	2	2.5	2.5	2	2	2	2
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2	1.5	1.5	1.5
Judicial										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	7	7	7	7	7	7	6.5	6.5	6.5	6
Victim Witness	1.5	1.5	1.5	1	1	1	1	1	1	1
Commonwealth Attorney	7.5	8	8.5	8.5	8.5	7.5	7.5	7.5	7.5	7
Public Safety										
Sheriff	50	48	49	53	53	53.5	53.5	89	85	84.5
E-911	11.5	11.5	11.5	12	12	12	12	11	11	10
Jail (included w/Sheriff until 2006)	35	35.5	38	38	38	38.5	38.5	0	0	0
Probation/Pretrial	7	7.5	7.5	7.5	8	0	0	0	0	0
Codes	13	13	14	16	16	16	14	13.5	13.5	12.5
Animal Control	5	5	5	5	5	5	5	4	4	4
Emergency Services	1.5	1.5	1.5	2.5	2.5	2.5	2	2	0	0
Public Works										
Engineering	4	3	4	4	3	3	3	3	3	3
Buildings & Grounds	28.5	28	28	29	28	28	28.5	27.5	27.5	26
Education										
Community Education	7.5	8	8	8	8	8	8	8	8	8
Cable Services	0.5	0	0.5	0.5	0.5	0.5	0.5	0	0	0
Parks, Recreation & Cultural										
Parks & Recreation	8.5	8.5	8.5	8.5	8.5	8.5	7	6	6	6
Beaverdam	2	2	3	3	3	3	4	4	4	3
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	12	12	12	12	12	12	11	11
Community Development										
Planning	5	5	5	5	5	5	4	4	4	4
Economic Development	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	1	1	1	1	1	1	1	1	1	1
VA Cooperative Extension	1	1	1	1	1	1	1	1	3.5	3
Utilities										
	26	25	25.5	27.5	24	21.5	20.5	20.5	20.5	20.5
TOTAL	302.5	299	312	324.5	319.5	306	297	286	281.5	274.5

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

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

	2012	2011	2010	2009	2008
Sheriff's Department (1)					
Reports taken	N/A	37,076	36,219	31,434	35,954
Civil processed record workload	N/A	38,266	30,255	25,923	23,771
Circuit court days	N/A	168	180	213	215
General district court days	N/A	115	113	110	114
Juvenile and domestic court days	N/A	145	162	180	188
Inmate average daily population	N/A	74	77	82	84
Parks, Recreation & Tourism (2)					
Number of Participants	4,019	4,170	4,393	4,670	4,455
Library (3)					
Material circulated	216,787	229,986	241,379	227,053	210,797
Library patrons	31,769	32,786	36,284	33,132	31,444
Water system (4)					
Number of customers	4,565	4,523	4,499	4,470	4,399
Average daily consumption	927,970	898,890	886,783	987,400	942,101
Annual consumption in gallons	338,710,000	328,093,098	323,676,000	360,401,000	343,867,000

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

2007	2006	2005	2004	2003
3,166	3,229	3,045	3,045	N/A
21,907	11,257	7,887	9,457	10,341
140	145	156	174	167
110	116	106	113	117
153	156	149	166	169
89	79	82	86	96
4,437	4,301	3,858	3,104	N/A
196,633	186,519	178,469	121,688	115,775
29,133	19,584	18,089	15,019	15,244
4,276	4,187	4,099	4,064	4,019
900,460	874,616	833,394	874,504	847,161
328,668,000	319,235,000	304,189,000	319,194,000	309,214,000

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

Customer name	2012		2003	
	Monthly Average Water Usage (1)	Daily (1)	Monthly Average Water Usage (1)	Daily (1)
Riverside Walter Reed Hospital	495,000	16,500	510,000	17,000
V.I.M.S.-MRL	440,000	14,667	-	-
Walter Reed Convalescent Center	345,000	11,500	550,000	18,333
V.I.M.S.-Chesapeake Bay Hall	302,000	10,067	408,000	13,600
Sierra Communities	248,000	8,267	-	-
Colonial Point Apartments	225,000	7,500	-	-
York River Yacht Haven	195,000	6,500	288,000	-
Gloucester County Jail	192,000	6,400	225,000	-
York River MHP	185,000	6,167	-	-
Thalhimer	169,000	5,633	-	-
V.I.M.S.-Franklin Hall	-	-	352,000	-
U-Do-It Laundry	-	-	254,000	-
Super Wal-Mart	-	-	192,000	-
Sanders Nursing Home	-	-	188,000	-
Riverside Wellness Center	-	-	158,000	-

(1) Source - Gloucester County Utility Department

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	33	34	27	27	27
Jail	1	1	1	1	1
Mobil Command Center	1	1	1	1	1
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	221	185	185	185	185
Park acreage leased	44	40	40	40	40
Library (4)					
Number of libraries	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1
Water system (5)					
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

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

Table 17

2007	2006	2005	2004	2003
1	1	1	1	1
27	27	27	27	27
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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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Gloucester, Virginia in a separate letter dated November 12, 2012.

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

Rofman, Fann, Cox Associates
Richmond, Virginia
November 12, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2012. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

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

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

Rofman, Fama, Cox Associates
Richmond, Virginia
November 12, 2012

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	\$ 19,161
Temporary Assistance for Needy Families	93.558	0400109/0400110	243,375
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	446
Low-Income Home Energy Assistance	93.568	0600409/0600410	20,313
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	75,709
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	81,292
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	849
Foster Care - Title IV-E	93.658	1100109/1100110	157,359
Adoption Assistance	93.659	1120109/1120110	84,533
Social Services Block Grant	93.667	1000109/1000110	160,572
Chafee Foster Care Independence Program	93.674	9150108-9150110	3,370
Children's Health Insurance Program	93.767	0540109/0540110	7,172
Medical Assistance Program	93.778	1200109/1200110	167,104
Total Department of Health and Human Services-pass through			\$ 1,021,255
Total Department of Health and Human Services			\$ 1,021,255
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
National school breakfast program	10.553	1790100-40591	121,263
Department of Agriculture:			
Food Distribution--School	10.555	N/A	\$ 143,222
Department of Education:			
National school lunch program	10.555	1790100-40623	826,616
Sub-total CFDA 10.555			\$ 969,838
Department of Education:			
Department of Social Services:			
Nutrition Assistance Program	10.561	0010109/0010110	276,948
Total Department of Agriculture			\$ 1,368,049
Department of Justice:			
Direct payments:			
Bulletproof vest partnership program	16.607	N/A	\$ 4,405
Forfeited assets	16.xxx	N/A	621
Total Department of Justice - direct			\$ 5,026
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	3900100-46500	\$ 30,984
Total Department of Justice - pass-through			\$ 30,984
Total Department of Justice			\$ 36,010

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012 (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:			
Nonprofit Security Program	97.008	7750100-52889	\$ 225,000
Emergency Management Performance Grants	97.042	7750100-52749	13,644
Repetitive Flood Claims	97.092	RFC-2010-073-001	33,157
State Homeland Security Program	97.073	7750100-52749	843
Hazardous Mitigation Grant Program	97.039	7760200-111,132	<u>79,414</u>
Total Department of Homeland Security			\$ <u>352,058</u>
Department of Transportation:			
Direct Payments:			
Highway Planning and Construction (ISTEA)	20.205	N/A	\$ <u>509,561</u>
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	6050700-50182,59195	<u>36,706</u>
Total Department of Transportation			\$ <u>546,267</u>
Department of the Navy:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ <u>68,916</u>
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ <u>69,641</u>
Pass Through Payments:			
Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	756,800
ARRA - Title I Grants to Local Educational Agencies	84.389	1790100-42913	37,615
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,258,876
ARRA - Special Education - Grants to States	84.391	1790100-61245	10,436
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	82,773
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	1790100-62532	244,054
Improving Teacher Quality State Grants	84.367	1790100-61480	281,390
ARRA - Education jobs fund	84.410	1790100-62700	<u>917,590</u>
Total Department of Education - pass-through			\$ <u>3,589,534</u>
Total Department of Education			\$ <u>3,659,175</u>
Total Expenditures of Federal Awards			\$ <u><u>7,051,730</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

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, 2012. 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	\$	178,216
Debt Service Fund		9,799
Special Revenue Funds:		
Virginia Public Assistance Fund		1,188,029
CSA Fund		19,161
Capital Projects Funds:		
County Capital Projects Fund		847,132
Total primary government	\$	<u>2,242,337</u>

Component Unit Public Schools:

School Operating Fund	\$	3,728,091
School Cafeteria Fund		1,091,101
Total component unit public schools	\$	<u>4,819,192</u>

Less: BABs federal interest rate subsidy	\$	<u>(9,799)</u>
Total federal expenditures per basic financial statements	\$	<u>7,051,730</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>7,051,730</u></u>
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COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
20.205	Highway Planning and Construction
84.394	State Fiscal Stabilization Funds-Education
	State grants, Recovery Act
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.